



Ken Peterson, Commissioner, Minn. Dept. of Labor and Industry

Minnesota must self-finance, increase tax revenue to succeed

A Civic Caucus Focus on Competitiveness Interview

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Present

(All by phone) Dave Broden, Audrey Clay, Janis Clay, Pat Davies, Paul Gilje (coordinator), Randy Johnson, Sallie Kemper, Dan Loritz (chair), Tim McDonald, Jim Olson, Ken Peterson, Dana Schroeder.

Summary

Commissioner of the Department of Labor and Industry Ken Peterson says that Minnesota is in comparatively good economic condition now and has strengths that give it a competitive advantage into the future. He makes the point, though, that Minnesota must self-finance, because unlike other fast-growing or high-income states, it cannot depend on factors like oil or high federal spending to drive income growth. Peterson posits that for Minnesota to be a high-income state, it must be a high-tax state. He discusses the need to prepare workers to take over high-skill jobs in the construction trades and in precision manufacturing and says that a college degree is not necessarily the right path for everyone. He looks at the possibility of chartered schools helping to train students in the construction trades and at the importance of attacking obstacles to the hiring of people of color and people with low incomes. Peterson backs Gov. Mark Dayton's support of a proposal calling for major expansion of the Mayo Clinic in Rochester and supports copper-nickel mining, if it can be done cleanly.

Background

Ken Peterson was appointed commissioner of the Minnesota Department of Labor and Industry by Governor Mark Dayton in December 2010. He served in the same position from 1988 to 1990 under Governor Rudy Perpich. The agency oversees the state's apprenticeship, construction codes and licensing, occupational safety and health, wage and hour standards and workers' compensation programs.

Peterson has served in other leadership roles at the state and city levels. He worked at the Minnesota Attorney General's Office as deputy attorney general for government operations; served as deputy commissioner for utility regulation at the state Department of Public Service; directed St. Paul's Planning and Economic Development Department and was St. Paul's deputy mayor.

In addition to public service, Peterson has worked in private law practice and as an associate professor of public administration at Metropolitan State University. He teaches an economics course annually at Metro State. He started his legal career on the Leech Lake Indian Reservation in northern Minnesota.

Peterson grew up in Osakis, Minn., and is a graduate of Hamline University (B.A.), George Washington University (J.D.) and Harvard University (M.P.A.).

Discussion

Minnesota is in comparatively good economic condition today. Ken Peterson, commissioner of Minnesota's Department of Labor and Industry, noted that Minnesota's per-capita income growth between 2011 and 2012 (\$800) was second in the country to that of North Dakota, which was \$3,000, due to its oil industry. Our unemployment rate is about two percentage points better than the nation's.

Minnesota's per capita income is \$46,227. On a regional basis, that's the highest per capita of what he called "Big Ten" states, the states across the northern Midwest from Nebraska to Pennsylvania.

"It hasn't always been that way," Peterson said. "At the end of World War II, Minnesota's per capita income was 15 percent below the national average. We were an underperforming state. Today we're punching way above our weight class. We perform very well." He noted that only four other states that were below the national average at the end of World War II have grown to become above the national average: Virginia, New Hampshire, North Dakota and Wyoming.

In response to a question about what Minnesota's competitive advantage will be in the next 20 to 30 years, Peterson named several: a good, strong work force; strong infrastructure; strong education; a wide diversity of industries and companies; and growth of companies built and owned by native Minnesotans.

Minnesota cannot depend on others; we must self-finance. Unlike North Dakota, Peterson said, Minnesota can't count on oil. "And year-in and year-out, we're among the lowest beneficiaries of federal spending. We have to self-finance. We're unlike the other fast-growing or high-income states."

He went on to say that Minnesota has self-financed through the post-World War II era. "We've built a lot of roads, built a lot of schools and put a lot of money into higher education," he said. "We believe we have to continue to do the same thing. Our spending on higher education is about where it was 30 years ago, or maybe a little bit lower than that. We've been living off the past and we haven't been investing in our infrastructure or in our schools or in our young people."

"We must put more money into education, from early childhood up through higher education," he continued. "We must put more money into infrastructure."

"It's important to recognize that we have to self-finance," Peterson said. "We can't depend on others. The federal government is not going to save us. Copper in northeast Minnesota is not going to save us. Agriculture did well last year, but that's only part of our overall economy. If we want to be a high-income state, we need to be a high-tax state. We can't avoid that."

Gov. Mark Dayton administration's chief jobs goal is education. "That's the best job program there is," Peterson said. "That's where we're putting the money." He said the governor and both houses of the Legislature are also proposing more money for traditional economic development programs, such as the [Minnesota Investment Fund](#), which provides financing to help add new workers and retain high-quality industrial, manufacturing and technology related jobs; and the [Minnesota Job Skills Partnership](#), which works with businesses and educational institutions to train or retrain workers, expand work opportunities and keep high-quality jobs in the state.

Manufacturing has changed and much of it requires highly skilled employees. "We're trying to do more in the high-skill jobs," said Peterson. "Now you go into a factory and where there used to be 10 people working on an assembly line, there are two. They're not putting things together. They're using robotics, turning dials, measuring or gauging things. It's not your father's or your grandfather's assembly line." He noted that manufacturing jobs are not necessarily "dirty jobs" any more. "We must do better at selling those jobs and educate people that this type of work has changed," he said.

A college degree is not the right path for everyone. An interviewer asked Peterson what he sees as the job market possibilities for kids in junior and senior high who aren't interested in a college degree. He responded that the Minnesota State Colleges and University (MnSCU) schools do a "great job." He cited the example of the state partnering with Alexandria Technical College on a precision manufacturing apprenticeship program. He said the state must invest more in training for precision manufacturing.

Peterson suggested that school counselors and others are still saying how important it is to go to college. "It's also parents, teachers and other adults they know talking to them about the importance of college. But the jobs for a lot of college graduates just aren't there," he said. "We're trying to convey this to as many school counselors as possible."

In contrast, he said, "We're spending a lot of time encouraging people to go into the construction trades. We'll be losing a lot of people in those areas. Some of those are very high-paying jobs." He noted that at one time, Minnesota had 375,000 people working in manufacturing. Now there are about 300,000. "It may not be growing as fast as I'd like to see, but it's still an important part of our economy," he said.

He explained that the state is losing lots of construction workers, since they can usually only work until they're 50 or 55, as well as many people in manufacturing. "We have to encourage young people to go into those careers," he said. "It's a serious problem. We need to do more hands-on, tactile training

in junior and senior high and more industrial arts and metal shop classes. The challenge is to convince people of the need for them. We must involve more companies so they can let kids know that there are jobs available in these fields."

We must attack obstacles to the hiring of people of color and people with low incomes. An interviewer asked Peterson to comment on points made by several recent Civic Caucus speakers: (1) Minnesota's low high-school graduation rates for minority students and (2) the coming severe shortage of its skilled workers. Peterson responded, "We are trying to spend more time in inner-city schools to interest kids in programs that are in manufacturing and construction particularly. Maybe we can show them that this is their chance to get ahead."

He noted that one in four African American men ends up in prison. "Finding jobs for people who have served time is a real problem. There are lots of obstacles. We should sit down some day and make an analysis of 10 to 20 obstacles and then try to go ahead and attack them."

Some chartered schools could focus on helping train students for the construction trades. An interviewer asked if we should reinstate vocational high schools. Peterson answered that chartered schools can move more quickly and said the building trades unions and construction contractors have thought of creating a chartered school. "But they don't want to produce more people than the market will employ," he said. "More unemployed electricians, for example, won't help anybody. It's a question of how many electricians you want to train for the opportunities available."

Finding the proper balance between high-tech jobs on the manufacturing side and on the engineering side is a problem. In response to a question, Peterson said, "People are aware of the problem. Engineers can't do much if we can't manufacture the things they're designing. And manufacturers can't do much if the engineers aren't designing things. At MnSCU and the University of Minnesota, they're very aware of it. We have to be constantly checking that out."

Some small manufacturers aren't willing to pay high wages to attract skilled workers, because they're competing in national and international markets. An interviewer commented that one of problems that contribute to the perceived skills gap is that the wages for these attractive jobs in manufacturing don't reflect the dearth of skilled laborers. "If manufacturers were serious about attracting skilled labor, they would increase their wages in order to obtain the labor force they need," she said.

Peterson responded that is true in some circumstances. However, in their defense, many Minnesota manufacturers are smaller ones. "They're very intimately tied in to national and international labor markets," he said. "Some manufacturers aren't willing to take that risk of taking a long-term view." He noted that most job openings in the state are part-time and most of them are in restaurants or hotels. "Working in manufacturing pays a lot better than working at Starbucks and has a better long-term future, too," he said.

The Dayton administration is backing the Mayo Clinic proposal for a major expansion in Rochester. "We want to be sure they invest their money here, as opposed to Florida or Arizona. It's a very good thing. It'd be easier to pass it if it were located in the Twin Cities. We're putting a lot of effort into it, but we're having a hard time convincing some people of the necessity of it."

He explained that any area, a region or a state or a nation, wants money coming in from the outside, regardless of whether it's from other states or countries. "You want to export products or services in exchange for revenues that allow you to consume more or produce more goods or services. Mayo Clinic, by providing health care to thousands from other states and nations, brings in a lot of money from all over the country and the world into Minnesota. It affects the whole state. We just have to convince people of the need to help finance the next round of Mayo's growth."

We should do as much copper-nickel mining as possible, if it can be done cleanly. An interviewer asked about the pros and cons of mining copper and nickel in the state. "If we can do it without affecting the Boundary Waters Canoe Area and the area around there, we should do as much of it as we can. Part of the problem is that the history of copper-nickel mining has not been real good. It's hard to convince people this time will be different."

Another interviewer commented that we shouldn't be referring to technology that was used two centuries ago or more. "Let's change it," he said. "There are new techniques. Whether they can be made economical or not is a fair question. Let's see what can be done instead of living in the past." He suggested having the University of Minnesota try to find a clean-water approach to copper-nickel mining. Peterson said people proposing the mining have said they can now do it pretty cleanly.

Peterson is optimistic about this legislative session. In response to a question, Peterson said he is "pretty optimistic" about what will happen in this legislative session regarding jobs, economic development and education. "Nothing happens in one legislative session or maybe even four or five," he said. "It's a long-term commitment to these things."

Conclusion

Peterson believes that we should remember to think about Minnesota as a place where we self-finance and generally take care of ourselves. "We can't count on anybody else," Peterson said, reiterating his earlier statements. "The federal government's never going to be a big player here, nor will our natural resources be as important as oil, for example. We have to continue to take care of ourselves, if we want to succeed as a society in 10, 20, 30, 40, 50 years."