

## BIG STONE, CHIPPEWA, LAC QUI PARLE, SWIFT, AND YELLOW MEDICINE COUNTIES

# Economic Impact of New Residents

### INTRODUCTION

The newly released 2010 census data continues to tell a story of population decline in western and southwestern Minnesota. But general population trends only tell part of the story. Many researchers have highlighted declines in the number of college-age adults in the region, calling the trend a “brain drain.” Further examination of population trends, however, has uncovered a corresponding “brain gain” in the same communities where the population of prime working age individuals (ages 35-44) has increased. These individuals are often well-educated, have professional job skills, and bring their families along on the move to rural Minnesota. They also bring more money to these communities, resulting in a “rural rebound.”



**Ben Winchester and rural family**

Given these observations, community leaders in Big Stone, Chippewa, Lac Qui Parle, Swift, and Yellow Medicine counties in southwestern Minnesota decided to establish a regional recruitment committee and subcommittees, or working groups, to study four key issues: 1) the drivers of the rural rebound, 2) ways to continue attracting new residents to the region, 3) ways to retain new residents, and 4) the economic significance of newcomers’ presence in the community. This fact sheet focuses on the fourth key issue— the economic value of newcomers. In 2010, the working group looking at this issue commissioned a University of Minnesota Extension economic impact analysis (EIA) study to measure the economic impact of new residents in the five-county region.

New residents create economic impact as they bring new dollars into the region through both their household spending and their business activities. The study used data collected from two surveys of new residents to determine total newcomer expenditures in the region. These dollar amounts were then entered into an input-output model to determine the total economic impact, or ripple effect, created by the newcomer spending.

## BY THE NUMBERS

For the study, new residents in the five counties were asked to complete surveys regarding their household spending, as well as expenditures related to business ownership, if applicable. The analysis is based on 99 newcomer households which represent 150 working-age adults and 14 newcomer-owned businesses. Here are the study's key findings:

- The surveyed newcomers reported \$6.6 million in household income in 2009 and 2010. This equates to an average household income of \$66,000.
- New, expanded, or relocated businesses owned by the newcomers reported spending \$108,000 in the region.
- The total economic impact of the surveyed newcomers' business and household spending is \$9.1 million, encompassing 174 jobs and \$7.2 million in labor income (including wages, salaries, and benefits).
- Top industries impacted by the presence of newcomers in the community include wholesale and retail trade, food and drinking establishments, housing, and health care.
- While the survey was not random, and therefore the results cannot be extrapolated outside the study region, the average newcomer household contributed \$92,000 in economic activity to the region in 2009/2010.

## IMPLICATIONS FOR FUTURE RESEARCH AND IMPLEMENTATION

The Extension EIA study helps address a key issue under examination by the regional recruitment committee. The results, however, raise a set of additional questions that warrant investigation. Collecting more business data would aid in answering some of those questions. It is human nature to be less forthcoming about expenditures. Therefore, it is not surprising that less than half of the responding business-owning newcomers studied provided their expenditure information. More business expenditure data could provide more detail and more powerful information for decision-making. Total local expenditures by newcomer businesses are likely much higher than reported.

The results also illustrate the potential for community leaders to assist newcomers in successfully becoming business owners. For example, survey responses include intriguing information on the types of businesses in which newcomers engaged. Comparing the profile of newcomer businesses to the general mix of current businesses could provide a wealth of useful information.

## REFLECTIONS

The University of Minnesota Extension research poses an overarching question, “How do communities support newcomers in their business endeavors?” Other questions then fall out from that. For example, given the desire of newcomers to own their own businesses, should the community provide business succession planning? Entrepreneurship development? Business retention and expansion programming? More?



It would also be useful to learn whether newcomer-owned businesses generally following the same business mix pattern that already exists in the region. Or are newcomers more likely to start unique businesses? If newcomers purchase an existing business, what changes do they make to the product line?

Finally, what does all this mean for the community? And what are the best ways to support this business development?

## LEARN MORE

Visit <http://www.extension.umn.edu/community/brain-gain/> to learn more about University of Minnesota Extension brain gain research and to view the full economic impact analysis study.

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