Solving jobs crisis won't be a quick fix

Minnesota's quality of life is linked to the steady creation of sustainable, high-quality jobs. That's a tough goal in a global economy.

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While our national leaders focused on the health care crisis in the last year, a much greater crisis has emerged: jobs -- or more precisely, the lack of them.

National unemployment for March is stuck at 9.7 percent. The more relevant figure of "underemployed" indicates that more than 26 million Americans are out of full-time work, or 17.5 percent of the workforce. That figure includes the unemployed who have given up looking and part-time workers seeking full-time jobs.

While the government's monthly reports indicate the economy is recovering, jobs are not. Economists keep assuring us that jobs aren't really a problem because hiring is a lagging indicator. What's wrong with this picture?

Since they base their forecasts on previous recessions, economists have failed to recognize the United States is mired in a structural jobs crisis that won't get better anytime soon. Like it or not, we are competing in a global labor market and steadily losing the competition. No amount of short-term actions or protectionist behavior will reverse this sea change.

For 10 years this shift was masked by overstimulating consumer spending through excessive debt levels, mortgages for just about anyone, and easy money. All that came crashing down in 2008 when financial markets collapsed, and the Great Recession took hold.

Coming out of a crisis, markets never look the same again. Large companies are steadily shifting jobs overseas to take advantage of the global labor market. Since developing markets are recovering much faster than developed economies of the United States, Europe and Japan, the global giants are expanding their operations in these countries. IBM, for example, has grown its operations in India from 15,000 to 100,000 employees in the past five years.

Historically, U.S. small employers have accounted for 70 percent of new jobs. These days they are reluctant to hire because of increasing costs and health care mandates, so they use part-time and temporary workers instead. That leaves three sectors free to grow: government, education and health care -- all of which are funded directly or indirectly with taxpayer dollars.

The $15 billion jobs bill only scratches the surface. As an employer, would a $1,000 credit cause you to hire an employee costing $50,000 per year? The only employers taking advantage of this bill are those planning to hire anyway.

Better in Minnesota

In Minnesota things are considerably better: core unemployment is running 7.3 percent and 72.5 percent of Minnesota's working-age citizens have jobs, vs. 64.8 percent nationally. The diversity of Minnesota's economy is helping us through these broader problems, as only 11 percent of employees work in manufacturing, the hardest-hit sector. But we can't be complacent as unemployment roles have tripled to 216,000 in the past decade.

Is there a way out of this dilemma? Yes, but it won't be a quick fix. Long-term structural problems require long-term solutions. Sustainable jobs are created by innovation, new companies and small businesses. A recent study by the Kaufmann Foundation demonstrated that all 40 million of the net new jobs between 1980 and 2005 came from companies less than five years old.

During the last quarter century Minnesota's economic strength and the source of new jobs have sprung from the creativity, ingenuity and entrepreneurship combined with the solid values and dedication of our people.

Medtronic is an example. When I joined the company in 1989, it employed 4,500 people worldwide, 75 percent in the United States. Since then, Medtronic has dramatically expanded its business globally and its overseas factories. Today the company has 38,000 people, but the ratio hasn't changed: 75 percent of employees are still based in the United States. During this time Minnesota has become the center of the medical technology business, as St. Jude and Boston Scientific expanded here, along with hundreds of recent start-ups growing into important sources of medical innovation.

The stories of Target and Best Buy are even more dramatic. Twenty-five years ago both were just small, experimental ideas. As Dayton-Hudson morphed into Target, the company just kept growing. Today Target has 400,000 employees -- 50,000 in Minnesota and western Wisconsin -- and revenue of $65 billion. From a single store, Best Buy has grown dramatically to 155,000 employees and $49 billion in revenue.

How can Minnesota keep generating new jobs? The two primary job sources will be the expansion of hometown companies and the creation of an environment that fosters innovation and spawns new companies.

Minneapolis-St. Paul is a headquarters town, home to 19 Fortune 500 companies ranging from U.S. Bancorp and Ameriprise to General Mills, 3M and UnitedHealth Group. Minnesota also boasts large health care nonprofits such as the Mayo Clinic and Allina Health Systems.

Food giant Cargill Inc. and hospitality leader Carlson Companies are also large employers that are privately held.

As these companies expand globally, they continue to create excellent jobs locally.

Tending to quality

That's even true for two giants that moved their headquarters when they merged: Wells Fargo (formerly Norwest Corp.) and Delta (formerly Northwest Airlines). Wells Fargo has added 6,000 jobs in Minnesota since the merger. In contrast, when Honeywell sold to AlliedSignal (now Honeywell International) and moved to New Jersey, 20,000 Minnesotans lost their jobs.

Furthermore, Minnesota needs to foster the spawning of new companies and the building of emerging companies into the thriving giants of the future. While it's true that 70 percent of new jobs come from small businesses, often these companies are the suppliers and service providers for the giants.

To foster the growth of Fortune 500 companies and start-ups alike, Minnesota needs to enhance a business-friendly environment and the quality of life that attracts innovators and entrepreneurs. Here are some ideas to make this happen:

•Every innovative center has a strong technical university at its core: Stanford in Northern California, MIT and Harvard in Cambridge, Georgia Tech in Atlanta, and the University of Texas in Austin. For Minnesota to be a fountain of ideas and new companies, the University of Minnesota not only must have a strong Institute of Technology, medical school and business school, it also needs to improve its capacity to commercialize research and incubate start-up companies.

•Business leaders need to work together to build Minnesota as a center for innovation and creativity, not just look after the interests of their own companies.

•The generous philanthropic arms of these companies, inspired by Kenneth Dayton's "5 percent club," can expand their grants locally to support a caring environment with high quality of life.

•A more-positive, less-suspicious relationship between state government and the state's leading companies must be forged. Minnesota companies aren't looking for subsidies, handouts or bailouts. But they do require business-friendly policies that enable local companies to prosper and attract and retain the highest-quality leadership and workers.

•Improve our K-12 public education system, especially in math and science.

•Finally, we cannot underestimate the importance of the intangible "quality of life" that makes Minnesota attractive to the diverse people required to build great global companies.

What makes up that quality of life? A vibrant arts scene, dynamic professional sports franchises and lively downtown centers, as well as beautiful lakes and parks plus strong religious and social support communities.

This is a long and challenging list. It won't create jobs overnight. But its implementation will ensure that Minnesota continues to create a growth environment for the 21st century that creates high-paying, sustainable jobs and fosters successful companies, large and small alike.

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