



2013 Business Barometer

Retaining Minnesota's Competitive Edge

What Are Employers Telling Us?

Todd Rapp, President

Himle Rapp & Company, Inc.

October 3, 2013



2013 Business Barometer

Methodology

- **Co-sponsored by MN Chamber & Himle Rapp since 2004**
- **350 randomly selected owners & managers**
 - . *Conducted July 25 - August 12, 2013*
- **Sample reflects Minnesota's business community**
 - . *Size*
 - . *Location*
 - . *Business category — retail, service, manufacturing*
- **Margin of error \pm 5.3 percent**



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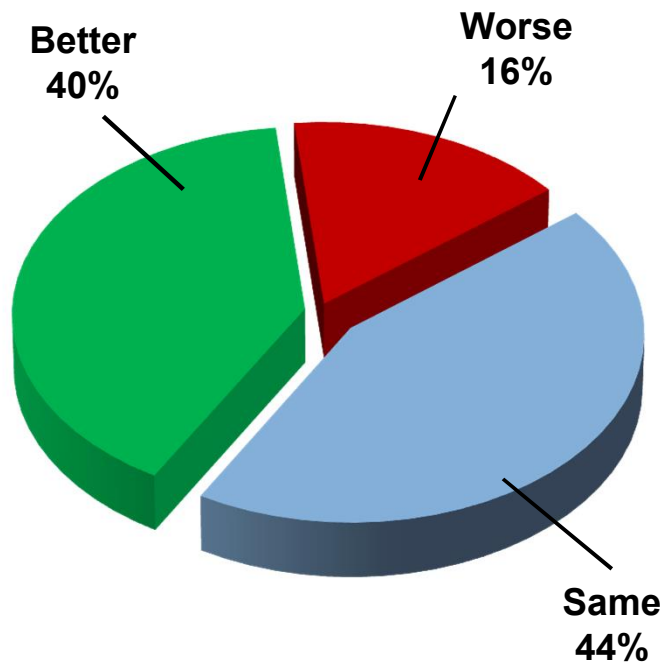
General Economic Indicators



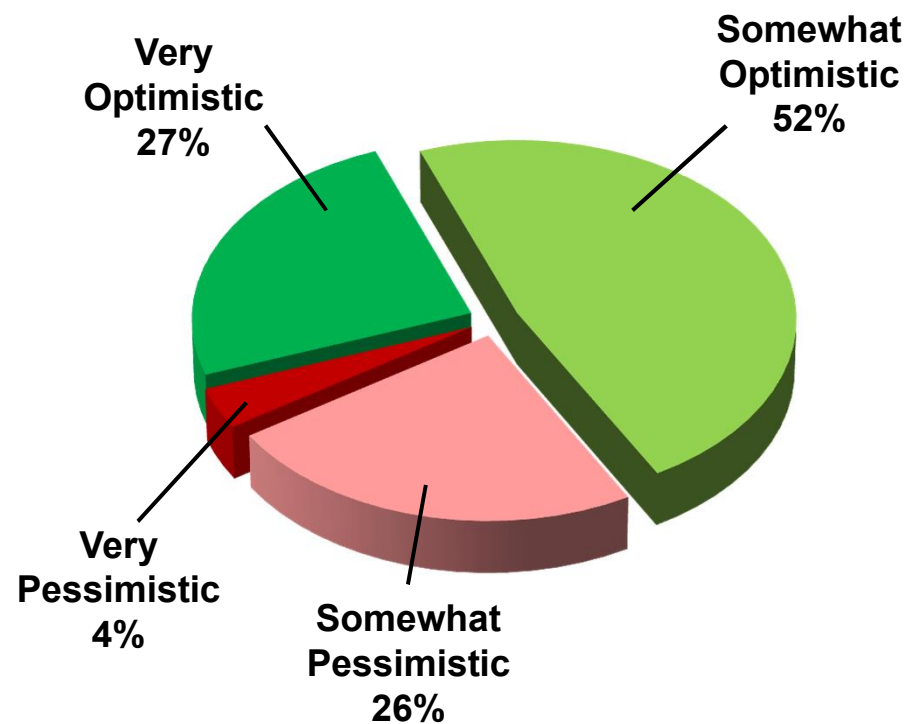
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Positive Economic Signs Are Emerging

Optimism



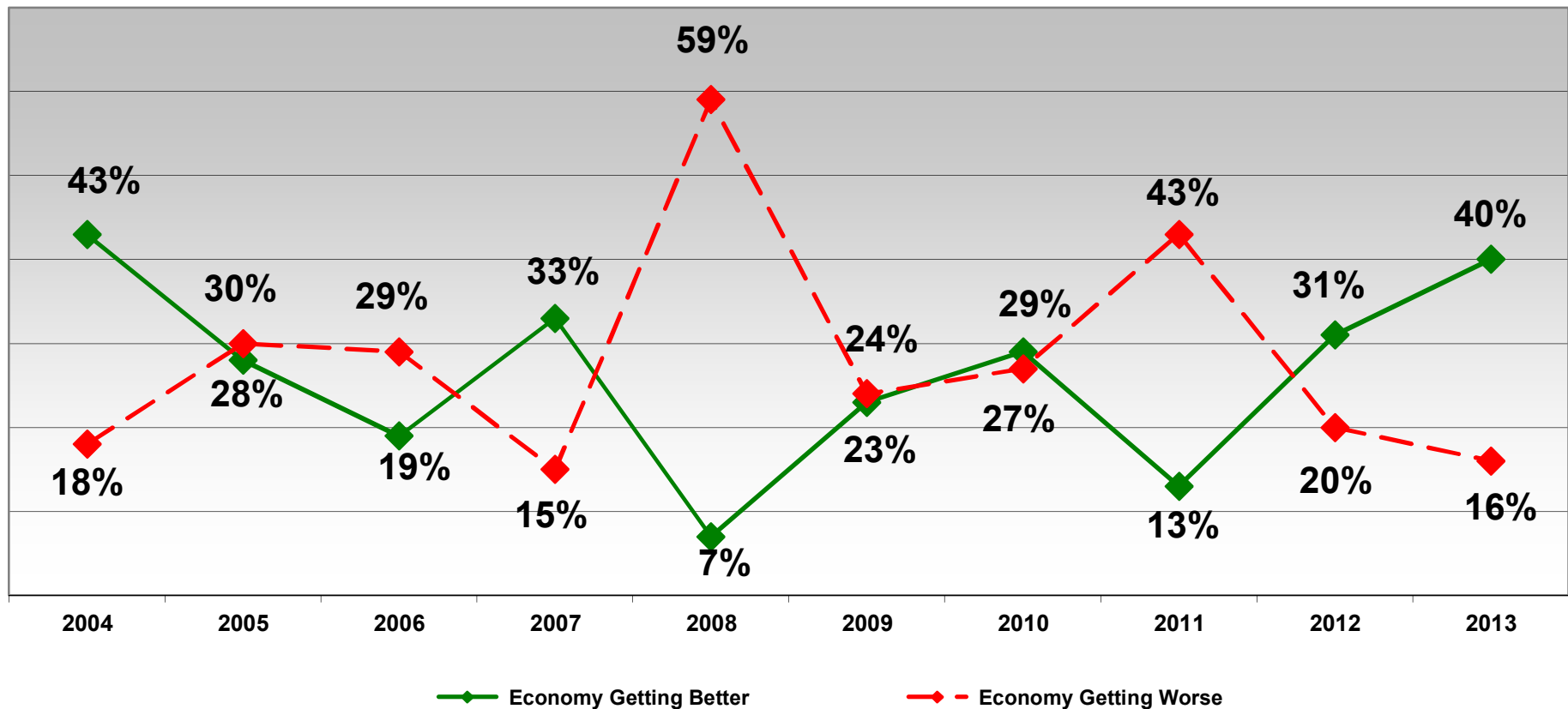
Minnesota's Economic Future





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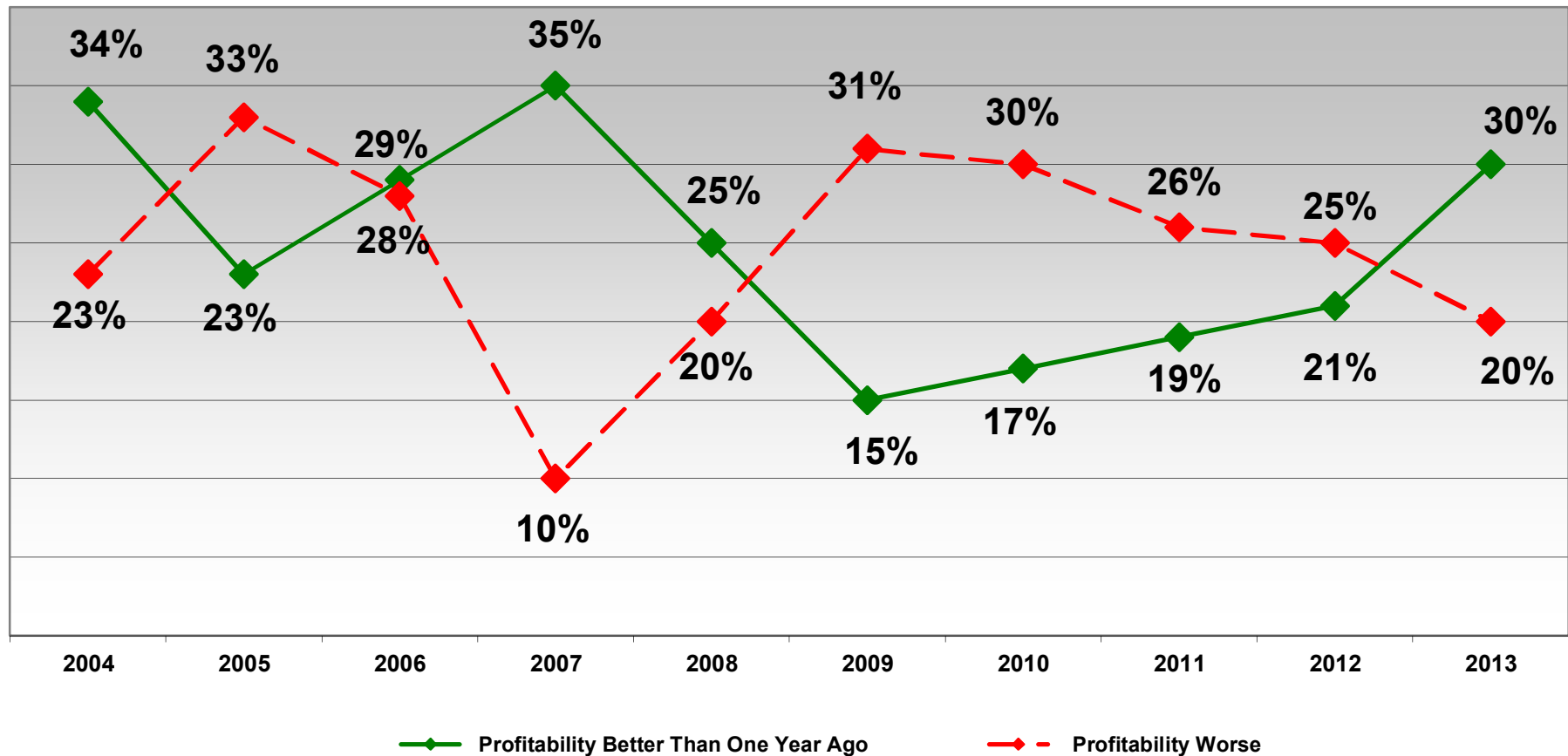
Optimism About Economy Has Improved





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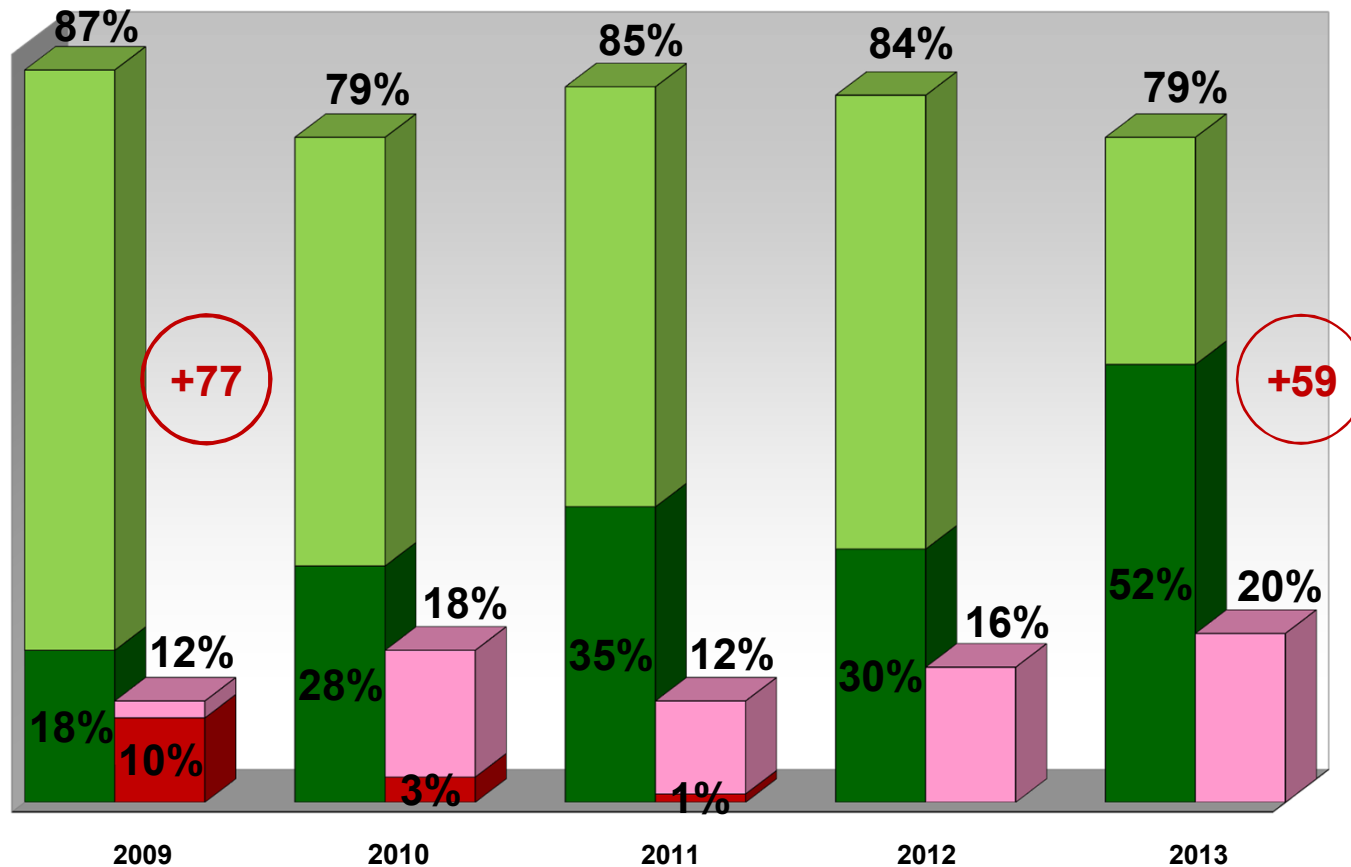
Profitability Nearing 2007 Levels





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Confidence In Minnesota's Economic Future (10 Yrs) Remains High

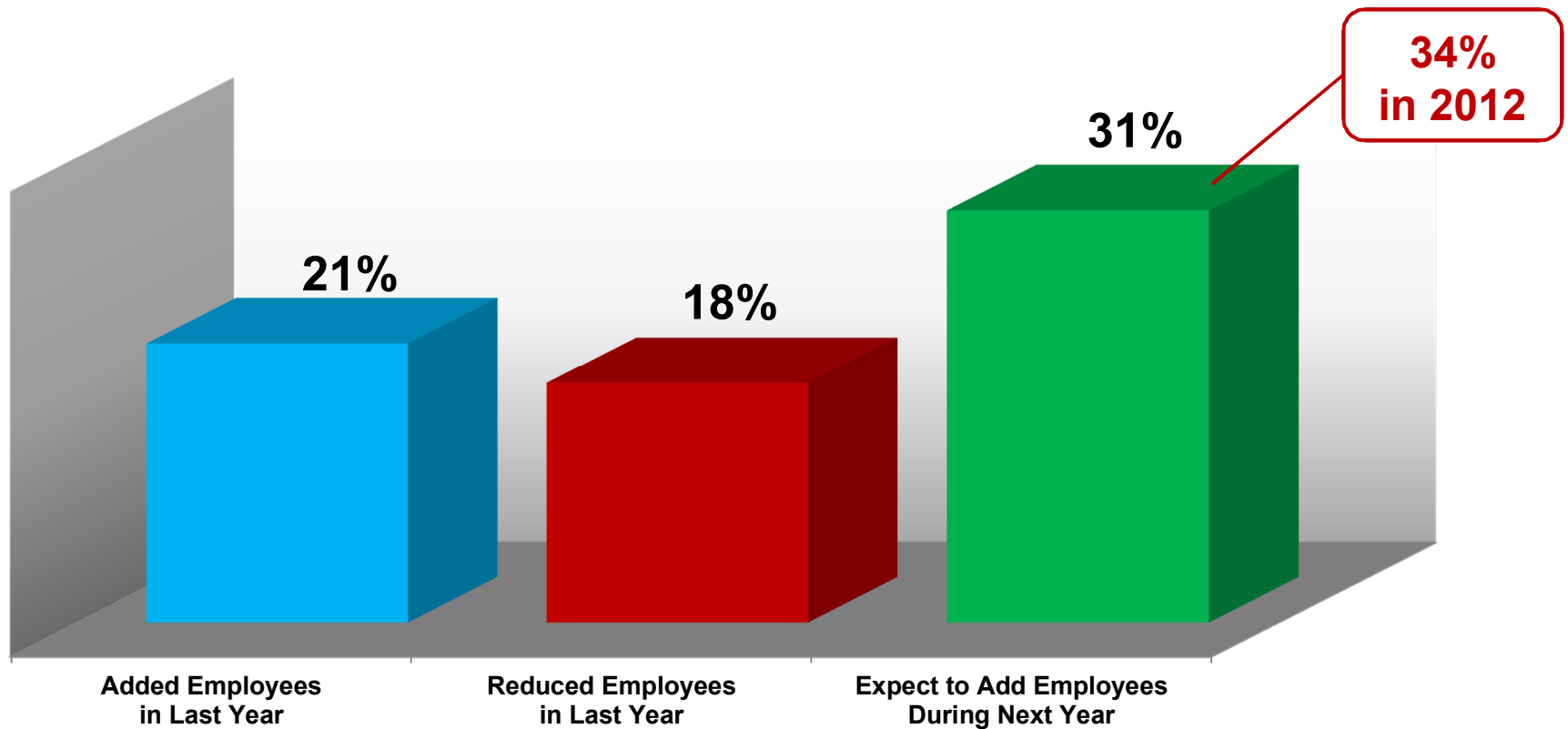


All Employers



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Jobs Picture Is Stable





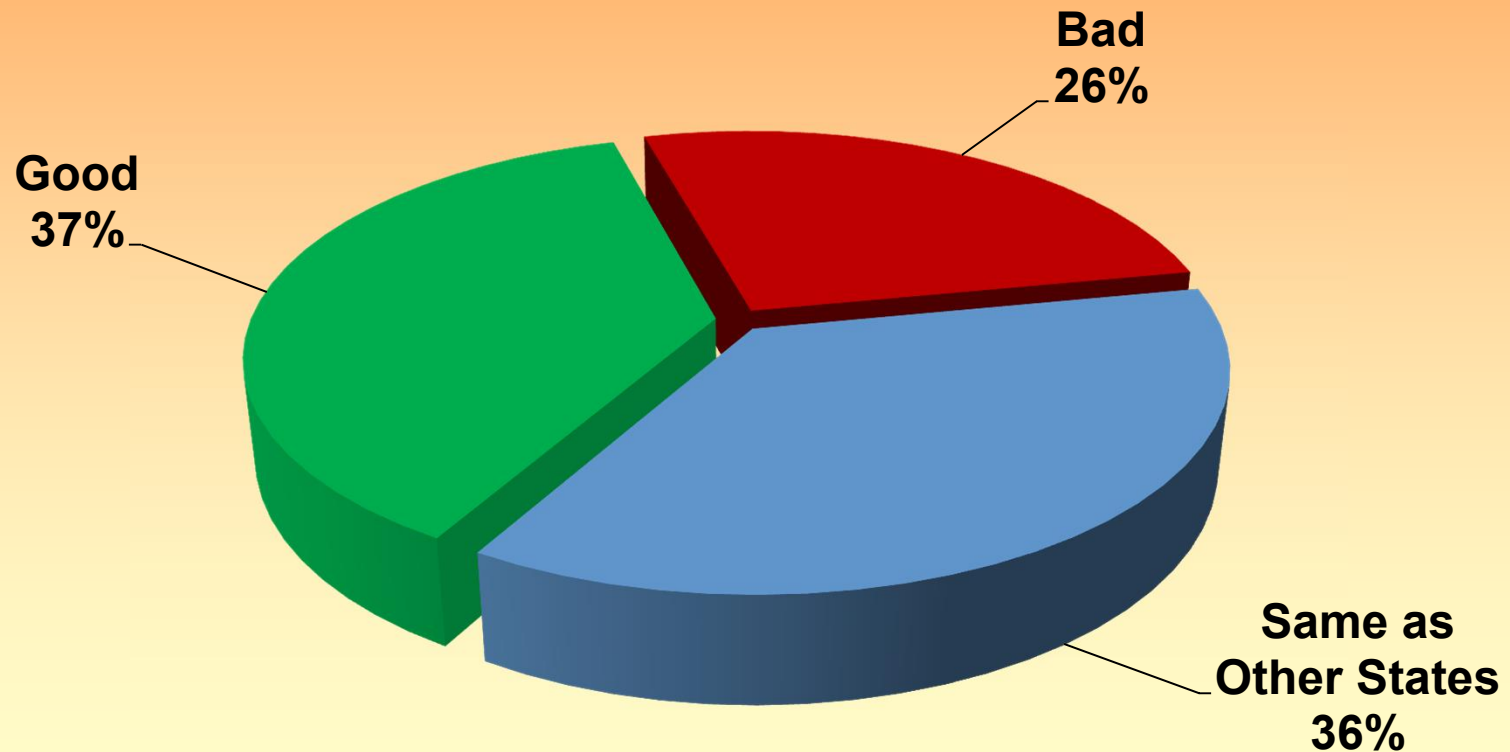
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Minnesota's Business Climate



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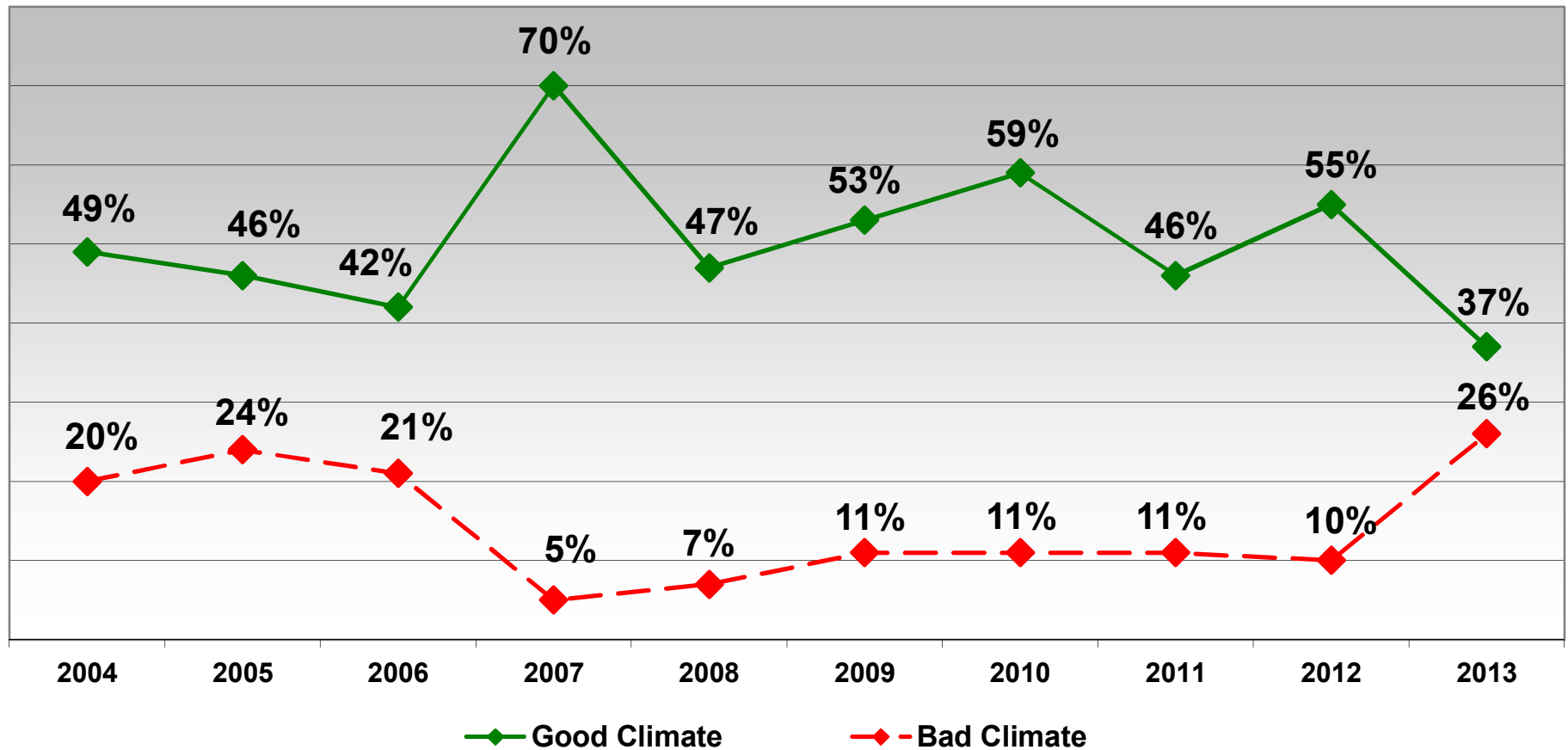
Minnesota's Business Climate Compared to Other States





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Record Low Business Climate Numbers

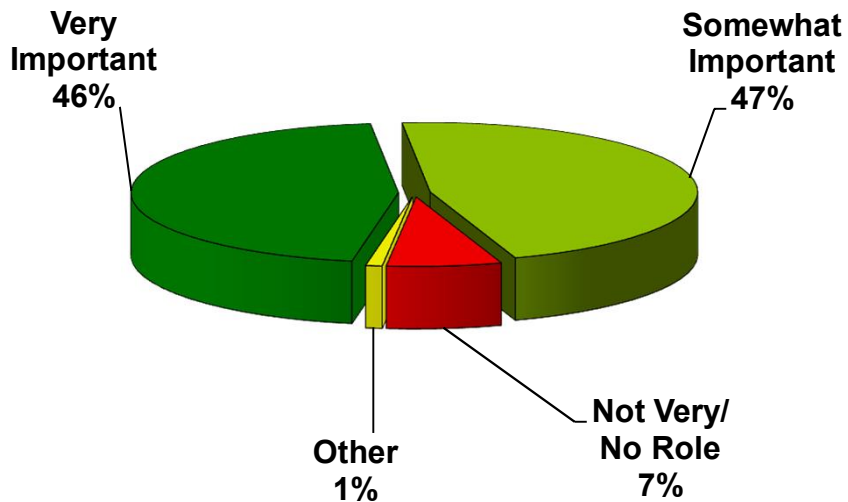




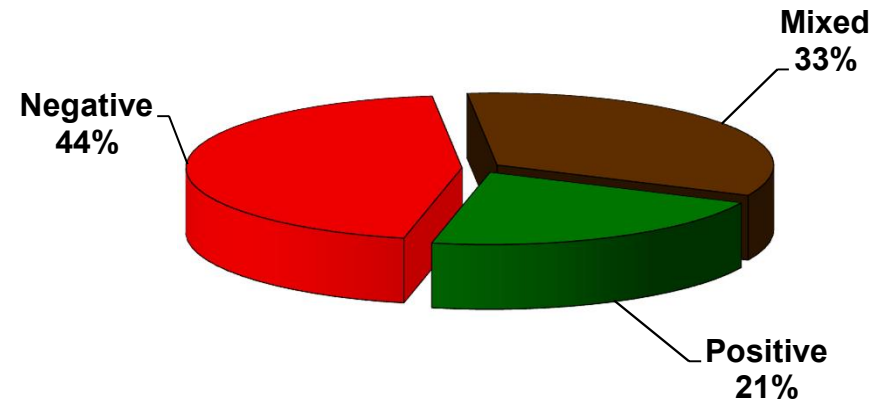
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Employers Continue To Believe St. Paul Can Do More

Role for Governor and Legislature in Determining Business Climate



Success in That Role

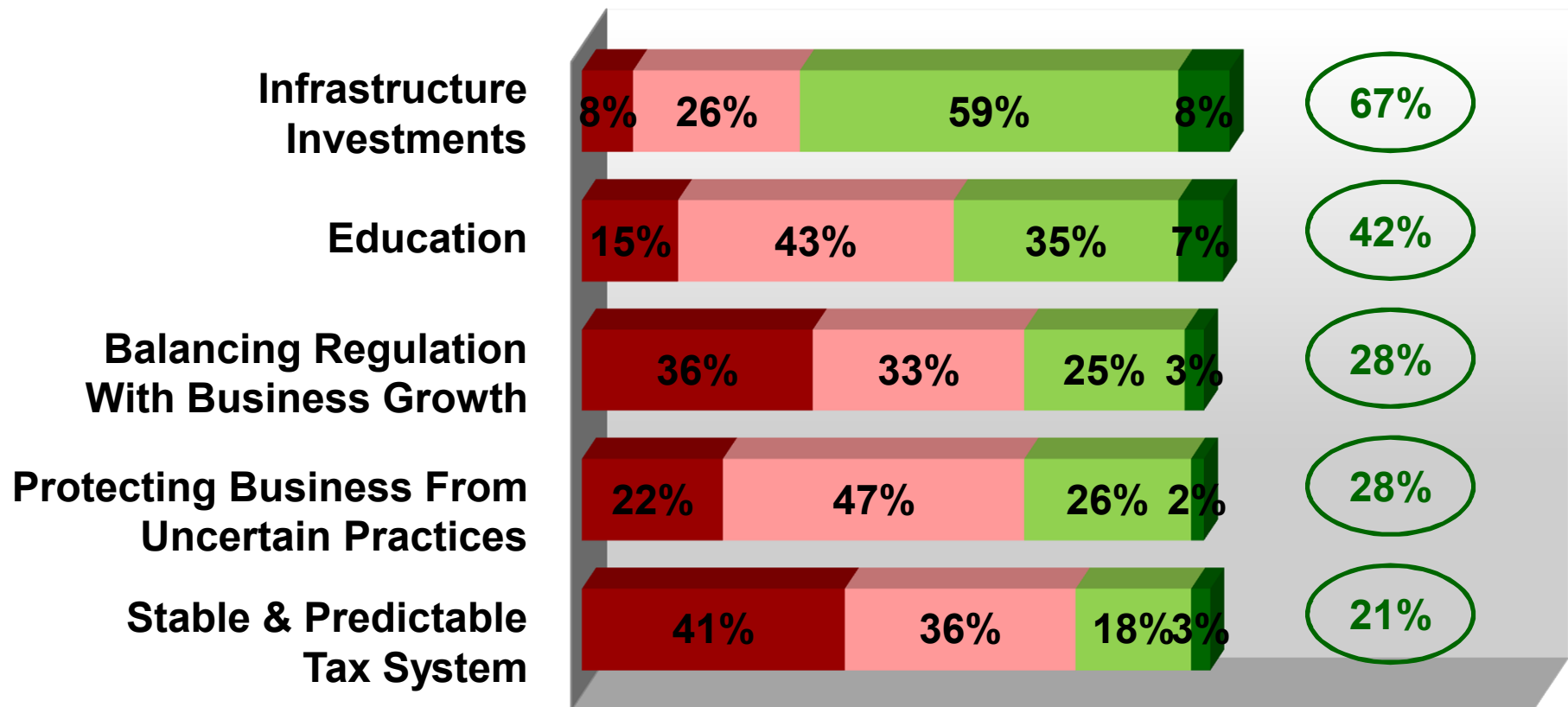


More certain, more negative than 2012



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Effectiveness Of Government In Helping Businesses Succeed

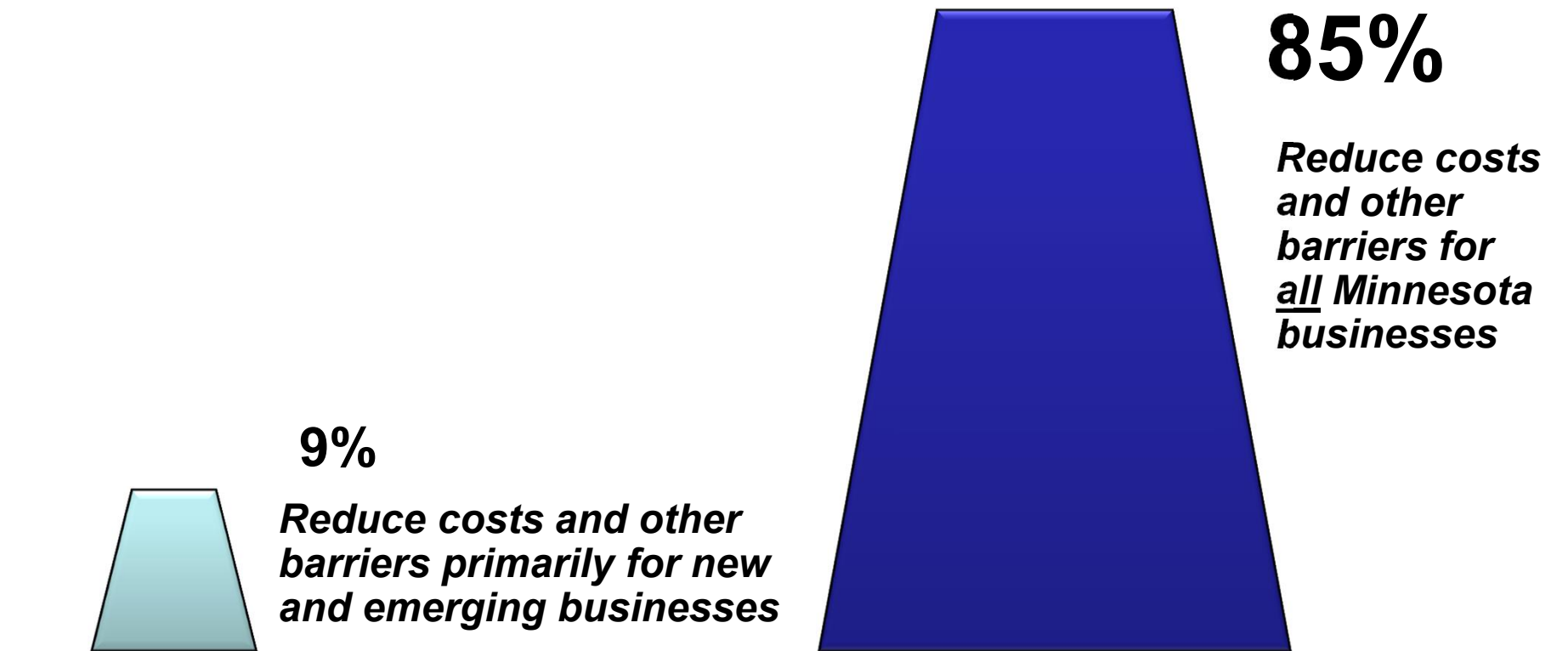


- Ineffective
- Effective



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What Should The Governor And Minnesota Legislature Do To Help Business Growth?





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Knowledge Gap: Do Legislators Understand Business?

Do Elected Officials Understand Our Challenges?

Strongly Yes – 3%
Yes – 30%

No – 42%
Strongly No – 23%

In 2013, Legislature was:

- *More positive toward business – 7%*
- *More negative – 23%*
- *No real change – 54%*

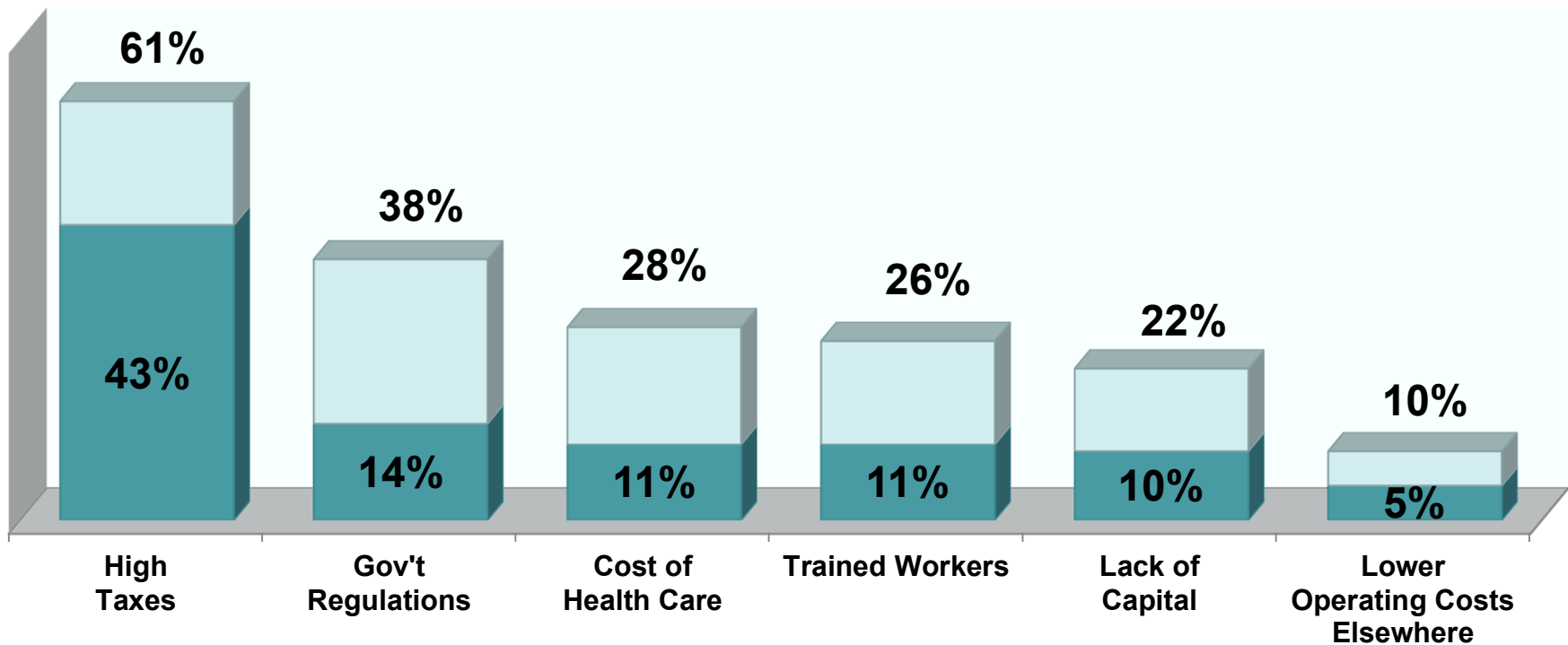
Why don't legislators understand?

- *They don't understand business basics – 18%*
- *They don't understand how gov't gets in the way – 78%*



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Barriers to Job Creation



Other choices included traffic congestion, permitting and electricity



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Taxes Remain A Major Barrier To Job Creation

2008	
Taxes	63%
Lower Costs in Other Countries	45%
Trained Workers	18%
Cost of Health Care	18%

2011	
Taxes	74%
Gov't Regulations	38%
Lower Costs in Other Countries	23%
Lack Capital	19%

2012	
Taxes	69%
Cost of Health Care	34%
Trained Workers	33%
Gov't Regulations	24%

2013	
Taxes	61%
Gov't Regulations	38%
Cost of Health Care	28%
Trained Workers	26%



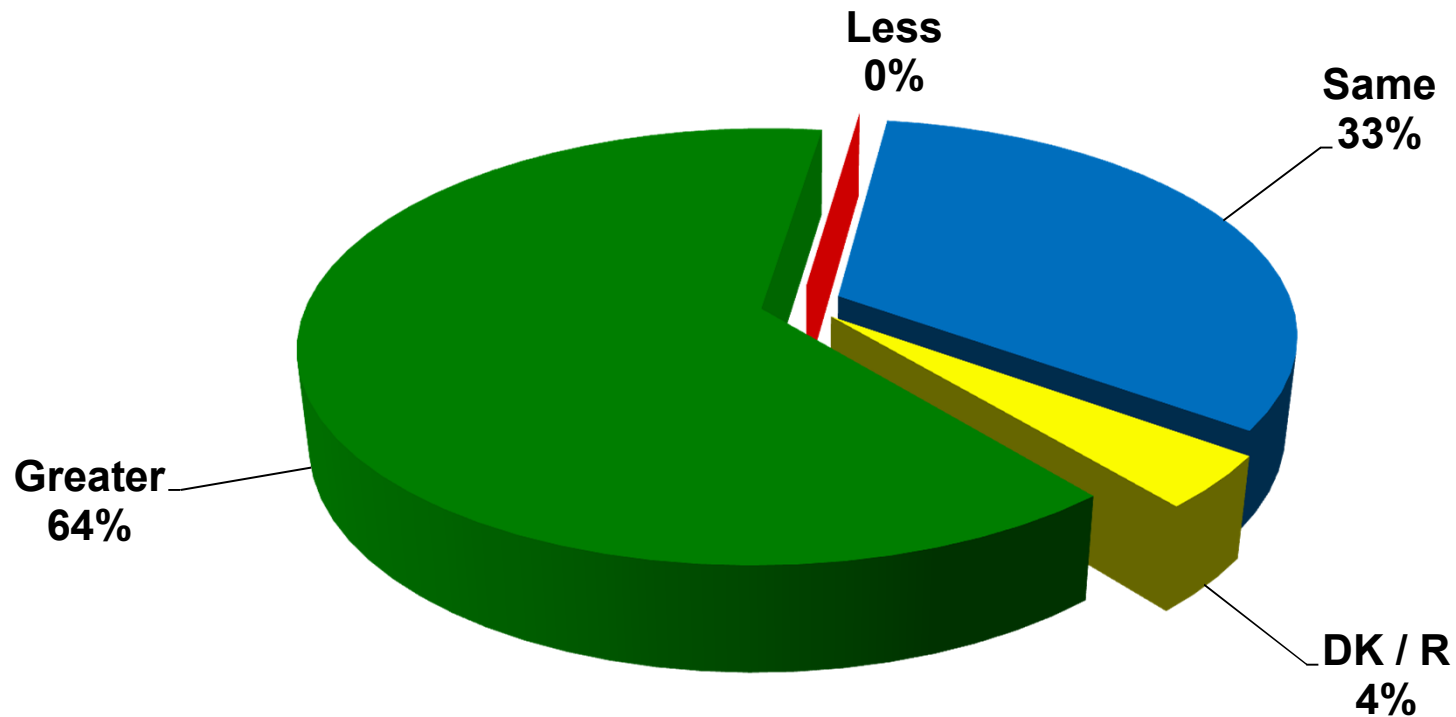
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Business Costs



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Tax Burden Continues To Grow Compared To Five Years Ago

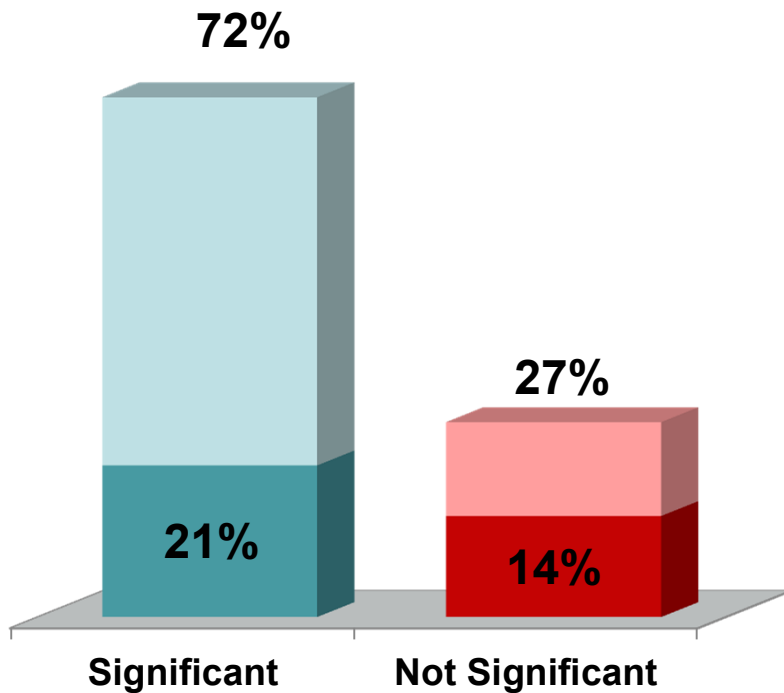




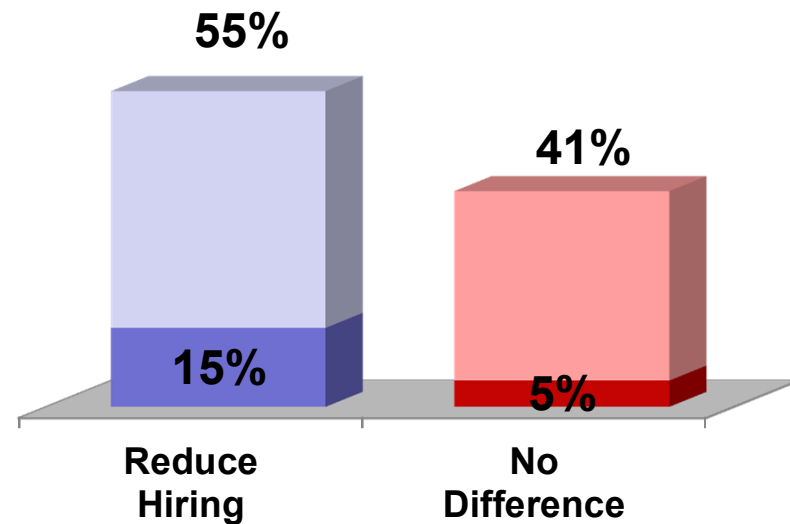
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Effect of Fourth Tier Income Tax

Impact on Business Operations



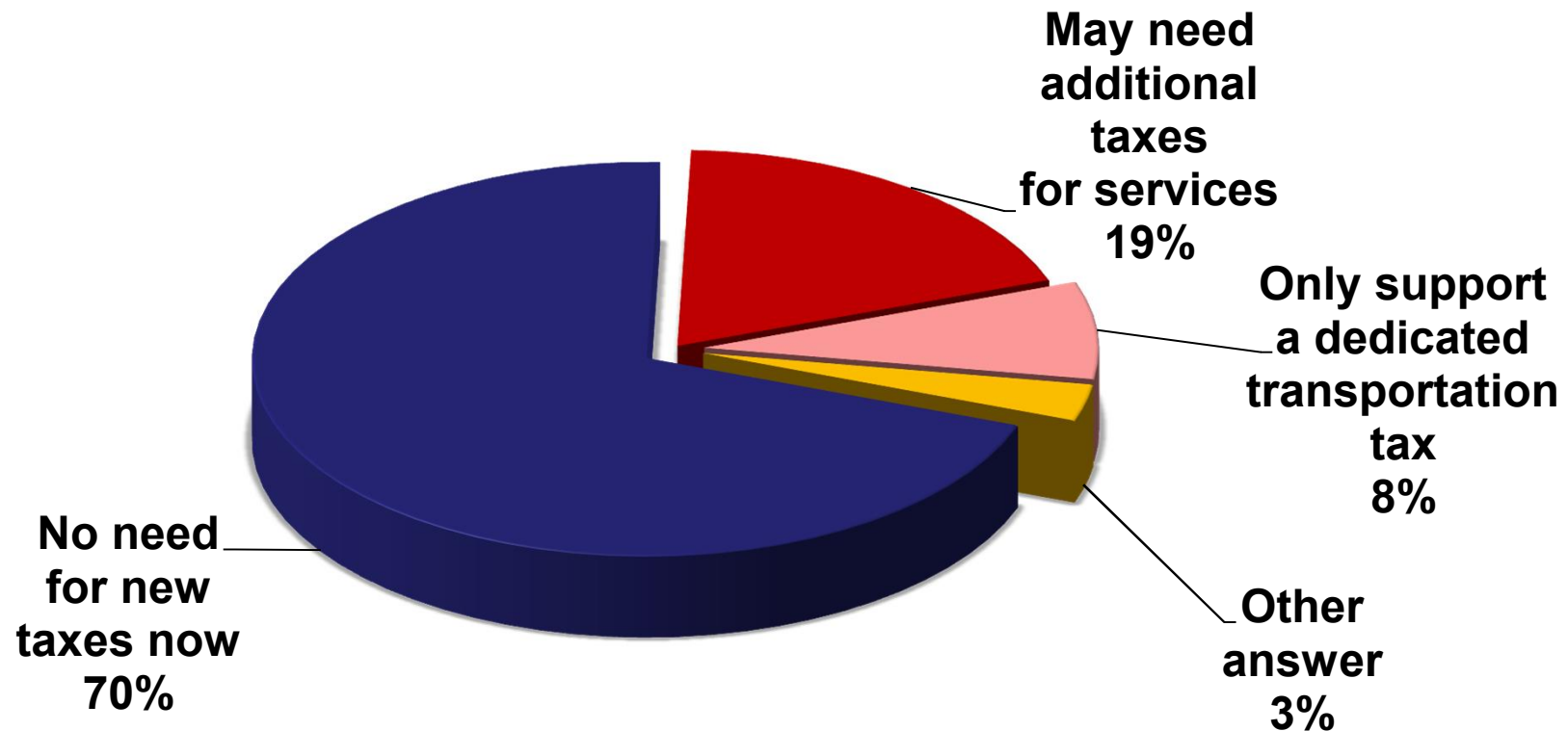
Hiring Decisions





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Dedicated Taxes Fail to Win Business Support

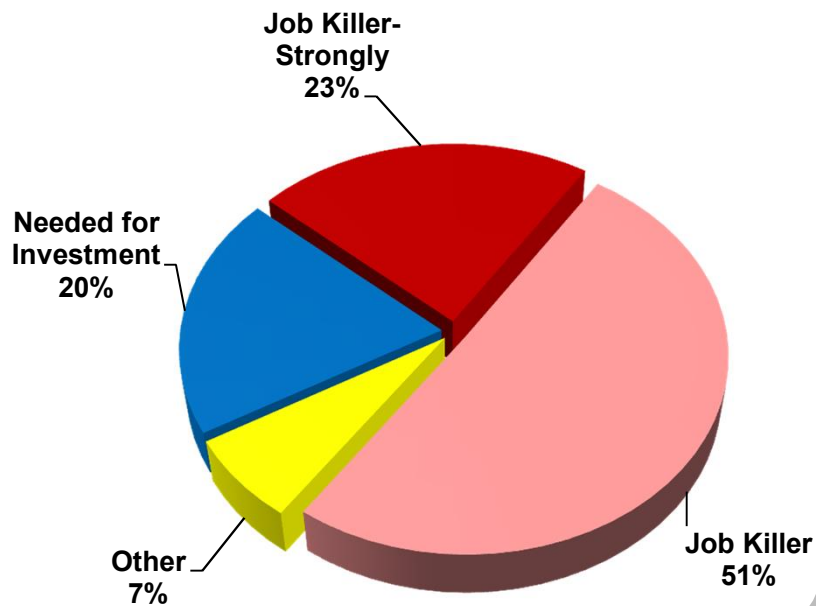




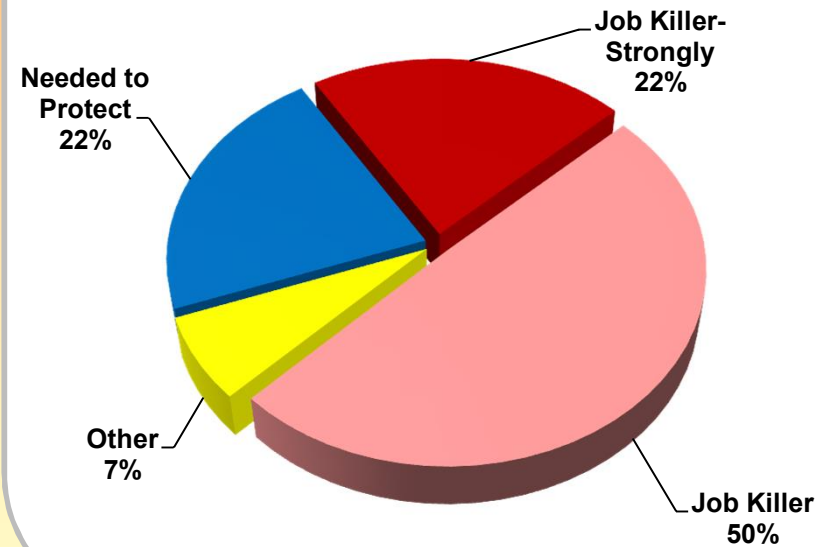
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Business Views Taxes, Regulations Similarly

Income Tax Increase



New Regulations

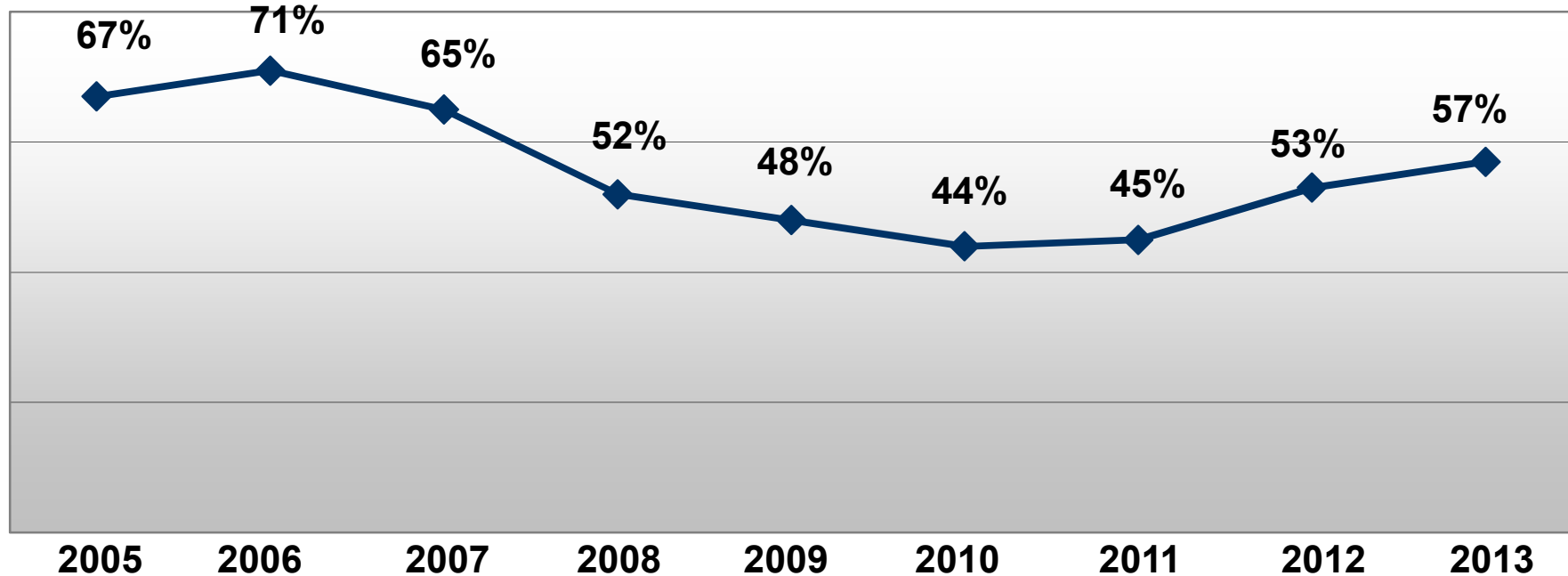




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Use Of Health Insurance As A Benefit

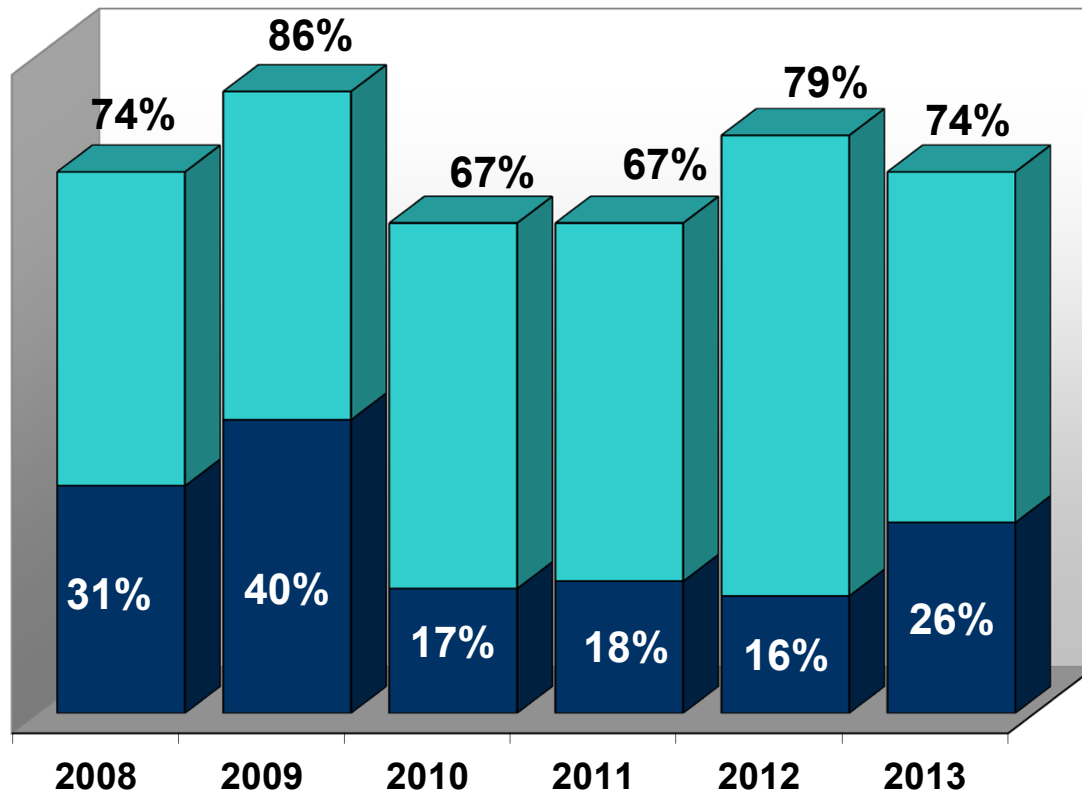
All Employers





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For Those Who Offer Coverage, Costs Are Increasing



Only 5% would stop providing coverage in five years if costs keep increasing at current rate.

However, most would make other changes in coverage.



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For Those Who Don't Offer Insurance...

Will you use exchange?



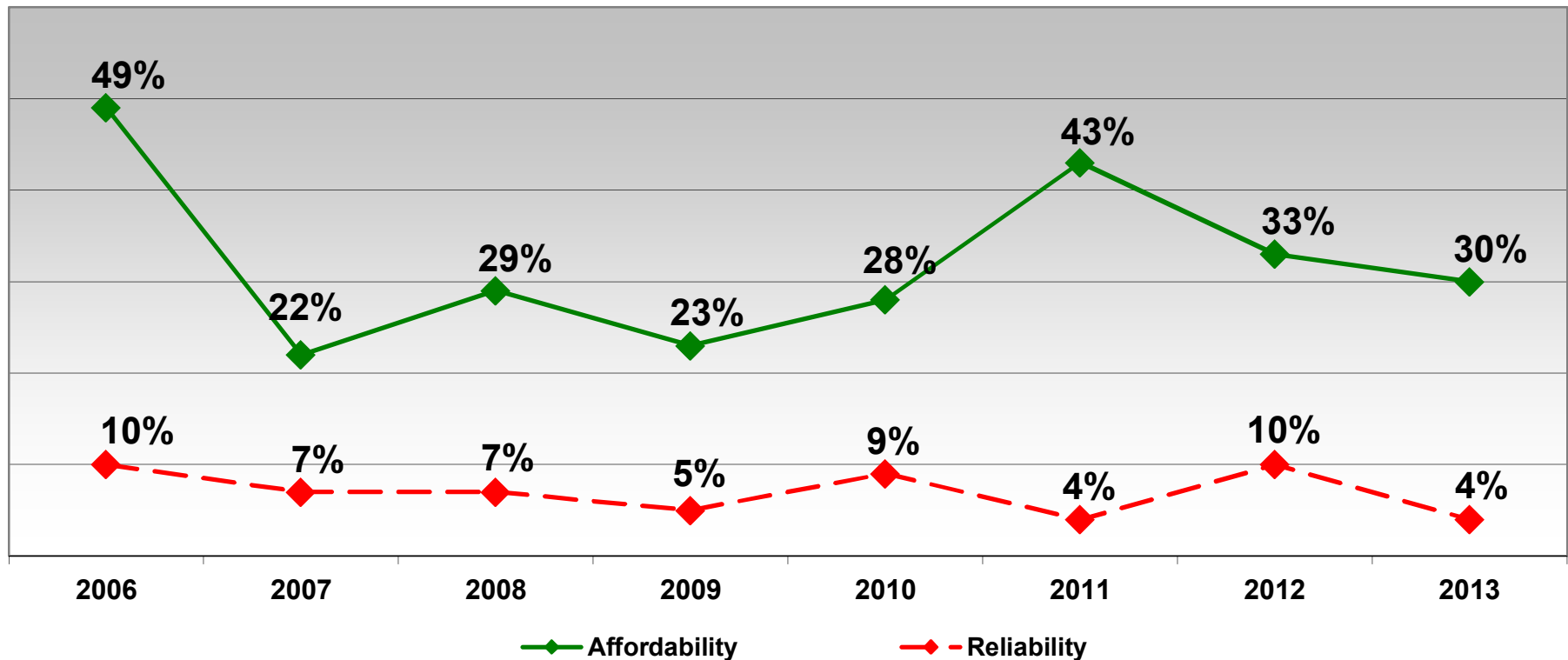
82% say it makes no difference that MN has its own exchange



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Concerns About Energy Affordability Continue

All Employers

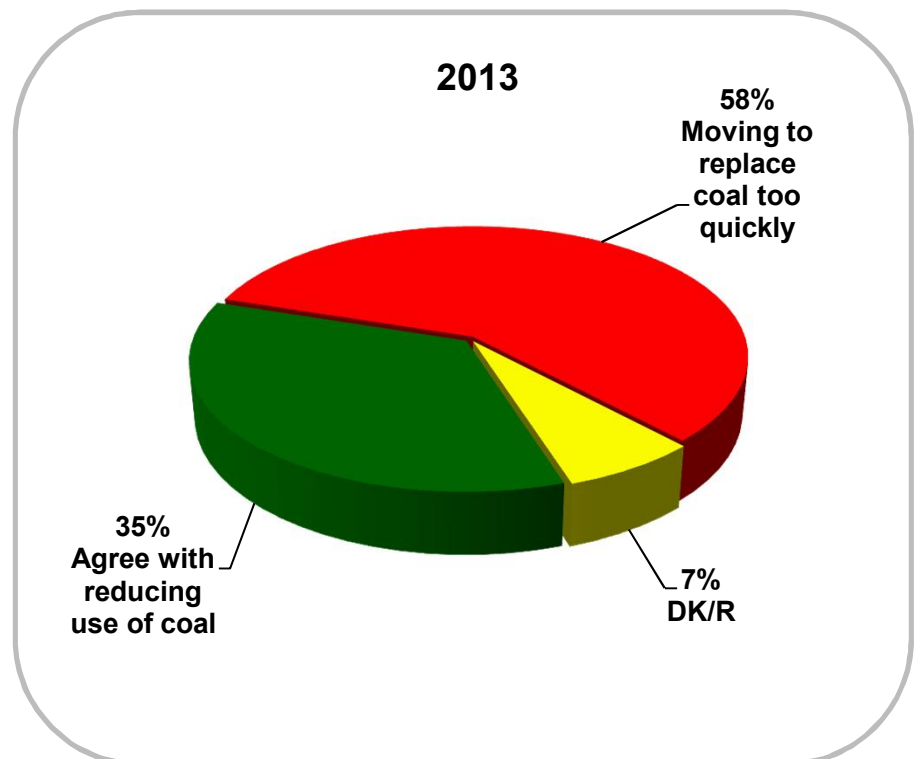
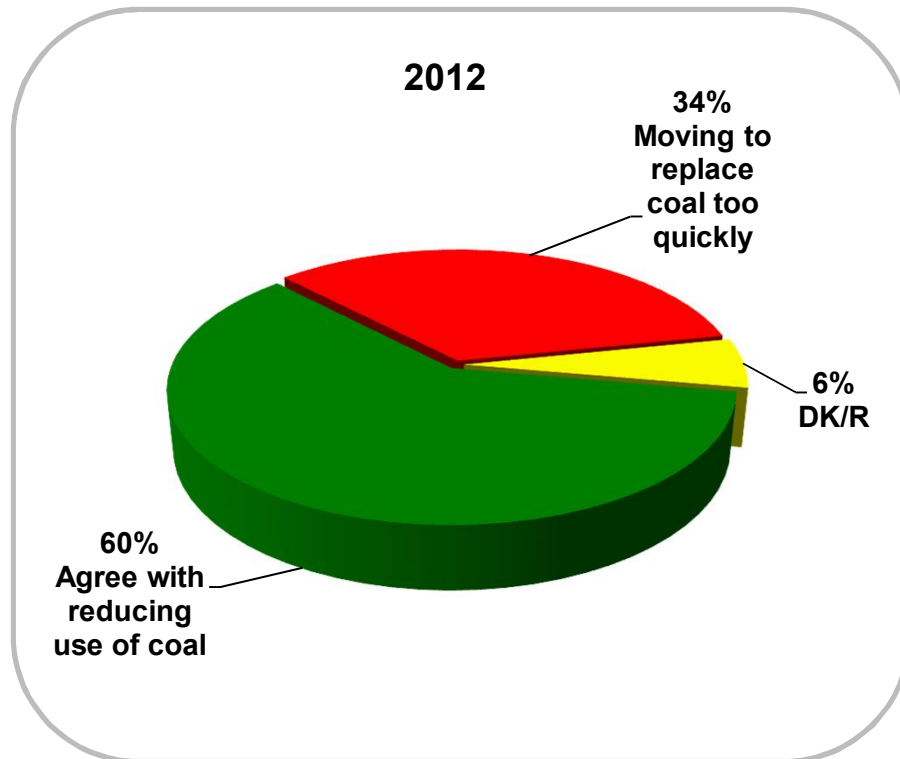




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Coal Bounces Back

Commitment To Continued Use Of Coal





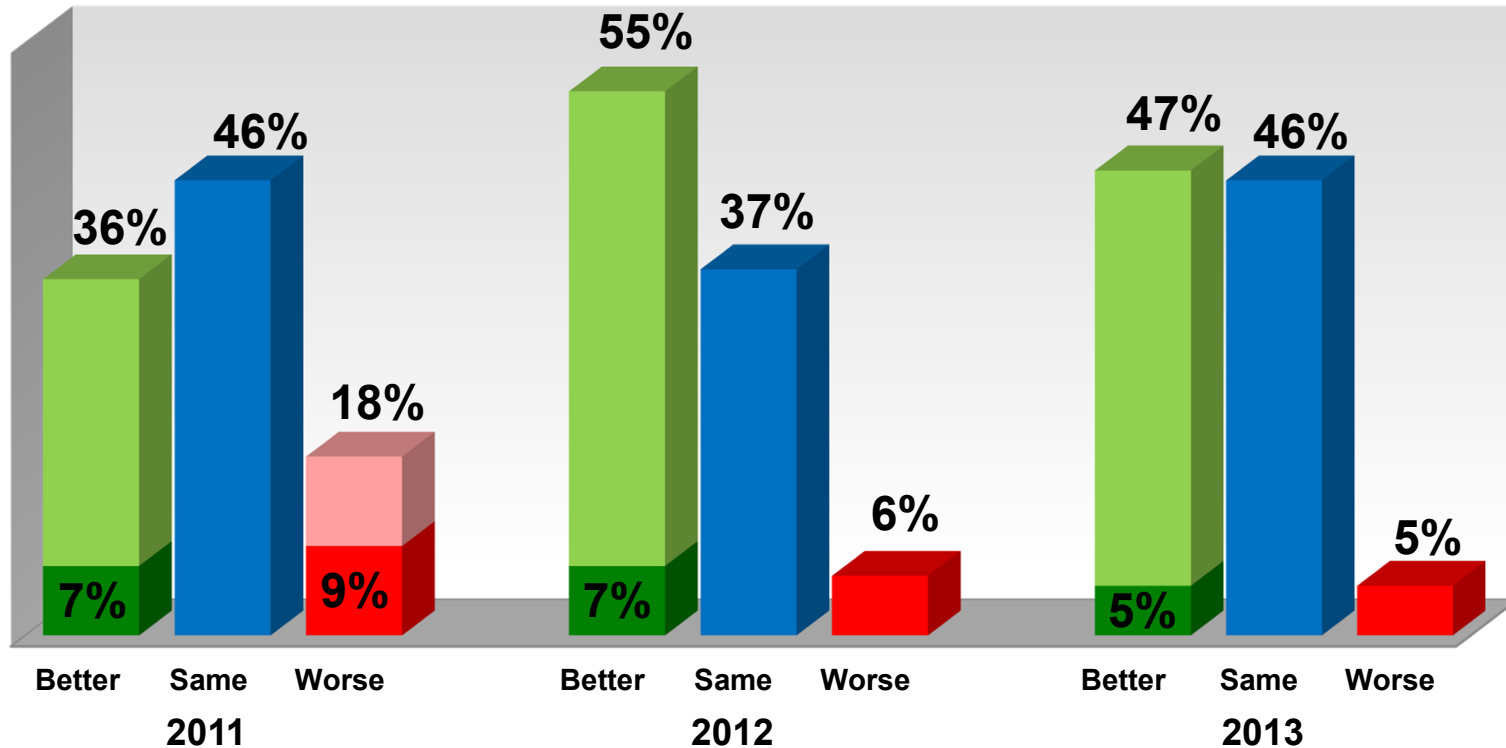
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Workforce Development



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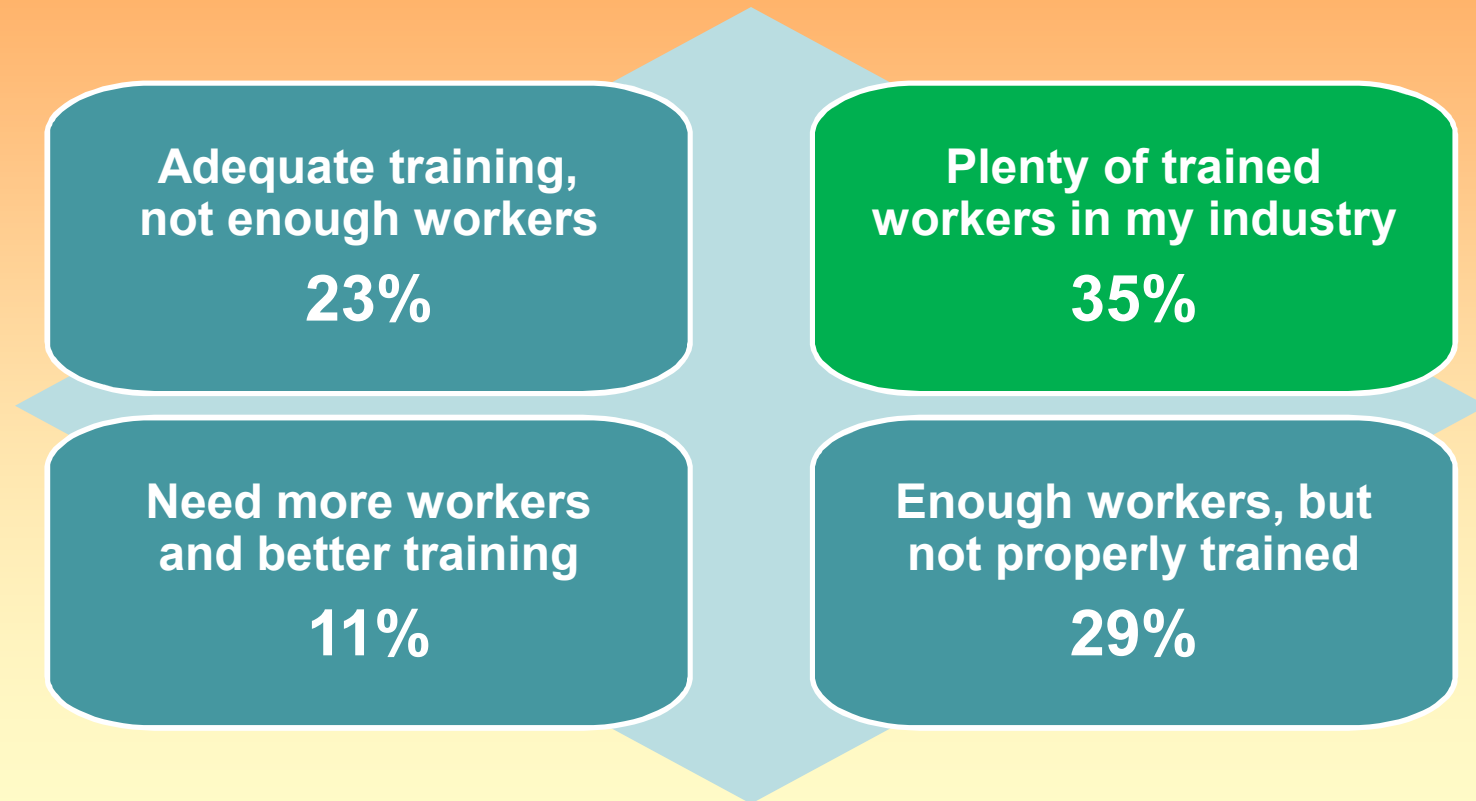
Most Believe MN K-12 Schools As Good Or Better Than Rest Of Country





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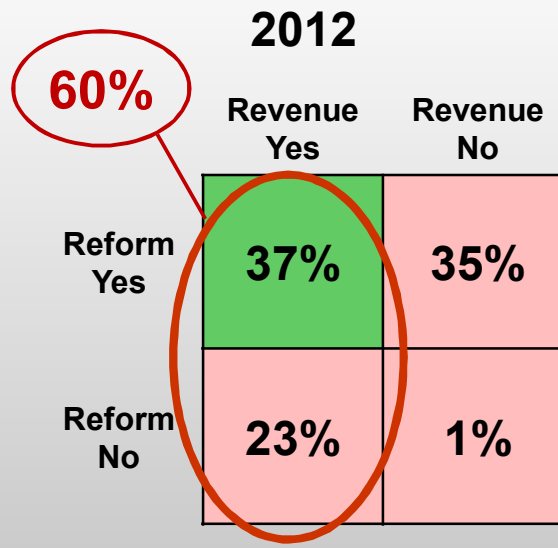
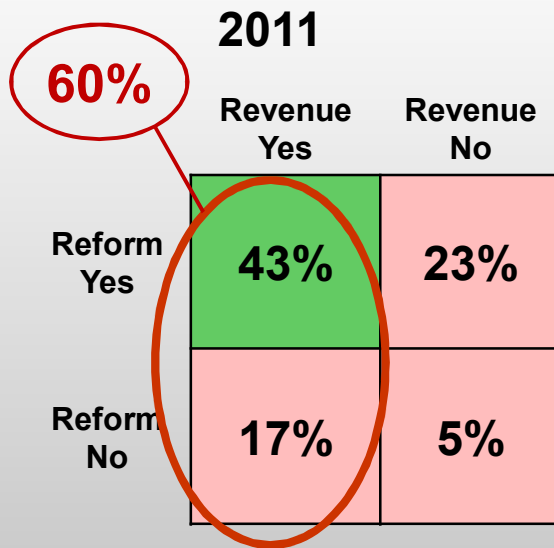
Availability of Skilled Workers



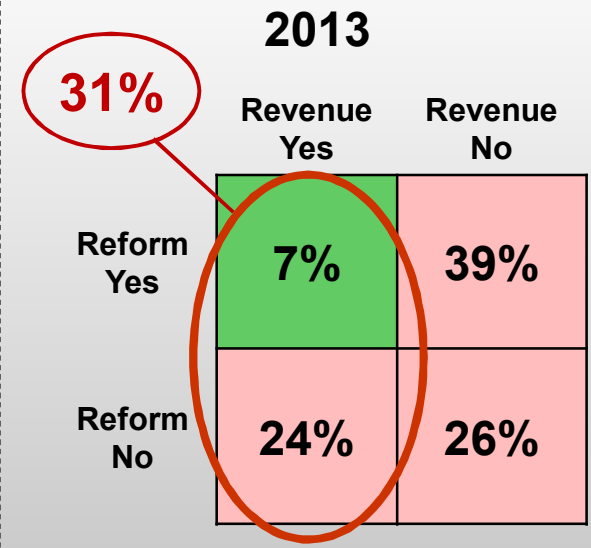


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Support For New Revenue Weakens



More certainty in 2012





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Summary

- **As rebound continues, concern emerges about Minnesota's business climate**
- **State government impacts business climate, but right formula hasn't been found**
- **Increased business costs may temper economic expansion**
- **Only 1/3 finding all workforce needs are met**