

EXECUTIVE SUMMARY

**Midway University
Business Retention and Expansion Program
St. Paul, Minnesota**

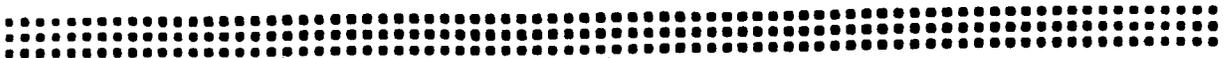
Local Sponsors:

**University UNITED
McKnight Foundation
St. Paul Port Authority
Western Bank and Insurance Agency
Concordia College**

Applied Research and Educational Assistance Provided by:

**Business Retention and Expansion Strategies Program
Minnesota Extension Service/University of Minnesota**

April 1996



MINNESOTA EXTENSION SERVICE

UNIVERSITY OF MINNESOTA

Executive Summary: Research Findings and Priority Actions

**Business Retention and Expansion Strategies Program
Midway University Avenue, St. Paul, MN
April 1996**

Introduction

In the fall of 1995, a collection of groups and local leaders, coordinated by University UNITED, started a Business Retention and Expansion (BR&E) program along the University-Midway corridor of St. Paul. They visited 31 manufacturing firms and used the results to develop strategic action plans for encouraging the retention and expansion of these firms.

Objectives: The project's objectives were to:

- 1) demonstrate the community's appreciation to the firms for their economic contributions;
- 2) identify the concerns of these existing firms so that the local business climate could be improved; and
- 3) learn the future plans of the area's firms with respect to expansion and relocation.

A team of 15 University of Minnesota faculty, development professionals, and business people reviewed the results and developed suggested recommendations. While this was being done, the St. Paul Port Authority followed up on immediate issues that needed attention. Already several firms have been assisted with these "red flag" issues. For example, a new building was found for one manufacturer that had been considering moving from the

area. Three other firms were helped to implement labor training programs. All firms received a follow-up information packet tailored to their specific requests made during the firm visit.

Upon completion of the research report, 31 members of the task force met to discuss the results, review the suggested actions, and set priorities for helping the University-Midway firms.

Attributes of Firms Visited

The Task Force focused the survey on 38 larger manufacturing firms with higher wages that were likely to expand. Thirty one (82%) of these firms completed the hour-long interviews.

Number of Jobs: The median number of full-time jobs per firm was 65 compared to 35 for all manufacturing firms in the area. The smallest firm had 16 full-time jobs and the largest had 600. A total of 2,655 jobs were covered by the survey.

Wages and Benefits: The average weekly wage for the firms selected was \$862 compared to \$779 for all manufacturing firms in this area. For production employees, the mean average hourly wage was \$12.25, with a range of \$7.50 to \$17.40. At least 90% provided paid vacation time, with 88% providing some form of health insurance.

Expected Growth: Nearly all firms (97%) expect the demand for their products to grow, 71% plan to modernize or expand their operations, and 29% foresee hiring new employees. Employment in the Midway firms visited grew by 8% from 1994 to 1995 and was projected to increase by 5% over the next year.

**Strategy One:
EXPAND LABOR SUPPLY
AND QUALITY**

Overview of Strategy One:

To maintain a competitive advantage, firms must constantly be improving the quality of their products while keeping costs reasonably similar to competitors. An adequate supply of high quality labor is probably the most critical factor in maintaining a firm's competitive edge. While most firms would like to use higher wages as a means of attracting or retaining skilled employees, they must balance this with the need to keep costs competitive.

Two approaches can be taken to increase the supply of labor at affordable wages. First, employers can be helped to increase the wages they can afford to pay and remain competitive by increasing the productivity of their labor. Second, the number of persons willing to work at each wage rate can be increased by reducing some of their costs of working (e.g. providing lower cost transportation or day care.)

Survey Results for Strategy One:

Recruiting Problems: Fifty percent or more of the firms reported problems recruiting unskilled workers, semi-skilled workers, and skilled workers (Table 1).

Currently, firms locate new employees primarily through internal promotions (90%) and referrals from existing employees (87%). Only about 1/3 used the Minnesota Job Service.

Table 1
EMPLOYEE RECRUITMENT PROBLEMS
Midway Firms, 1995

Category of Employee	Percent w/ Problems
Skilled employees	61%
Semi-skilled	50
Unskilled	50
Professional	25
Management	23
Clerical	21

Source: BR&E Survey (Q17a)

Availability of Labor: Firms listed this as one of the most important factors (tied with workers' compensation rate) influencing the location of similar firms. Eighty-eight percent of the firms rated this as either important or very important to location decisions.

Employee Turnover was rated as low or very low by over 60% of the firms. While 13% rated it high, none rated it very high.

Residential Location: About 1/3 of the workers live in St. Paul with only 10% from outside the Twin Cities.

Community Services Impacting Labor Supply: Inadequate day care was perceived as restricting labor supply. Day care was rated the lowest of 13 different community services, followed by building codes and elementary and secondary schools (Table 2).

Table 2
COMMUNITY SERVICE RATINGS
Midway Firms, 1996

Service	Percent Rating Excellent/Good
Health care	100%
Fire protection	97
Ambulance services	96
Police protection	90
Higher education	89
Recreational facilities	86
Vocational schools	84
Street maintenance	73
Public transportation	71
Zoning	58
Elem./Secondary Schools	54
Building Code	52
Day Care	44

Source: BR&E Survey (Q. 40)

Employee Training: Currently 97% of the firms provide some form of employee training. Eighty-four percent see the amount of training needed increasing, while none see it

decreasing. Sixty-five percent of the firms expect new technologies will require retraining their labor force. Information on labor training was requested by 36% of the firms.

Table 3
INFORMATION REQUESTS
Midway Firms, 1995

Type Requested	Percent
Upgrading Mfg. Systems	39%
Labor training	36
School/business partners	36
New state regulations	36
Recycling business wastes	36
Total quality management	32

Source: BR&E Survey, (Q. 27b)

Interest in Job Bank: Almost 85% the firms indicated some interest in a neighborhood job bank for helping locate new employees that live in the Midway area.

Of the strategies considered for responding to firm's concerns, the Task Force felt the labor issues were the most critical. They adopted the following projects.

**PROJECT 1: STRENGTHEN SCHOOL/
BUSINESS PARTNERSHIPS**

Only 54 percent of the firms visited perceived the elementary/secondary schools as excellent or good. Regardless of whether the schools are weak (leading to low labor productivity) or simply perceived as weak (leading to low public support), this rating merits attention. Over 1/3 of the firms were interested in information on school/business partnerships.

After setting this as a priority, the BR&E Task Force invited groups already working on this issue to describe their projects. Prepare St. Paul, a collaborative program between the St. Paul Public Schools, St. Paul Area Chamber of Commerce, and the City of St. Paul, coordinates a variety of school/business partnerships in the city. However, many of the Midway manufacturing firms were not currently involved in this program.

The negative perceptions by high school students of manufacturing jobs is another source of labor recruitment problems. Central High School's "Careers are Us" program helps high school students gain a more accurate picture of manufacturing work environment, challenges, and wages.

Given the resources and experience of these and other

existing programs, the BR&E Task Force will explore ways to link more Midway University firms to the "Prepare St. Paul" and the "Careers are Us" programs.

The initial implementation team includes: Carol Zemke (chairperson), Dianne Brooke, Greg Filice, Donna Oyama, Donovan Schwichtenberg, Jacqui Shoholm, Nick Waldoch, Vant Washington.

PROJECT 2: NEIGHBORHOOD JOB BANK:

Given the firms' interest in the neighborhood job bank concept, the Task Force selected this as a high priority. While two job banks already are available, many firms are unaware of their services. The state's Department of Economic Security is operating a job bank open to these firms. Another job bank, Job Link, operates out of the Spruce Tree Center on University Avenue.

The Job Bank Implementation Team will initially explore ways to collaborate with these two job banks to reach more of the Midway University firms and residents. Members of this team include: Irene Rodriguez (chairperson), Jodi Bantley, Kristin Cooper, Joe Crowe, Bob Kessler, Wendie Palazzo, Bill Stuber, Lynn Swanson, Jacqui Shoholm, and Carol Zemke.

**Strategy Two:
STRENGTHEN COMMUNITY
PARTNERSHIPS**

Overview of Strategy Two:

Based on the firms' comments during the visits, it was clear that many of the firms in the area lack a sense of connection to the other businesses in the corridor or to local government agencies and residents. This heightens the need to create a mechanism for surfacing and addressing business concerns unique to the Midway University area.

Results for Strategy Two:

Considering Moving From Midway: Over one-third (36%) of the firms visited are considering moving to a new location. These firms employ about 23% of the jobs covered by the survey. While this is much higher than other BR&E studies, this was expected since the firms were selected because they were likely to grow. Typically growing firms are more likely to need to move due to the lack of space.

While over 1/3 are considering sites within St. Paul, most are not (Table 4). Ten percent of all firms visited are considering moving to other states.

The questions ask if they are "considering" moving, rather than if they are planning to do so. Thus, these results should be used with caution.

Table 4
POTENTIAL LOCATIONS OF FIRMS
CONSIDERING MOVING
Midway Firms, 1995

Potential Location	Percent of Firms*
St. Paul	36%
In Ramsey County	36
Outside Ramsey County	36
Outside Minnesota	27
Undecided	36

Source: BR&E Survey (Q.30-32)
*Some firms gave several locations.

Reasons for Considering Moving: Consistent with prior research, the majority of those considering moving are doing so because they have overcrowded buildings or no land for expansion (64% each). Only two of the firms considering moving did not list either overcrowded buildings or no land for expansion. Labor shortages, high local taxes, and high state taxes were reported as reasons by 27% of the firms considering moving (Table 5). Neither of the two larger firms cited high local or state taxes as reasons they were considering moving.

Table 5
REASONS CONSIDERING MOVING
Midway Firms, 1995

Reasons	Percent*
Overcrowded building	64%
No land for expansion	64
Labor shortages	27
High local taxes	27
High state taxes	27
Transportation problems	18
Rigid code enforcement	18
Lease expiration	18

Source: BR&E Survey, (Q. 31)
* Percent of the 11 firms
considering moving

Potential for Greater Local Linkages: A significant percentage (56%) of raw materials are purchased outside the Twin Cities area. Forty-two percent of the firms felt that these materials could be produced locally. While this response is not a feasibility study, it suggests the need for one.

Overall Opinion of Midway Area: Overall, 73 percent of the manufacturing firms surveyed indicating the Midway-University area as a good or excellent place to do business.

PROJECT 3: MANUFACTURER'S CEO ROUNDTABLE

This project implementation team will convene an informal series of breakfasts or luncheon meetings of the Midway Chief Executive Officers to explore their common concerns; to learn about existing businesses, business alliances and roundtables; and to evaluate the need for a local CEO Roundtable.

Initial leadership for this project will be given by A. William Sands (chairperson), Louis Henry, Anita Ryan, Donna Oyama, Donovan Schwichtenberg, and Nick Waldoch.

Business and Community Efforts Welcomed: If you would like to contribute to one of these projects, please contact one of the committee members or Irene Rodriguez (612/647-6711) at the University UNITED.

Authors of Research Report and Summary: Amy Zimmer, graduate student at Humphrey Institute, and George Morse, extension economist, Dept. Applied Economics, Minnesota Extension Service/U of M. The Task Force selected the priority projects. The full *Research Report* is available for review at University UNITED.

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

Community Leaders Contributing to Midway University Business Retention and Expansion Program

BR&E Program Leadership Team:

Program Coordinators:

Irene Rodriguez, University UNITED
Michael Darger, University UNITED

Red Flag Coordinator:

Steven King, St. Paul Port Authority

Visitation Coordinator:

A. William Sands, Jr., Western Bank
and Insurance Agency

Media Coordinator:

Mike Strand, St. Paul Port Authority

Certified BR&E Master Consultant:

Elizabeth Templin, MN Extension Service
University of Minnesota

Community Meeting Coordinator:

Carol Zemke, Concordia College

BR&E Campus Review Panel:

Candace Campbell, Humphrey Institute, U of M
Will Craig, Ctr. Urban/Regional Affairs, UofM
Michael Darger, University UNITED
Dave Haugland, Impressive Print
John Kimball, St. Paul Planning & Econ. Dev.
Steven King, St. Paul Port Authority
Tom Luce, Humphrey Institute, U of M
Barbara Lukermann, Humphrey Institute, U of M
Wilbur Maki, Applied Economics, U of M
Fred Zimmerman, Univ. of St. Thomas
George Morse, Applied Economics, U of M
A. William Sands, Jr. Western Bank
Elizabeth Templin, MN Extension Service
Mark VanderShaaf, St. Paul Plan. & Econ. Dept.
Amy Zimmer, Humphrey Institute student

Midway University BR&E Firm Visitors:

Craig Anderson, St. Paul Technical College
Melissa Anderson, St. Paul/Metro East
W. Andrew Boss, St. Anthony State Bank
Virginia Bunker, Galtier Magnet
Joe Crowe, Dislocated Worker Program
Greg Drehmel, St. Paul Port Authority
Deborah Gessner, Area Learning Center
Merlin Helgeson, Midway National Bank
Harriet Horwath, St. Paul Port Authority
Sean Kershaw, St. Paul Planning & Econ. Dev.
John Kimball, St. Paul Planning & Econ. Dev.
Kathy Kuecker, National College
Pat Loonan, St. Paul Plan. & Econ. Dev.
Mark Luhmann, Western Bank
Irene Mcasee, St. Paul Public Schools,
Al Mueller, Western Bank and Insurance Agency
Tom Olson, Rubbs Center for Lifetime Learning
Shea Shakir, Frogtown Action Alliance
Lynn Stokes, St. Paul Port Authority
Lynn Swanson, Minnesota Workforce Education
Kathryn Terhorst, St. Paul Plan. & Econ. Dev.
Nick Waldo, St. Paul Public Schools
J. David Wende, St. Peter's Lutheran Church

Manufacturing Firms Visited:

Bio-Vascular, Inc.
Bro-Tex, Inc.
General Foam of Minnesota, Inc.
Hartzell Manufacturing
Heritage Display Group
Huot Manufacturing Co.
Ideal Printers, Inc.
Ignatius/Smyth Co.
Impressions
Litho, Inc.
Loes Enterprises
Macarthur Co.

MDI

Merrill Corp.
Midmac Systems, Inc.
Minnesota Wire & Cable Co.
Mixon Inc.
MTL Supply Corp.
National Checking Co.
National Mower Co.
Northwest Casting, Inc.
Quality Park Products
Quality Tool, Inc.
Rayven
Remmele Engineering, Inc.
Sparta Foods
Spotweld, Inc.
St. Paul Brass/Aluminum Foundry
US/Metric Manufacturing, Inc.
Western Design and Printing
Waldorf Corp.

Midway University BR&E Task Force: The following participated in a 4 hour retreat to study results and set priorities. Many also went on firm visits.

Ellen Anderson, Minnesota Senate
Jodi Bantley, Hamline Midway Coalition
Kim Boyce, Minnesota Extension Service
Dianne Brooke, St. Paul Public Schools
Joseph Clemons, Liberty State Bank
Kristin Cooper, Humphrey Institute student
Michael Darger, University UNITED
Andy Dawkins, MN House of Representatives
Bill Gahr, University UNITED Board
Thomas Hanson, Concordia College
Alice Hausman, MN House of Representatives
Louis Henry, Franchise Food Systems of MN
Irene Rodriguez, University UNITED
Ellory July, United Way of St. Paul
Robert Kessler, City of St. Paul
Steven King, St. Paul Port Authority
Roberta Megard, St. Paul City Council
Paul Olmschenk, Park Bank
Donna Oyama, St. Paul Public Schools
Wendie Palazzo, Dislocated Worker Program
A. William Sands, Jr. Western Bank
Gregg Schneider, St. Thomas Business Center
Donovan Schwichtenberg, St. Paul Technical
Al Singer, St. Paul Police Department
Mike Strand, St. Paul Port Authority
Bill Stuber, Frogtown Action Alliance
Elizabeth Templin, MN Extension Service
Francisco Trejo, St. Paul Technical College
Kristin Wood, St. Paul/Metro East Develop.
John Young, North End Area Revitalization
Carol Zemke, Concordia College

Resource Panels for Existing Programs:

Dianne Brooke, Prepare St. Paul
John Kimball, St. Paul Planning & Econ. Dev.
Steven King, St. Paul Port Authority
Bill McMahon, Job Link
Kurt Melborn, Phalen Corridor
Anita Ryan, St. Paul Brass/Alum. Foundry
Kathy Sheridan, MN Precision Manufacturer's
Elin Skinner, Midway Chamber
Jacqui Shohom, Work Development Council
Joan Thompson, Minneapolis Wire and Cable
(F/Mid94.e)