

# South Dakota Labor Bulletin

October 2006

South Dakota Department of Labor

Labor Market Information Center

## Can We Predict The Future? South Dakota Industry Trends To 2014

*This article was published in the October 2006 South Dakota Labor Bulletin.*

In what direction and at what growth rate are industry trends predicted? A look at which types of industries are growing and which are not provides a synopsis of the economy as a whole. The general outlook for South Dakota is characterized by job growth in the coming decade. Almost all industries are estimated to see an increase in worker levels over the next ten years.

From 2004 to 2014, the total number of workers in South Dakota is projected to increase by 57,030 for a total of 499,370 workers. South Dakota's annual average percent change of 1.29 percent is expected to be just slightly lower than the nation's 1.34 percent rate. The 2004-2014 round of South Dakota worker projections by class of worker and industry were recently completed by the Labor Market Information Center. Historical time-series data and state and national economic trends were used as variables in various statistical models to project workforce levels. (General assumptions are made that no major catastrophic events or natural disasters which would significantly affect economic activities of these industries will occur during the projection period.)

South Dakota's workforce is comprised of different classes of workers: wage and salaried, self-employed and unpaid family workers. Wage and salaried workers, one of the major components of the workforce, will account for almost all of the total worker increase from 2004 to 2014. They currently comprise about 87 percent of the total number of workers in South Dakota.

### South Dakota Workforce by Type of Worker 2004 – 2014

Type of Worker	2004 Workers	2014 Workers	Actual Change	Percent Change
Wage and Salaried Workers	385,020	442,370	57,350	14.90%
Non-Agricultural Self-Employed & Unpaid Family Workers (Primary Job)	27,060	28,330	1,270	4.70%
Agricultural Self-Employed & Unpaid Family Workers	30,260	28,670	-1,590	-5.30%
<b>Total Workforce</b>	<b>442,340</b>	<b>499,370</b>	<b>57,030</b>	<b>12.90%</b>

*Note: Data may not sum to totals because of rounding.*

*Source: Labor Market Information Center, SD Department of Labor, October 2006*

The number of self-employed agriculture workers is projected to decline during the next 10 years. This decline is due to an ongoing shift among worker classes. For example, small farms, which are generally run by self-employed persons, are being consolidated into larger farming operations. Many of the larger farms' employees are then classified as wage and salaried workers. Meanwhile, the number of nonagricultural proprietors is projected to increase. Self-employed people in this group generally work for themselves (e.g. as independent accountants, construction contractors, lawyers,

real estate sales agents, insurance sales agents, etc.)

As shown in the table below, all of the wage and salaried industry divisions are expected to grow from 2004 to 2014.

<b>South Dakota Wage &amp; Salaried Workers by Industry Division 2004-2014</b>				
<b>Industry Title</b>	<b>2004 Workers</b>	<b>2014 Workers</b>	<b>Actual Change</b>	<b>Percent Change</b>
Mining	760	790	30	3.9%
Utilities	2,040	2,070	30	1.5%
Construction	19,950	24,360	4,410	22.1%
Manufacturing	38,850	41,070	2,220	5.7%
Wholesale Trade	17,030	18,210	1,180	6.9%
Retail Trade	48,550	54,420	5,870	12.1%
Transportation and Warehousing	9,460	10,800	1,340	14.2%
Information	6,710	7,300	590	8.8%
Finance and Insurance	24,210	27,290	3,080	12.7%
Real Estate and Rental and Leasing	3,630	4,140	510	14.0%
Professional, Scientific and Technical Services	8,650	10,890	2,240	25.9%
Management of Companies and Enterprises	2,680	2,960	280	10.4%
Administrative and Support and Waste Management Services	12,460	15,330	2,870	23.0%
Educational Services - Private	6,130	7,090	960	15.7%
Healthcare and Social Assistance	50,900	66,310	15,410	30.3%
Arts, Entertainment and Recreation	6,120	7,710	1,590	26.0%
Accommodation and Food Services	34,570	40,350	5,780	16.7%
Government	75,060	80,710	5,650	7.5%
<i>Note: Data may not sum to totals because of rounding. Worker levels rounded to nearest 10. Source: Labor Market Information Center, SD Department of Labor, October 2006</i>				

### **Mining**

The number of workers employed in the mining industry division is projected to increase by 3.9 percent over the next ten years. The expected worker gains in the mining industry will be minimal. Advances in mining technology will slow worker growth as new machinery and processes increase worker productivity. Environmental regulations and foreign competition will continue to play a major role in the future of the mining industry division.

### **Utilities**

Worker levels in the utilities industry division are projected to increase by 1.5 percent. An increase in the water, sewage and other systems industry is projected to more than offset a slight decline in the natural gas distribution industry. Worker levels in the electric power generation and transmission industry are projected to remain stable, but technology and automation are expected to decrease labor needs in the distribution of natural gas. Stricter regulations regarding water, sewage and the environmental impacts of treating both are increasing the number of workers needed in the industry. The need for new community water supplies and waste treatment facilities in growing areas of the state will also add to the employment levels in this industry.

### **Construction**

The construction industry division is projected to increase worker levels by 22.1 percent. All areas of construction (buildings, heavy and civil engineering, and special trade contractors) are expected to show gains in the number of workers.

The demand for residential homes and nonresidential buildings in certain parts of South Dakota is predicted to be strong. The aging baby boomers will spur job growth for building contractors over the next ten years due to the demand for specialized homes, apartments and assisted living centers.

Employment in specialty trades contracting, the largest segment of the industry, is expected to have faster growth than in new home construction. Special trade contractors generally specialize in a specific construction activity, performing only part of the work needed to finish a construction project. These activities will become more important as many construction jobs will be subcontracts for specialized maintenance and remodeling work such as tile, marble, cement and concrete installation, air-conditioning and refrigeration installation and repair, and roofing. Job growth will also occur in the heavy and civil engineering construction area. Federal highway funds designed to improve South Dakota's highway infrastructure will increase the number of workers needed in this area.

### **Manufacturing**

For years, the South Dakota manufacturing industry division has created its own path, diverging from the declining national trends. Manufacturing is expected to add 2,220 wage and salaried jobs. The area expected to have the most job growth is the food manufacturing industry, adding 550 jobs. This projected growth correlates with goals of South Dakota's 2010 Initiative to promote further expansion of value-added processing of agricultural products, such as slaughtering animals, preparing processed meats and meat byproducts, and refining animal fat, bones and meat scraps.

The next largest area of manufacturing growth is the machinery manufacturing industry, with 540 added jobs expected. Growth is also expected for agricultural, construction and mining machinery manufacturing industries over the next ten years.

### **Wholesale Trade**

The number of wholesale trade workers is expected to increase by 6.9 percent over the next 10 years. Consolidation and the spread of new technology are the main reasons job growth for this industry division will be slower than the average for all industries. Although there is a growing trend in e-commerce, wholesalers will still be needed for their supply and distribution services. One area projected to grow the fastest is drugs and druggists' sundries; this growth is related to South Dakota's aging population and the increasing medicinal needs of baby boomers. The other area for which fast growth is projected is motor vehicle and motor vehicle parts and supplies. This division will likely be less impacted by e-commerce than other types of wholesale trade.

### **Retail Trade**

The retail trade industry division is expected to add 5,870 workers. Motor vehicle and parts dealers and gasoline stations are projected to do well during the next ten years. The rise in business travel and increased tourism activity will boost the need for travel accommodations including gas stations. Many of these places offer a variety of convenience products and services from fast food and groceries to shower facilities. Many retail businesses will also benefit over the next 10 years as baby boomers retire or cut back to part-time employment and have more leisure time for enjoying things like shopping and travel.

General merchandise, miscellaneous retailers and non-store retailers are also projected to thrive. This industry includes used merchandise stores and "non-store" retailers. The changing attitude in consumer shopping will allow electronic and mail order businesses to capture broader markets, increasing the need for more workers. One-stop general retailers and specialized store retailers (office supplies, gift stores, etc). are also projected to have strong growth.

### **Transportation & Warehousing**

Worker levels in the transportation and warehousing industry division are projected to increase by 14.2 percent. Job growth will be concentrated in the truck transportation industry. The demand for trucking services is correlated with the projected growth in the manufacturing and trade industries. As more products are produced and purchased over the Internet or other sources, the trucking industry will need more workers to transport these goods.

### **Information**

Worker levels in the information industry are projected to increase by 590 by 2014. The effect of

rapid advancements within the communications industry will cause businesses to expand in order to remain competitive. Companies that once specialized in just one aspect of communication, whether it was cable television, Internet or telephone service, now offer customers a combination of services in “package deals” and will continue to do so. Beyond this trend in telecommunications and Internet service providers, modest growth is projected to be fairly evenly distributed among the publishing, motion picture and video recording and broadcasting areas.

#### **Finance & Insurance**

Over the next ten years, the finance & insurance industry division is expected to increase worker levels by 12.7 percent. Nearly three-fourths of projected job growth in the finance and insurance division will be concentrated in the credit intermediation and related activities division. Included in this division are businesses that extend credit in the form of credit cards and post-dated check-cashing services. These businesses have shown tremendous growth in the previous 10 years and are expected to continue to add workers.

#### **Real Estate & Rental & Leasing**

The real estate and rental and leasing industry division is projected to add 510 workers by 2014. A portion of this growth will be due to increased housing needs (impacting both real estate sales and rental/leasing) in the state’s population growth areas. The perception that real estate is a valuable investment will also continue to positively influence worker levels in this industry. Interest rates remaining relatively low, which is difficult to predict over a 10-year period, would also stimulate sales of real estate and worker levels in this industry. Also contributing to the projected growth in this industry division will be the rental and leasing of products such as automobiles and consumer goods such as home appliances and electronics.

#### **Professional, Scientific & Technical Services**

Worker levels in the professional, scientific and technical services industry division are projected to increase by 25.9 percent. The big growth leaders within this division will be management and technical consulting services; accounting, tax preparation and payroll services; computer system design and related services; architectural and engineering services; and other professional, scientific and technical services. Growth in other industries means increased demand for advice in all areas of business planning and implementation. Businesses will continue to need advice on issues ranging from compliance with government workplace safety, environmental and tax laws to designing new computer systems or online distribution systems. In order to cut costs, many firms are outsourcing administrative and human resources functions like managing payroll and benefits programs to consultants. Globalization, too, will continue to spur growth in this industry division, as consulting firms advise clients on strategies to expand into foreign markets.

#### **Management of Companies & Enterprises**

The management of companies and enterprises industry division is projected to add 280 workers by 2014. Establishments in this industry division own a controlling interest in or manage the overall operations of other businesses. On behalf of those businesses, the management company undertakes the strategic or organizational planning and decision-making role of the company or enterprise. These management firms advise on almost every aspect of corporate operations, from marketing and finance to information systems and human resources. Growth in this industry division can also be attributed to the increasing complexity of these various management functions, due in part to technology and increasingly fierce competition in a global economy.

#### **Administrative & Support and Waste Management Services**

The administrative and support and waste management services industry division is projected to have a 23.0 percent worker increase by 2014. The industries projected to note the largest growth are employment services, services to buildings and dwellings, and business support services. The demand for temporary help and contract help in order to reduce costs is one reason for the expected worker increase. Because of the complexity of employee-related laws, businesses are expected to increasingly enter into relationships with professional employer organizations to handle things like



health benefits, workers' compensation claims, and tax compliance. Similarly, as a cost-saving measure, businesses will contract with outside agencies for services to buildings such as landscaping, grounds keeping, tree trimming and pruning, pest control, and general cleaning and maintenance rather than employ staff for those tasks. Projected growth among establishments providing business support services like telephone calling and answering and telemarketing is also related to businesses looking to reduce internal costs.

#### **Educational Services – Private**

Worker levels in the private education services industry division are projected to increase by 960. Increases will be found largely among private elementary, secondary and universities as these establishments expand their staffs to accommodate increasing enrollments in the state's more urban areas. At the post-secondary level, the growing emphasis on continuing education to meet career goals and for earning potential will be at play. At the elementary and secondary levels, school reforms calling for more individual attention to students will help increase employment levels.

#### **Health care & Social Assistance**

The health care and social assistance industry division is projected to be both the largest growth industry and the fastest growth industry division over the projections period. The aging population and advancements in medical care will help ensure continued worker growth within the health care services industry, especially for hospitals. The continuing shift from inpatient care to outpatient treatment will boost worker growth in health practitioner offices as well. Nursing and residential care facilities are also expected to have strong growth due to South Dakota's growing elderly population.

While growth in the social assistance industry is not projected to be as brisk as in health care, it will also see healthy increases in worker levels to 2014. Increased demand for individual and family counseling, community food and other relief services, vocational rehabilitation and child day care services will all contribute to this growth. Some of the projected job growth is due to the expansion of services for the elderly and the aging baby-boom generation. Earlier and improved integration of the physically disabled and mentally ill into society will contribute to employment growth, as will increased demand for drug and alcohol abuse prevention programs. The growth in child day care services reflects, in part, demographic trends; the number of children under age five is expected to increase. There will likely be a need for childcare during extended hours, such as evenings and weekends. For example, many workers in the growing health care industry within facilities in which 24/7 care is inherent are parents who need care for their own children while they are at work.

#### **Arts, Entertainment and Recreation**

Worker levels in the arts, entertainment and recreation industry division are projected to increase by 1,590. The bulk of the growth will be in the other amusement and recreation industry and in the gambling industry. As mentioned earlier, it is expected that as more baby boomers retire, travel and other leisure activities will increase. This will also impact businesses like casinos, golf courses and amusement establishments. A growing consciousness of the need for weight control and exercise will also contribute to higher worker levels in this industry division, which includes fitness and recreational sports centers.

#### **Accommodation & Food Services**

The accommodation and food services industry division is projected to show strong growth the next ten years, up 5,780 workers. Again, the large number of baby boom retirees or semi-retirees with more time for travel will increase business at places like hotels, motels, bed and breakfast inns, RV parks and restaurants. Population growth in the state will also help boost employment levels in these same types of accommodation services and in all types of restaurants, ranging from fast food to full service.

#### **Government**

The number of workers employed by government entities is projected to increase by 7.5 percent. This includes workers employed by federal, state, local and tribal government, all of which are projected to

increase worker levels over the next ten years.

State worker growth will be concentrated in state education, with South Dakota's universities adding workers to keep pace with the demand for post-secondary education. This includes an expected increase in the number of college students with work study jobs.

Local governments are expected to add workers in both the education and the non-education areas. The 2010 Initiative outlines a series of specific goals for economic growth and will help certain areas of South Dakota see increased business growth and increased population. These growing areas of the state will need additional local government workers as well to accommodate their additional citizens with such publicly-provided services as utilities, street maintenance, parks and recreation programs, etc.

Federal government job growth generated by increased homeland security needs may be offset by projected slow growth or declines in other federal sectors due to government cost-cutting and the growing use of private contracts. Projecting employment levels for government is especially challenging, since legislated changes affect spending levels and hiring decisions for government agencies. But domestic programs are likely to see continued cuts in their budgets as Congress seeks to reduce the federal budget deficit. Employment declines will likely be carried out mainly through attrition—not replacing workers who retire or leave the federal government for other reasons.

The 2004-2014 worker projections by industry can be found on our Internet site at: [www.sdjobs.org/lmic](http://www.sdjobs.org/lmic)