

IOWA ECONOMIC SCORECARD

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Economic Development in Des Moines, Iowa

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In a forthcoming article in the bank's *Economic Perspectives*, I profile the economic development efforts underway in the five largest cities in the Seventh District — Des Moines, Indianapolis, Milwaukee, Detroit, and Chicago. Each city faces its own unique set of challenges and has a distinctive economic base that has influenced its growth path. I will summarize some of the major trends in each metropolitan economy, starting with Iowa's capital city — Des Moines.

The Des Moines MSA (metropolitan statistical area) economy has developed a strong mix between financial and professional service firms and manufacturing. In addition, the city benefits from being the capital of the state, leading to a high concentration in state government employment. Large employers in the area include Wells Fargo (banking), Principal Financial (financial services), Mercy Medical and United Point Health (both health care), DuPont Pioneer (agribusiness), John Deere (agricultural machinery), Marsh (insurance), and UPS (shipment and logistics).

Des Moines MSA Industry Structure

To get a sense of which industries are most important to the metropolitan area's economy, we can look at its employment concentration in industries relative to the overall United States. Table 1 (on page 3) shows the employment percentage for each industry for both the U.S. and the Des Moines MSA. For example, Des Moines has only two industries where the share of local employment is above the national share of employment — wholesale trade and management of companies.



In addition, the table provides location quotients (LQs)¹¹ that demonstrate the relative concentration of each industry in the Des Moines MSA compared with the U.S. A reading of 1 indicates that Des Moines has the same industry employment concentration as the U.S. as a whole.

As the table shows, Des Moines has significantly above average employment concentrations in two industries — wholesale trade at 1.27 (or 27% above the U.S. average) and management of companies at 1.17. Des Moines's industry concentrations are roughly in line with the U.S. averages for such important industries as construction, retail trade, administrative and waste services, and arts and entertainment. The industries that are much less represented in Des Moines are agriculture, mining, and utilities (although clearly agriculture is of key importance to Iowa as a whole).

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Interestingly, two sectors that the city targets for growth, professional and business services and manufacturing, have relatively low concentrations (0.74 and 0.64, respectively). In the case of professional and business services, an issue with the data is that non-disclosure rules do not permit an LQ to be calculated for the important finance and insurance sector, which is likely to have high levels of professional employment.

Des Moines MSA Economic Development Strategy

The Greater Des Moines Partnership led an effort in fall 2011 to develop a five-year plan for Des Moines and the capital region. The plan aims to position Des Moines as a midsized city with a specialized industry base. It focuses on an industry and demographic comparison with other similar regions, including Omaha, Nebraska; Madison, Wisconsin; and Denver, Colorado. The plan identifies key clusters in which the region is most competitive and recommends that the region market itself specifically to these sectors: finance and insurance; information solutions; health and wellness; agribusiness; manufacturing; and logistics.

The other elements of the plan are similar to most of the other cities' development plans in stressing appropriate human capital development and work-force training. In particular, the Des Moines plan emphasizes developing an employment and training pipeline that meets the needs of local businesses. There is also a geographic component to the plan, targeting growth along the north-south I-35 corridor.

If one reviews the strategy relative to the data on industry structure, it becomes clear that the targets for development consist of a mix of large employment centers (finance and insurance) and logistics-related wholesale trade, as well as historically important industries, such as manufacturing and agribusiness. Manufacturing does not currently represent a high employment concentration in Des Moines, so its inclusion may signal a hope to revive the sector. Given recent speculation that manufacturing is seeing favorable conditions for re-shoring of jobs and activities (due to factors such as lower energy costs), many midwestern cities are hoping to restore some manufacturing activity.

Des Moines also benefits from a stable fiscal situation. While the city's credit rating was recently downgraded by Moody's due to unfunded pension obligations, it still has an Aa2 rating. Additionally, the state government's fiscal condition is relatively solid.

Finally, Des Moines' recent economic performance has been quite strong relative to much of the Seventh District. Figure one shows the year-over-year growth in payroll employment for Des Moines

versus the Seventh District average. With the exception of a brief period coming out of the Great Recession, the MSA's employment growth rate has been favorable. In particular, Des Moines has opened a significant gap compared to the rest of the District since 2013, resuming the position it held prior to 2010.

¹¹ The U.S. Bureau of Labor Statistics (BLS) defines LQs as “ratios that allow an area’s distribution of employment by industry to be compared to a reference or base area’s distribution.”

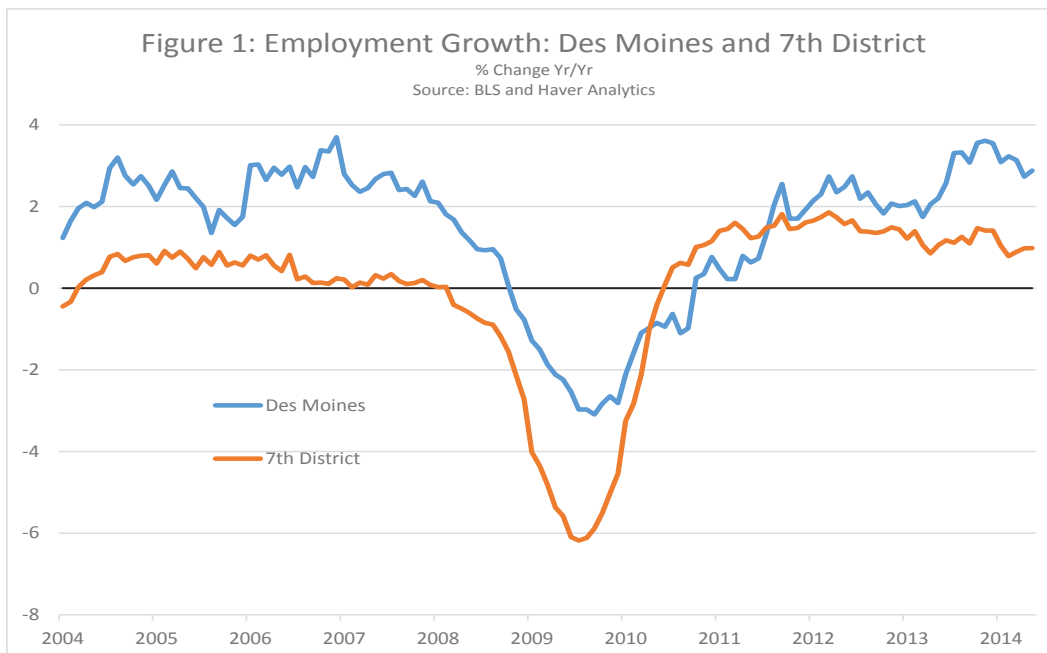
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Table 1: Des Moines MSA Employment Shares

2012

Industry Code	Industry Description	United States Employment Share	Des Moines MSA Employment Share	Location Quotient
NAICS 11	Agriculture, forestry, fishing & hunting	1.08	0.37	0.35
NAICS 21	Mining, quarrying, oil & gas extraction	0.72	0.06	0.09
NAICS 22	Utilities	0.50	0.17	0.34
NAICS 23	Construction	5.05	4.86	0.96
NAICS 31-33	Manufacturing	10.76	6.84	0.64
NAICS 42	Wholesale Trade	5.11	6.48	1.27
NAICS 45-46	Retail Trade	13.43	12.20	0.95
NAICS 54	Professional & technical services	7.14	5.29	0.74
NAICS 55	Management of companies	1.81	2.15	1.19
NAICS 56	Administrative & waste services	7.22	7.00	0.97
NAICS 61	Educational services	2.36	1.95	0.83
NAICS 62	Healthcare & social assistance	15.18	13.17	0.87
NAICS 48-49	Transportation & warehousing	3.76	3.19	0.85
NAICS 51	Information	2.42	ND	ND
NAICS 52	Finance & insurance	5.03	ND	ND
NAICS 53	Real estate & Retail leasing	1.76	ND	ND
NAICS 71	Arts, entertainment & recreation	1.79	1.85	1.03
NAICS 72	Accommodations & food services	10.63	8.75	0.83
NAICS 81	Office services, except public administration	4.11	ND	ND
NAICS 99	Unclassified	0.46	ND	ND

Notes: ND indicates Non-disclosure rules prevent reporting of the data. Employment shares above the U.S. average are in Bold/Blue.
Source: U.S. Bureau of Labor Statistics and Haver Analytics



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My Favorite Governor, After the 'Stache!

By Deborah D. Thornton

Mitch Daniels, former Governor of Indiana – now President of Purdue University and one of my earliest political mentors – is now involved in what may be the toughest fight of all, to cut the administrative bureaucracy and bloat at a major research university. The bureaucracy at Purdue has grown by 75 percent in the last 13 years, requiring significant tuition increases. A February 2014 report from the Delta Cost Project documents that the increased wage and salary cost at colleges (including Purdue) is driven by student services, including but not limited to athletics, admissions, psychological counseling, and career counseling.

Even the former president of the faculty senate, J. Paul Robinson, recognizes something must be done, saying, “A blind man on a galloping horse at midnight with sunglasses on can see the problem.” Daniels has, among other things, cut 10 cars from the Purdue fleet, and identifies the problem – as all families trying to live within their means understands – as cutting lots of little things and minding every penny that goes both in and out.

As *Reason* magazine says, higher education can’t “provide an affordable education to middle class and low-income families while also hiring a bajillion more residential advisors, vice presidents of sustainability, diversity coordinators, and other paper pushers.” Daniels, one of the smartest people I’ve known – both intellectually and politically – has never hesitated to take on the establishment, even of academia – and as he holds a law degree from Princeton, has the credentials to back him up.

Maybe when Daniels gets done at Purdue he’ll move to Iowa. There are three universities and a bunch of private colleges here who could use his help!