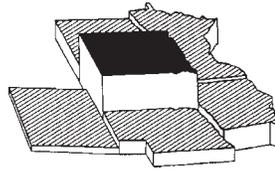


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## A Tale of Two Cities: Sioux Falls and Sioux City

By Ralph J. Brown

“It was the best of times, it was the worst of times.” Charles Dickens

### I. INTRODUCTION

Sioux Falls and Sioux City are sister cities located on the Great Plains approximately 80 miles apart on Interstate Highway 29. These two cities have many similarities; however, beginning about 30 years ago the two economies began to diverge and today the structure and level of economic development in these two cities is quite different.

Some of the similarities are obvious, such as both cities have Sioux in their names and are located on rivers, the Big Sioux River for Sioux Falls and the Missouri and Big Sioux rivers for Sioux City. For many years, meatpacking was the major industry and both are the site of John Morrell and Company meat packing plants. Both cities had a major

stockyard<sup>1</sup> which helped to make these cities a major shopping center in their respective trade areas. In more recent times, both metropolitan areas were the location of major Gateway computer company facilities.

In terms of economic development and size they were also very similar. Until the early 1970s, the median family and per capita incomes of both cities were almost identical. The median family income<sup>2</sup> for Sioux Falls was \$22,375 in 1959 and \$21,735 for Sioux City. In 1969, median family income was \$29,332 in Sioux Falls and \$28,259 in Sioux City.

In 1980, the population of the two cities (MSA) was about 120,000 people each. However, in the 1970s and 1980s, the relative economic and demographic performance of these two cities began to diverge. From 1969 to 2002, population grew 58 percent in Sioux Falls and by only 7 percent in Sioux City. Total employment grew 148 percent in Sioux Falls and 46 percent in Sioux City. Real income per person grew almost 50 percent faster in Sioux Falls than Sioux City. By 1999, median family income was \$51,516 in Sioux Falls and \$45,751 in Sioux City, a difference of about 13 percent. In 2002, per capita income was about 18 percent higher in Sioux Falls than Sioux City. In Sioux Falls, approximately seven percent of the population lives in poverty while more than 10 percent do in Sioux City. The

divergence that began in the mid-1970s leaves two very different cities today.

The purpose of this study is to describe and examine the source of divergence in these two communities. Why did the growth rates of population, employment, and income in Sioux Falls outpace that of Sioux City over the last 30 years? Are they fundamentally different economies today than they were 30 years ago? Which industries formed the basis for growth in these two cities? These are some of the questions to which we hope to provide answers. We emphasize primarily *what* happened rather than *why* it happened. The intent is to be as factual as possible relying on publicly available data wherever possible. We are not here to *congratulate* or to *castigate* but merely to understand what has happened and what have been the consequences. If the two cities followed fundamentally different growth paths or strategies our investigation may provide some insights as to which worked and which did not.

This paper is organized as follows: Part II discusses the statistical definitions of the Sioux Falls and Sioux City Metropolitan Statistical Areas used in this paper; Part III examines data sources; and Part IV examines growth patterns in population, employment and income. Part V examines the mystery of per capita income differences; Part VI provides commentary on the two cities; and Part VII provides conclusions.

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# Business Highlights

## South Dakota

The number of nonfarm wage and salaried workers increased by 3,200 workers from the third quarter of 2003 to the third quarter of 2004. Noticeable gains occurred in wholesale and retail trade, manufacturing, and financial activities. Government services added 300 workers over the year due mainly to the addition of workers in state government. Part of this gain was offset by a loss of 100 workers in the federal sector. Workers were also added in construction, professional and business services and educational and health services, but at a slower rate. The leisure and hospitality industry lost 300 workers over the year.

The unemployment rate was lower than a year earlier. South Dakota reported an unemployment rate of 3.2 percent in the third quarter 2004 compared to 3.6 percent for this period a year ago.

Personal income in South Dakota grew 1.6 percent in the second quarter of 2004, slightly above the nation's increase of 1.5 percent according to estimates released in late September 2004. Strong income growth in the farm sector had a noticeable effect on total personal income. Real estate/rental/leasing contributed more than 10 percent of the increase in earnings.

Personal income estimates slowed in the third quarter of 2004 according to estimates recently released by the U.S. Bureau of Economic Analysis in late December 2004. Personal income in South Dakota decreased 0.4 percent, the result of a large decline in cash receipts for livestock marketing.

New vehicle registrations increased in the third quarter of 2004 from the previous quarter. Over 5,000 new cars and 5,531 new trucks were sold in the third quarter. Incentives from the auto industry including cash-back offers and low-cost financing have boosted sales.

## United States

Total nonfarm payroll employment increased by 1.7 million workers in the third quarter of 2004 from a year ago. Job gains were strong in several service-providing industries, particularly in professional and business services and educational and health services. Both the service-providing industries and the goods-producing industries had job gains, with the service-providing industries growing at a slightly faster rate.

The unemployment rate averaged 5.4 percent in the third quarter of 2004, well below the 6.0 percent rate a year ago. The jobless rate has been either 5.4 or 5.5 percent in each month since July, which is slightly below the rates in the first half of 2004.

Personal income growth for the nation increased 1.5 percent in the second quarter of 2004 from the previous quarter. By industry, real estate and rental and leasing registered an 8.3 percent increase. All industries, with the exception of educational services and arts, entertainment, and recreation, posted gains. In the third quarter of 2004, personal income growth for the nation slowed to 0.8 percent. According to the Bureau of Economic Analysis December 2004 news release, the two industries of health care and social assistance and professional and technical services, contributed slightly more than one third to the growth in earnings of all industries. Another one third of the earnings growth came from the following five industries: construction, durable goods manufacturing, transportation and warehousing, real estate and rental and leasing, and administrative and waste services.

Car dealers have offered various incentives to maintain the same sales pace as 2003. It is estimated that light vehicle sales in 2004 will slightly exceed 2003 sales.

*Please see page 24 for definitions of economic indicators.*

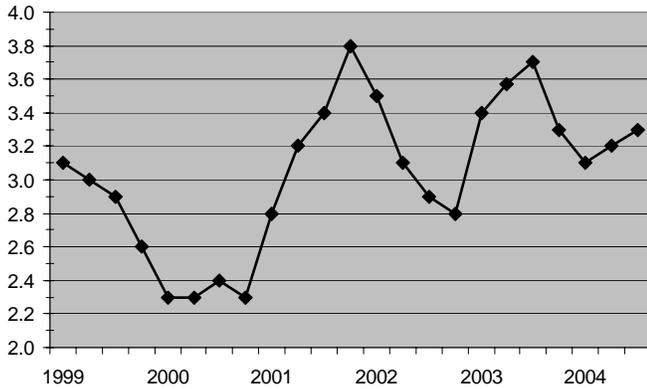
General Indicators	Latest Quarter	South Dakota			United States		
		Latest Quarter	Year Ago	Percent Change	Latest Quarter	Year Ago	Percent Change
Personal Income (\$ Mil.)	2004-2	22,664	21,599	4.9	9,565,281	9,093,138	5.2
Farm Prop. Income (\$ Mil.)	2004-2	986	1,034	-4.6	18,565	29,734	-37.6
Non-ag Employment (Thous.)	2004-3	385	382	0.8	131,521	129,820	1.3
Unemployment Rate (%)	2004-3	3.3	3.7		5.4	6.0	
Total Employment (Thous.)	2004-3	410	410	0.0	139,480	137,731	1.3

Note: All U.S. data seasonally adjusted.  
For South Dakota, all data is seasonally adjusted except for non-ag employment.

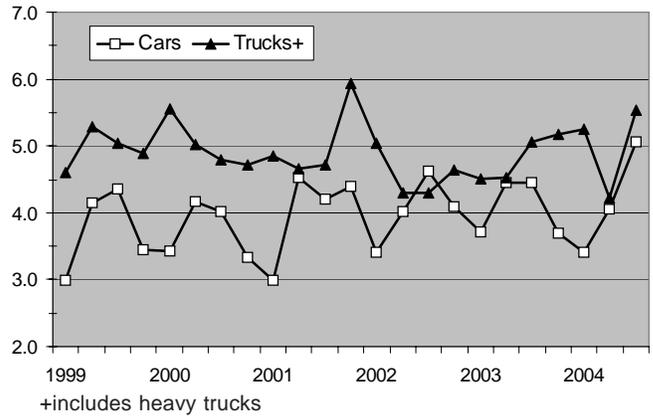
# Business and Economic Activity

## South Dakota 1999 - 2004 (Quarterly)

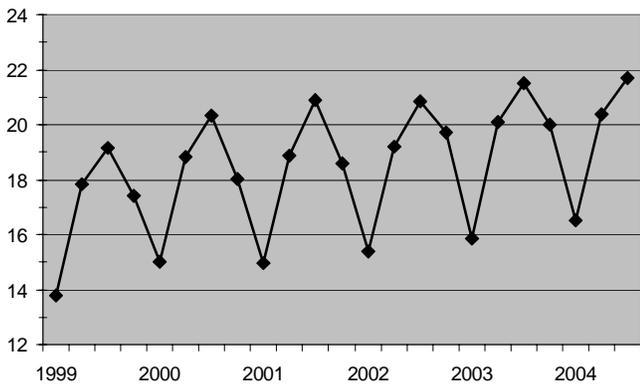
**Unemployment Rate (Percent)\***



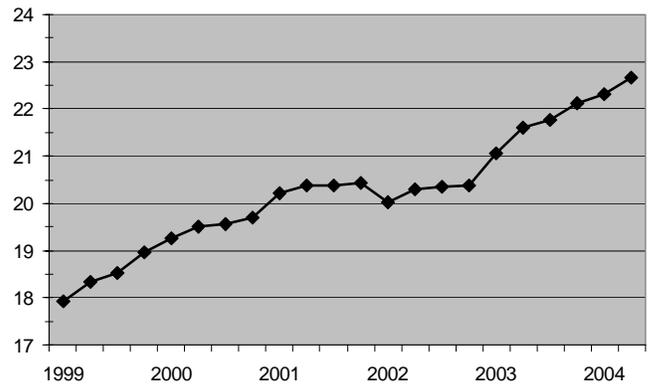
**New Car & Truck Registration\*\*  
(In Thousands)**



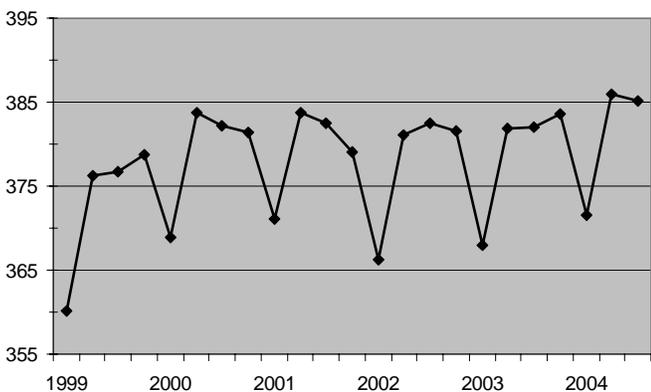
**Construction Employment\*\*  
(In Thousands)**



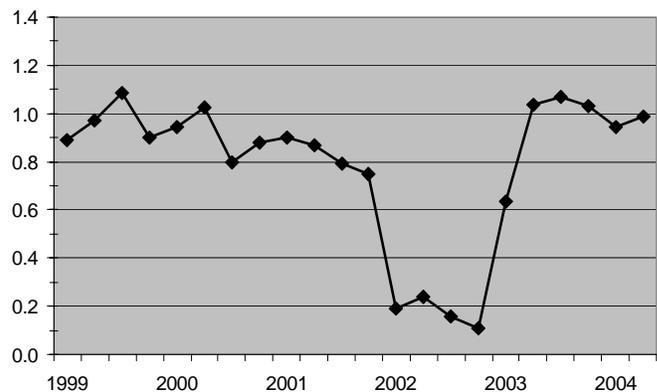
**Total Personal Income\*  
(In Billions)**



**Non-Farm Employment\*\*  
(In Thousands)**



**Farm Proprietors' Income\*  
(In Billions)**



Note: \* Seasonally adjusted data. \*\* Not seasonally adjusted data.

### III. STATISTICAL DEFINITIONS

A statistical description of the Sioux Falls and Sioux City economies is complicated by the geographic definition one uses. Since each city has a population in excess of 50,000 persons, each is officially defined as a Metropolitan Statistical Area (MSA) by the U.S. Census Bureau. Due to changes in definition and demographics, the counties that constitute the Sioux Falls and Sioux City MSAs have changed over time. In 1950, the Sioux Falls MSA included only Minnehaha County while the Sioux City MSA included only Woodbury County. In 1963, the Sioux City MSA was expanded to include Dakota County (Nebraska). In 1993, the Sioux Falls MSA was expanded to include both Minnehaha and Lincoln counties. In 2003, the Sioux Falls MSA was further expanded to include Minnehaha, Lincoln, McCook, and Turner counties. The Sioux City MSA was also expanded to include Woodbury, Dakota (Nebraska), Dixon (Nebraska), and Union (South Dakota) counties.

The standard definition of metropolitan areas was first issued by the Bureau of Budget (predecessor of the Office of Management and Budget) in 1949.<sup>3</sup> As previously stated, in both cities, the number of counties that are included in the MSA has changed. The current (2003) definition of a MSA is:

**“A Core Based Statistical Area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.”<sup>4</sup>**

The outlying counties of the MSA require at least 25 percent of the outlying county to work in the central county, or at least 25 percent of the employees in the outlying county reside in the central county. In the case of the Sioux Falls MSA, Lincoln, McCook, and Turner counties, all meet the requirement of 25 percent of employees in the outlying

county working in the central county (Minnehaha). In the Sioux City MSA, Dixon County (Nebraska), has at least 25 percent of its employees working in Woodbury County and in Union County (South Dakota) 25 percent of the employees reside in Woodbury County.

These changing definitions of the Sioux Falls and Sioux City MSAs can be a source of confusion as to which definition we are using. In this paper, two definitions of the MSAs of each city will be used and at times other definitions will be used based on data availability. For Sioux Falls, the definition that includes only Minnehaha and Lincoln counties will be identified as Sioux Falls (ML). When McCook and Turner counties are added it will be identified as Sioux Falls (MLMT). For Sioux City, the definition that includes only Woodbury and Dakota counties will be identified as Sioux City (WD). When Dixon and Union counties are added it will be identified as Sioux City (WDDU).

It could be argued that Union County (South Dakota), particularly North Sioux City, South Dakota, actually became a functional part of the Sioux City MSA in 1990s. The dramatic increase in manufacturing activity, particularly in the Gateway Business Park in North Sioux City, can be seen by examining manufacturing employment in the county. In 1980, manufacturing employment accounted for 850 workers. By 1990, the year that Gateway moved to North Sioux City, manufacturing employment increased to 1,438 workers and by 2000, 6,517 workers.<sup>5</sup> During this same time period, the population of Union County did not change dramatically. For instance, in 1980 Union County population was 10,952, by 1990 it was 10,188, and by 2000 it was 12,819. It is obvious that most of the increase in manufacturing workers was made up of workers who did not reside in Union County. Many of these workers came from Sioux City and Clay County South Dakota. Since 2000, the fortunes of Gateway Corporation have changed considerably with large decreases in employment in both North Sioux City and Sioux Falls. Currently, about 1,200

Gateway workers remain in North Sioux City compared with over 6,000 at its peak. In Sioux Falls, the Gateway facility has closed with a loss of approximately 1,800 jobs. The impact of Gateway’s expansion and then decline was much more significant to Sioux City than Sioux Falls. Sioux City lost both the corporate headquarters and the company’s largest manufacturing facility. In 1998, Gateway moved its corporate headquarters to San Diego, California. This led to the loss of a significant number of corporate executive and related jobs in North Sioux City. Furthermore, the vendor linkages were much greater in Sioux City than in Sioux Falls.<sup>6</sup> Combined with a declining national economy and the contraction of the Gateway Company, the employment situation in Sioux City deteriorated significantly with a drop in total non-agricultural wage and salary employment of 8 percent from 1999 to 2004. During that same period, manufacturing employment decreased 18 percent. Sioux Falls’ non-agricultural employment increased 5 percent over the same time period while manufacturing employment fell 13 percent. This story is still being written, but it seems reasonable to assume that the influence of Gateway on both Sioux Falls and Sioux City has peaked.

### III. DATA SOURCES

Most of the data presented in this paper is based on two basic sources. The first data source utilized was the decennial census data compiled by the U.S. Census Bureau for every year ending in 0 (zero) back to 1790. This is a rich source of data on population, housing, employment, and education by state, county, and city. In this paper, we used data for the Sioux Falls and Sioux City MSAs dating back to the 1960 census.

The second data source utilized was the local area estimates provided by the Regional Economic Accounts, Bureau of Economic Analysis, U.S. Department of Commerce. This source provides detailed personal income, population, and employment data by state, county, and MSA annually back to 1969. The most recent year for which data is available is 2002. Since this data is available on an

annual basis it is particularly helpful in more precisely tracking short-run movements in the economy.

A preview of the population and per capita income for the counties of the core cities, Minnehaha for Sioux Falls and Woodbury for Sioux City, the narrow and broad definitions of the MSAs for 1969, 1980, 1990, 2000, and 2002 are presented in Table 1. As shown in Table 1, Sioux Falls experienced considerable population growth from 1969 to 2002. For Minnehaha County, population grew from approximately 95 thousand to 153 thousand, an increase of 58 thousand people. Using the broadest MSA definition, population grew from 123 thousand to 195 thousand persons or by 72 thousand, over the same period. For Woodbury County, population grew by only 400 people over the 1969 to 2002 time period. Using the broadest MSA definition, population grew by about 10 thousand persons over this time period. Sioux Falls and Sioux City had almost the same population in 1969, but now Sioux Falls is about 50 to 70 thousand persons greater, depending on the MSA definition.

Review of the inflation-adjusted<sup>7</sup> per capita personal income data by place of residence also presents some interesting contrasts. As shown in Table 1, real per capita personal income was almost identical in Sioux Falls and Sioux City in 1969. By 1980, real per capita personal income was about one thousand dollars higher in Sioux Falls. By 1990, Sioux Falls real per capita income was almost three thousand dollars higher and by 2002 it was more than four thousand dollars higher. It is interesting to note that when the broad MSA definition for Sioux City is used, 2002 real per capita personal income is approximately two thousand dollars higher than the narrow definition. This narrower income differential for the broader MSA definition is due to Union County (South Dakota) where real per capita personal income is more than \$37 thousand. This is the highest per capita income in the three-state area and 20 percent above the US average. This, in large part, reflects the growth of the Dakota Dunes where many high-income persons relocated from Woodbury and Dakota counties. One reason for this movement, but certainly not the only reason, was to

establish South Dakota residency and place of work to avoid paying Iowa or Nebraska income taxes. Over the 1969-2002 period, real per capita income increased at a rate of 2.5 percent per year in Sioux Falls and 1.9 percent in Sioux City. This is compared to a 2.1 percent growth rate for the US.

#### IV. GROWTH PATTERNS OF SIOUX FALLS AND SIOUX CITY: 1969 TO 2002

##### A.1 Population: Bureau of Economic Analysis Data

Using Bureau of Economic Analysis data, we are able to track the path of population, employment, and income on a yearly basis over the 1969-2002 period. This is particularly useful when we are trying to pinpoint the timing of the divergence of income and employment growth. As shown in Figure 1, the population of both Sioux Falls and Sioux City increased since 1969. The data presented here uses the broad MSA definition. The data is also presented in ratio or semi-logarithmic scale which means that we can determine change in the growth rate by examining the slope of the line.

**TABLE 1: POPULATION AND PER CAPITA INCOME DATA FOR SIOUX FALLS AND SIOUX CITY**

<u>Population</u>	<u>1969</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2002</u>
Sioux Falls - Minnehaha County .....	94,640	109,637	124,416	149,989	152,582
Sioux Falls - Minnehaha & Lincoln Counties .....	106,288	123,571	139,881	174,538	180,360
Sioux Falls - Minnehaha, Lincoln, McCook, & Turner Counties .....	123,539	139,185	154,148	188,246	194,802
Sioux City - Woodbury County .....	102,963	100,993	98,506	103,849	103,365
Sioux City - Woodbury & Dakota Counties .....	115,919	117,625	115,138	120,481	119,997
Sioux City - Woodbury, Dakota, Dixon, & Union Counties .....	133,099	135,714	131,671	143,040	142,714
<b><u>Per Capita Income (2000 \$s)</u></b>					
Sioux Falls - Minnehaha County .....	\$14,132	\$19,571	\$24,140	\$30,506	\$31,653
Sioux Falls - Minnehaha & Lincoln Counties .....	\$13,977	\$19,446	\$23,961	\$31,129	\$31,155
Sioux Falls - Minnehaha, Lincoln, McCook, & Turner Counties .....	\$13,636	\$18,633	\$23,404	\$29,846	\$30,852
Sioux City - Woodbury County .....	\$14,698	\$18,405	\$21,449	\$25,548	\$25,956
Sioux City - Woodbury & Dakota Counties .....	\$13,966	\$18,244	\$20,973	\$25,601	\$25,993
Sioux City - Woodbury, Dakota, Dixon, & Union Counties .....	\$15,079	\$18,654	\$22,009	\$27,896	\$28,134

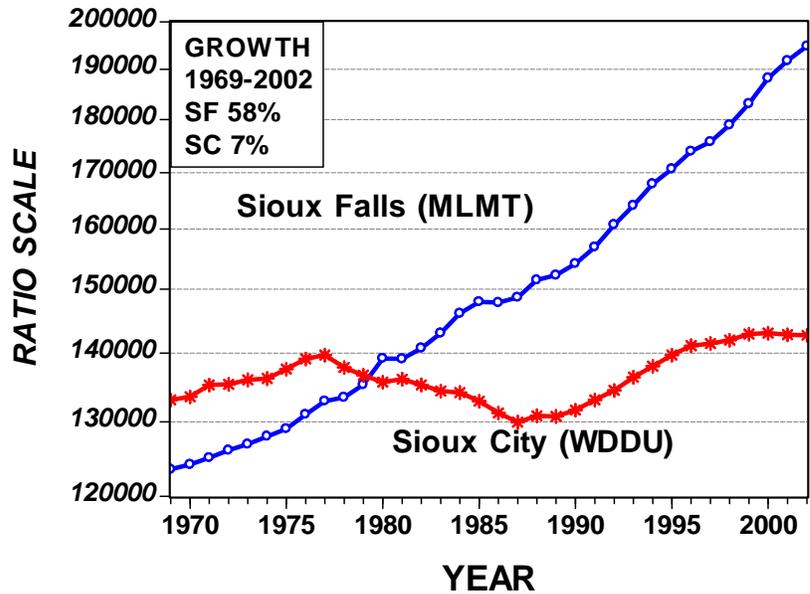
Source: Bureau of Economic Analysis

Sioux City’s population was about 10 thousand greater in 1969; however, by 2002 Sioux Falls’ population outpaced Sioux City’s population by about 52 thousand. Over this time period, Sioux Falls’ population grew 58 percent compared to 7 percent for Sioux City. From 1978 to 1987, Sioux City’s population decreased by 8 thousand. After 1987, Sioux City’s population grew but slowed again in 1996. Sioux Falls experienced continual growth over the whole period. Growth accelerated in 1990, growing by 40 thousand or by 26 percent over the 1990-2002 period. During the 1980s, Sioux Falls population grew 11 percent.

**A.2 Population: 2000 Census Data**

This section of the report provides information on population from the 2000 Census. The Census data is useful because it contains much greater population detail. This data is provided in Table 2. There is little difference in the age composition of the two cities with a median age of approximately 34 years of age in both cities. In terms of the racial profile, there were some differences. Approximately 94 percent of the Sioux Falls population was white compared to 87 percent for Sioux City. The most significant difference was in the proportion of the population of Hispanic origin. In Sioux Falls, only 2 percent of the population was Hispanic compared to 10 percent for Sioux City. Dakota County (Nebraska) has the largest concentration of Hispanic population at approximately one-quarter of the population. The

**FIGURE 1: POPULATION TRENDS**



African American or black, American Indian, and Asian population proportions were almost identical in both cities.

Table 3 presents information on educational attainment. In terms of educational attainment, there were significant differences between the two cities. In Sioux City, approximately 20 percent of the population age 25 and over do not have a high school diploma compared to only 12 percent in Sioux Falls. Likewise, approximately 88 percent of the Sioux Falls population have at least a high school degree compared to approximately 80 percent in Sioux City. One-quarter of Sioux Falls

residents, age 25 or older, have a bachelors degree or higher compared to 19 percent for Sioux City. Interestingly, there is little difference between the two cities in terms of graduate degrees with both at about six percent. Thereby, the major difference in educational attainment of the two cities relates to the higher percentage of people with less than a high school degree in Sioux City and the higher percentage of people with a bachelors’ degree in Sioux Falls. The higher percentage of less than a high school diploma in Sioux City probably reflects the larger number of immigrants in Sioux City, particularly Hispanics. Based on the 2000 Census,

**TABLE 2: 2000 POPULATION CHARACTERISTICS - SIOUX FALLS & SIOUX CITY**

**SIOUX FALLS AND SIOUX CITY PROFILE 2000 CENSUS**

<b>Population</b>	<b>SF(MLMT)</b>		<b>SC(WDDU)</b>		<b>SF(ML)</b>		<b>SC(WD)</b>	
Total Population	187,093		143,053		172,412		124,130	
18 years and over	137,200	73%	103,350	72%	126,456	73%	89,563	72%
65 years and over	21,775	12%	18,745	13%	18,829	11%	15,892	13%
Median age (years)	34.08		34.24		33.60		33.74	
<b>Race</b>								
White	175,994	94%	125,029	87%	161,480	94%	106,843	86%
Black or African American	2,344	1%	2,267	2%	2,328	1%	2,223	2%
American Indian	2,921	2%	2,207	2%	2,876	2%	2,130	2%
Asian	1,632	1%	3,310	2%	1,605	1%	3,125	3%
Hispanic or Latino	3,437	2%	14,555	10%	3,356	2%	14,049	11%

approximately 80 percent of the Hispanic population came from Mexico and tend to have lower educational attainment levels. This data indicates that the Sioux Falls work force is better educated than the Sioux City workforce. Differences in educational attainment levels can be an important predictor of growth potential. There is considerable evidence to support the proposition that cities with a more educated populace grow faster.<sup>8</sup> More discussion on this topic is provided later in the report.

**A.3. Accounting for Population**

**Growth**

City population growth can be decomposed into separate national, regional, metropolitan, and city trend components. The broad trends that account for the population growth of a particular city are the national, regional, and metropolitan trends. If these trends are positive they contribute to a city’s growth performance. Using this accounting framework, city population growth can be viewed as the sum of these components.

$$City\ Growth = National\ Factor + Regional\ Factor + Metropolitan\ Factor + City\ Factor$$

Where:

**National Factor** - represents national population growth from such factors as natural population growth (births – deaths) plus immigration.

**Regional Factor** – is the rate of population growth in the region (Plains Region) in which the city is located minus national population growth. This reflects the relative attractiveness of the region relative to the nation. One factor of importance has been the trend towards movement to the warmer and dryer climates of the South and West.

**Metropolitan Factor** – is the population growth of metropolitan areas in the region minus the population growth of the region. This reflects the attractiveness of metropolitan areas relative to non-metropolitan areas in the region.

**City Factor** – is the individual city growth minus the metropolitan growth in the same region. This reflects the attractiveness of the city relative to other metropolitan cities in the region.

The city factor measures the desirability of living in the particular city relative to other metropolitan cities in the same region. A positive number on this measure reflects a strong city performance while a negative number indicates just the opposite.

The decomposition of population growth for Sioux Falls and Sioux City is presented in Table 4. For example, during the 1970s, Sioux Falls’ population grew 12 percent. Of this growth rate, 11 percentage points could be attributed to national factors, -6 percentage points to

regional factors, and 1 percentage point to metropolitan factors in the Plains region. All totaled, in the 1970s, this would have indicated a growth of 11% (national) + (- 6%) (regional) + 1% (metropolitan) = 6%. In fact, Sioux Falls grew at 12% or the city factor reflecting the strong performance of Sioux Falls in the 1970s was 6%. In the 1980s, the city factor was 3% and in the 1990-2002 period it was a very strong 12%. Over the 1969-2002 time period, Sioux Falls has a very strong 25% city factor.

Note in each decade, the regional factor (Plains Region) was negative indicating relative population shifts occurring throughout the country towards the South and West which had strongly positive regional numbers. The metropolitan factor in the Plains region was positive, indicating the relative shift of population to the metropolitan areas.

Sioux City had negative city factors in all three time periods and had a -25% city factor over the 1969-2002 time period. It is interesting that the negative city factor for Sioux City is just equal to the positive city factor for Sioux Falls.

**B.1. Total Employment: Bureau of Economic Analysis Data**

Employment growth has been particularly dramatic in Sioux Falls over the 1969-2002 time period. Over that time period, total employment<sup>9</sup> in Sioux Falls grew by 148 percent, while Sioux City employment grew 46 percent. As

**TABLE 3: EDUCATIONAL ATTAINMENT 2000 - SIOUX FALLS & SIOUX CITY**

**SIOUX FALLS AND SIOUX CITY PROFILE 2000 CENSUS**

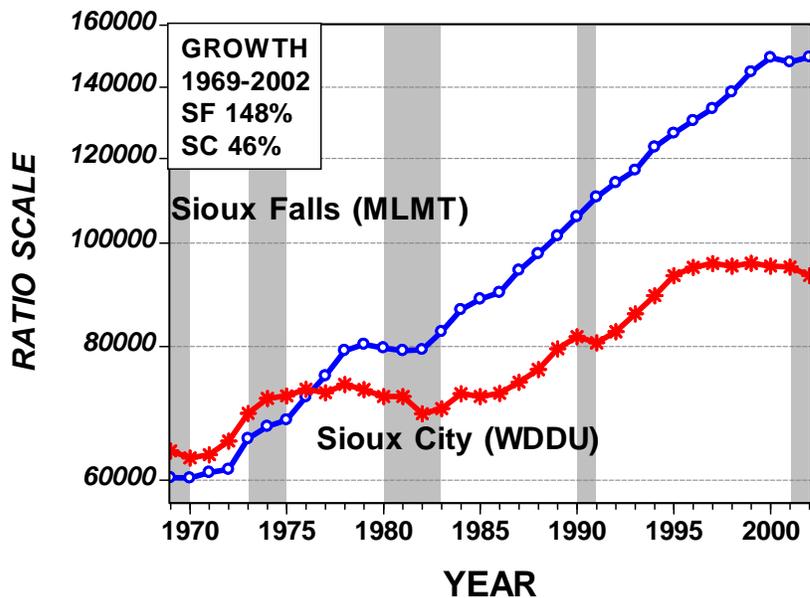
	<b>SF(MLMT)</b>		<b>SC(WDDU)</b>		<b>SF(ML)</b>		<b>SC(WD)</b>	
Population 25 year & Over .....	118,339	100%	89,444	100%	108,493	100%	77,035	100%
Less than 9th Grade .....	5,711	5%	6,933	8%	4,811	4%	6,197	8%
9th to 12th grade, no diploma .....	8,318	7%	10,129	11%	7,550	7%	9,063	12%
High School grad (includes GED) .....	37,109	31%	31,479	35%	33,387	31%	27,134	35%
Some college, no degree .....	28,040	24%	19,001	21%	25,936	24%	16,321	21%
Associate degree .....	9,407	8%	5,374	6%	8,701	8%	4,548	6%
Bachelor’s degree .....	22,069	19%	11,258	13%	20,817	19%	9,396	12%
Graduate or professional degree .....	7,685	6%	5,270	6%	7,291	7%	4,376	6%
% High school grad or higher .....	88.1		80.9		88.6		80.2	
% Bachelor’s degree or higher .....	25.1		18.5		25.9		17.9	

can be seen in Figure 2, the late seventies and early eighties were difficult times for both cities with declining employment opportunities. Sioux City, in particular, was affected by the closing of the Zenith plant in the late seventies with a loss of some 1,500 jobs. In fact, Sioux City employment did not start growing again until 1983. Again in the latest recession (2001), Sioux City suffered job losses with employment peaking in 1999. As of this writing, December of 2004, Sioux City employment is still below the 1999 level. Sioux Falls did somewhat better resuming growth in 1982 and experienced rather spectacular growth throughout the remainder of the eighties and nineties. Sioux Falls experienced a slight job decline in 2001, the year of the recession, but resumed growth in 2002. The shaded areas on the graph indicate recessions. Sioux City appears to be much more sensitive to national recessions as is evidenced by the 1969-70, 1980, 1981-83, 1990-91, and 2001 recessions.

**a. Manufacturing Employment**

A careful review of employment growth by industry indicates that there are considerable differences between the two cities. Manufacturing employment accounted for more than 20 percent of wage and salary employment in both cities in the late 1960s.<sup>10</sup> Since then, the manufacturing employment percentage in Sioux Falls declined steadily to just over 11 percent in 2002. In Sioux City, manufacturing employment has been

**FIGURE 2: EMPLOYMENT TRENDS  
WAGE & SALARY + SELF-EMPLOYED**



volatile reaching a high of 25 percent of total employment in 1974 and a low of 17 percent in 1987. Since the 1990s, it has been about 20 percent of total employment. (Figure 3)

The Sioux City MSA is the home of a number of manufacturing companies. These include John Morrell, Tyson Fresh Meats (previously known as Iowa Beef Processors or IBP), Sioux Bee Honey, Jolly Time Popcorn, Palmer Candy Company, Beef Products Inc., Interbake Foods, Sioux City Brick and Tile Company, Terra Industries, Wilson Trailer Company, Kind and Knox

Gelatin, Diosynth, and Prince Manufacturing. The bulk of these companies are food-related manufacturing companies. Since nondurable manufacturing jobs in Sioux City tend to be lower value-added jobs they tend to have lower wage levels than durable manufacturing jobs. In 2001, Sioux City's average weekly earnings were \$507.47 compared to the state average of \$619.18.<sup>11</sup>

This is quite a contrast with Sioux Falls where manufacturing as a percent of total employment declined from about 21 percent in 1969 to about 11 percent in 2002. The larger Sioux Falls manufacturing firms include John Morrell, Raven Industries, Sencore, Hutchinson Technology, Starmark, and BSI Hardware. While both cities have a manufacturing base, they differ greatly in terms of their dependence on manufacturing. By 2002, Sioux City is approximately twice as dependent on manufacturing jobs as Sioux Falls. This represents a substantial change in the economic structure of the two cities over the last 30

**TABLE 4: ACCOUNTING FOR POPULATION GROWTH**

<b>DECOMPOSITION OF GROWTH</b>	<b>Population Growth of City</b>	<b>National Factor (nat'l grth)</b>	<b>Regional Factor (reg-nat'l)</b>	<b>Metro Factor (metro-reg)</b>	<b>City Factor (city-metro)</b>
<b>Sioux Falls</b>					
1970s	12%	11%	-6%	1%	<b>6%</b>
1980s	11%	10%	-7%	5%	<b>3%</b>
1990-02	26%	15%	-5%	4%	<b>12%</b>
1969-02	58%	43%	-23%	12%	<b>25%</b>
<b>Sioux City</b>					
1970s	2%	11%	-6%	1%	<b>-5%</b>
1980s	-3%	10%	-7%	5%	<b>-11%</b>
1990-02	8%	15%	-5%	4%	<b>-6%</b>
1969-02	7%	43%	-23%	12%	<b>-25%</b>

years. Sioux City remains a manufacturing city while Sioux Falls does not. Sioux City has the highest concentration of manufacturing employment in any of the metropolitan areas regionally (Iowa, Nebraska, and South Dakota).

The problem with a high dependence on manufacturing is that there is little potential for employment growth unless a city increases its market share or attracts new companies. At the national level, manufacturing employment has been declining for 25 years. Manufacturing employment peaked at 19.4 million employees in 1979 and by 2003 had fallen to 14.5 million employees, a decline of 25 percent. This reality flies in the face of the old conventional wisdom that an economy cannot prosper unless it produces some tangible good. In the "new economy" jobs are expanding more rapidly in the information technology, business services, finance, and health care areas. These are all service activities.

A substantial reason for the rapid growth of employment in Sioux Falls is related to its ability to transform its economy from an economy where manufacturing was the foundation to one based on a

variety of services, of which many tend to be fast-growth and high-paying occupations. This is an important structural change.

**b. Service Employment**

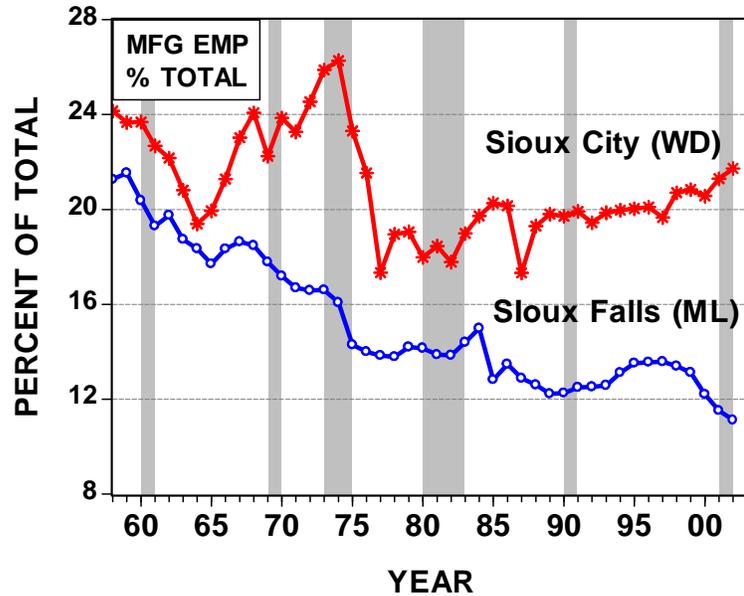
The service<sup>12</sup> sector has been the fast growth sector in Sioux Falls. As shown in Figure 4, service employment grew 289 percent in Sioux Falls compared to 109

percent in Sioux City. One of the fastest growing service categories was finance, insurance, and real estate which grew by 324 percent in Sioux Falls compared to only 6 percent in Sioux City. See Figure 5.

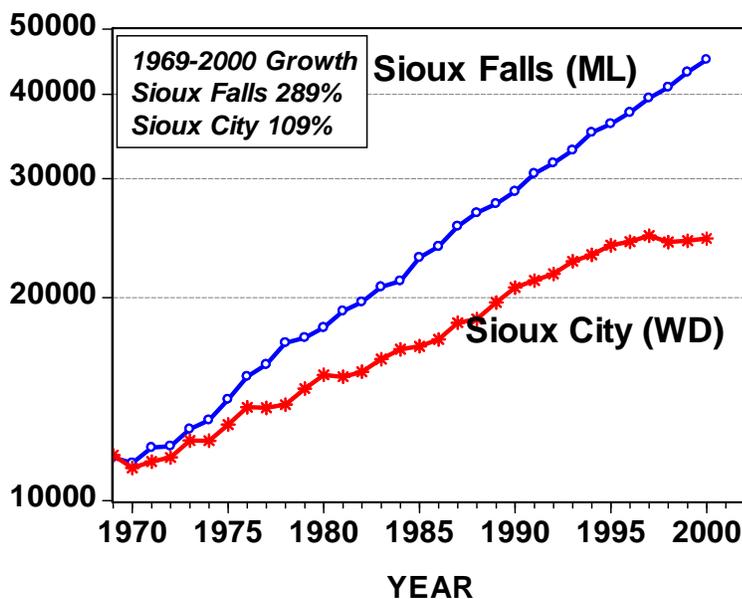
This large difference in growth rates obviously reflects, in large part, the decision by Citibank to locate its credit card operation in Sioux Falls in 1981. This decision was motivated by the fact that South Dakota had removed usury limits in 1980 and the Legislature passed legislation inviting Citibank to locate in South Dakota.<sup>13</sup> The location of Citibank in 1981 was one of the *most important* events in recent Sioux Falls economic history.

In 2004, there are 26 customer service operations in Sioux Falls providing a wide range of services such as credit card processing, insurance claims and servicing, telemarketing services, banking, and mail order pharmacies. Some of the larger employers in this industry and 2004 (employment) numbers are as follows: Citigroup (3,200), Wells Fargo Bank (1,873), First Premier Bank (1,073), HSBC (935), Cigna Tel-Drug (700), Wells Fargo Financial Bank (Dial) (683), MidContinent Communications, Call Center Services (586), and CSD (504).<sup>14</sup>

**FIGURE 3: MANUFACTURING EMPLOYMENT AS % OF TOTAL**



**FIGURE 4: SERVICE EMPLOYMENT**



All totaled, in 2004, almost 13,000 persons are employed in call centers in Sioux Falls. The relocation of Midland National Life Insurance Company in the 1970s combined with the CNA Surety Company also expanded job opportunities in the finance industry.

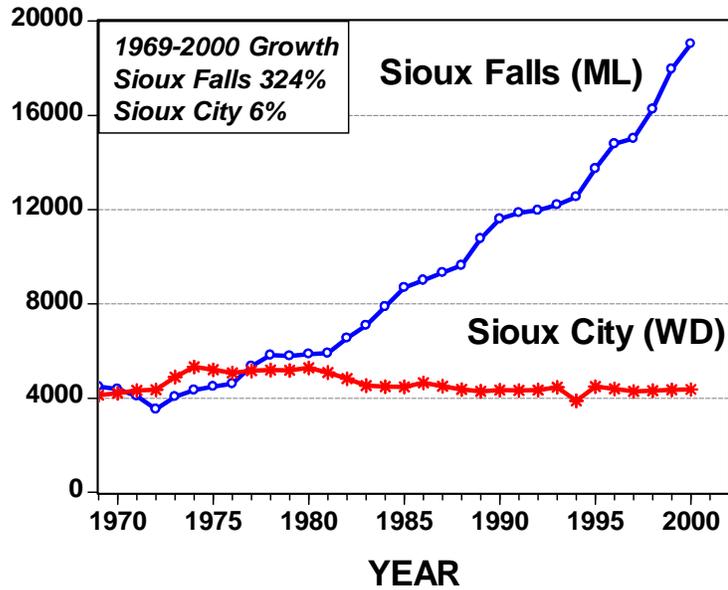
Employment in the financial industries in Sioux Falls grew dramatically from 5,900 in 1981 to over 19,000 workers in 2000. One area of concern for call center jobs is the recent trend in outsourcing of more service jobs of this type. This trend certainly could put a brake on growth in this area.

Another example of service jobs that have made a difference, is the location of the Earth Resources Observation Systems (EROS) Data Center in the 1970s. The EROS Data Center is part of the U.S. Geological Survey and is a data management, systems development, and research field center which provides aerial photography, satellite imagery, research, and applications development. It employs approximately 600 persons.

**c. Health Care Employment**

In both cities, the health care industry has shown tremendous growth over the past 20 years. See Figure 6. Using 1988 to

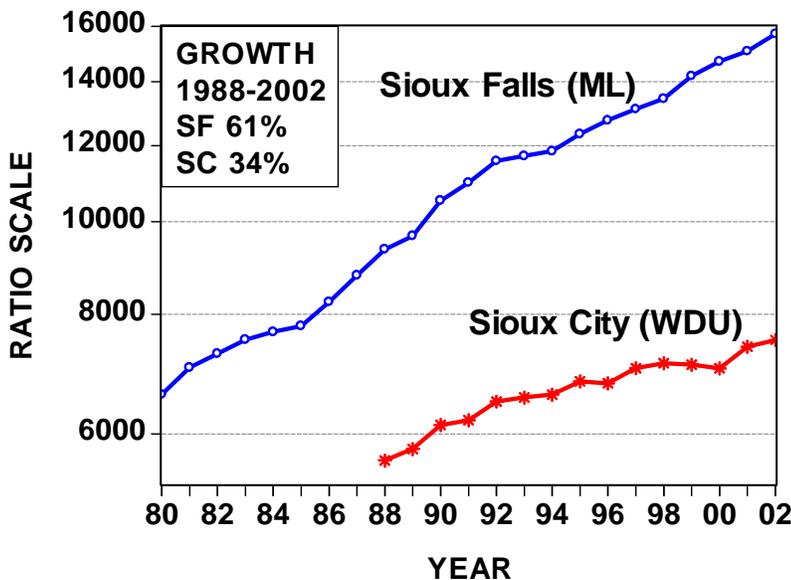
**FIGURE 5: FINANCE, INSURANCE & REAL ESTATE EMPLOYMENT**



2002 data, Sioux Falls has had an increase of 61 percent compared to 34 percent for Sioux City. In 1980, there were 6,597 people employed in health care services in Sioux Falls. In 2003, this number was over 16,000 workers. In Sioux City, health care employment has grown from 5,631 workers in 1988 to 7,524 in 2002.<sup>15</sup>

Both cities are regional medical centers with several hospitals and a full range of specialized health care specialties. In Sioux Falls, the hospitals include Avera McKennan, Sioux Valley, Children’s Care Hospital, Select Specialty Hospital, Sioux Falls Surgical Center, Veteran Affairs Medical Center, Prairie States Surgical Center, and the Avera Heart Hospital. In 2003, there were more than 8,600 people employed in hospitals compared to 3,800 in 1980.

**FIGURE 6: HEALTH CARE SERVICES EMPLOYMENT**



In Sioux City, the hospitals include Mercy Medical Center, St Luke’s Medical Center, and the Siouxland Surgery Center. We do not have data on employment in hospitals for Sioux City. In addition to hospitals, both cities have a variety of medical clinics and offices. The health care industry has been a driving force of fast employment growth and relatively high wages.

One factor that is often credited for this spectacular growth in Sioux Falls is the decision by the legislature to convert the University of South Dakota from a two-year medical school to a four year school in the mid-1970s. This change was designed to increase the number of physicians in rural areas. Sixty percent of South Dakota physicians are graduates of

the USD Medical School. Whether it was successful in achieving that goal I leave to others to judge but it undoubtedly increased the number of physicians located in the metropolitan areas such as Sioux Falls and Rapid City.

Many of the USD Medical School graduates remained in Sioux Falls and Rapid City after completing their residency.<sup>16</sup> The retention of physicians in these communities began the growth of specialty and subspecialty practices. The major competitors for specialty health care services are at least three hours away (Rochester, Minnesota and Omaha, Nebraska). Sioux Falls has developed and retained medical services which require fewer referrals to other communities. Many procedures that heretofore had been referred to places such as the Mayo Clinic are now being performed locally. This trend has been to the benefit of both Sioux Falls and Sioux City, but most particularly, Sioux Falls.

The Sioux City medical system is somewhat different. The University of Nebraska Medical School is located in Omaha, Nebraska, about 90 miles south of Sioux City. All of the University of Nebraska's major health programs are located under the Medical School. Between 1999 and 2003, the University of Nebraska Medical School opened a major research facility, a transplant facility, and a new medical center. Omaha has become the referral center of Sioux City as well as University Hospitals in Iowa City.

Recent expansions in the Sioux City medical facilities include the addition of

a cardiac unit at the Mercy Medical Center and the June E. Nylen Cancer Center which provides specialized cancer treatment. Also, the Siouxland Medical Education Foundation, Inc. operates a Family Practice Center which provides residency opportunities in affiliation with University Hospitals in Iowa City. This deepening of medical service specialties in Sioux City will enhance the status of the Sioux City medical complex.<sup>17</sup>

**d. Information Technology and Related Industries**

One measure of dynamism in an economy is the proportion of people employed in information technology and related industries. Using 2002 NAICS data for employment in information, professional and technical services, finance and insurance, health care and social services, and management of companies and enterprises, we see these industries constitute 36 percent of Sioux Falls (MLMT) employment. See Table 5. These tend to be high-paying<sup>18</sup> and fast growth industries that form the basis for future growth potential. In Sioux City (WDDU), these industries represent 24 percent of employment.

Sioux City, in this regard, is interesting due to the larger number of persons employed in management of companies and enterprises. This obviously reflects the fact that several companies such as Beef Products Inc., American Pop Corn Company (Jolly Time Popcorn), Palmer Candy, Earthgrains (Metz Baking Company), Prince Manufacturing, Sioux City Brick and Tile, and Terra Industries have their corporate headquarters located in the Sioux City MSA.<sup>19</sup> Sioux Falls is

the corporate headquarters of companies such as Raven Industries, Hutchinson Technology, LodgeNet, Midland National Life, and Northwestern Energy.

**B.2. Employment: 2000 Census Data**

The occupational data contained in the 2000 Census provides some insights into important differences in the two cities. See Table 6. In 2000, Sioux Falls had 75 percent of the employed workers in service occupations (management, services, and sales) compared to 70 percent for Sioux City. Both cities have nine percent of workers employed in construction, but the largest difference is the percentage employed in production, transportation, and material moving operations with 20 percent in Sioux City compared to only 15 percent in Sioux Falls. The 2000 Census occupational breakdown of the two cities contrasts sharply with the 1970 census data when 51 percent of the workers in Sioux Falls and 47 percent of Sioux City workers were in service occupations. In both cases, employment in the service sector has grown much more rapidly than in the production, transportation, and material operations sector.

Examination of the industrial structure of the two communities also provides important information. There is no question that Sioux City is more of a goods-producing (agriculture, mining, construction, and manufacturing) city than is Sioux Falls. Based on the 2000 Census data, 32 percent of employment in Sioux City is in the goods-producing sector compared with only 20 percent for Sioux Falls. In particular, manufacturing is the big difference, with 23 percent of

**TABLE 5: PROPORTION OF EMPLOYMENT IN INFORMATION & RELATED INDUSTRIES - 2002**

<b><u>Industry (NAICS)</u></b>	<b><u>Sioux Falls (MLMT)</u></b>	<b><u>% of Total</u></b>	<b><u>Sioux City (WDDU)</u></b>	<b><u>% of Total</u></b>
Information .....	2,904 .....	2.3% .....	1,090 .....	1.4%
Professional & Technical Services .....	5,097 .....	4.1% .....	2,214 .....	2.8%
Finance & Insurance .....	15,948 .....	12.7% .....	3,436 .....	4.3%
Health care & Soc assistance .....	19,360 .....	15.4% .....	10,118 .....	12.8%
Mgmt of companies & enterprises .....	1,406 .....	1.1% .....	2,160 .....	2.7%
Total .....	44,715 .....	35.7% .....	19,018 .....	24.0%

Source: Bureau of Economic Analysis

employment in Sioux City compared with 12 percent for Sioux Falls based on the 2000 census. The other striking difference is employment in finance, insurance, real estate, rental, and leasing. Sioux Falls has 13 percent of its employment in this sector compared to only five percent for Sioux City. Undoubtedly, the fact that Sioux Falls is the location of a number of credit card banks, including Citibank, explains this difference. When comparing employment patterns with the 1970 Census it is interesting that manufacturing has grown

as a proportion of total employment in Sioux City from 18 percent to 23 percent. In Sioux Falls, it fell from 16 percent to 12 percent, which is below the U.S. average of 14 percent. While in 1970 the two economies were almost identical this is no longer the case. The industrial structure of Sioux Falls has become much more service-providing, moving from 74 percent to 80 percent of employment. The Sioux City economy has actually become less service-providing, moving from 71 percent in 1970 to 68 percent in 2000.

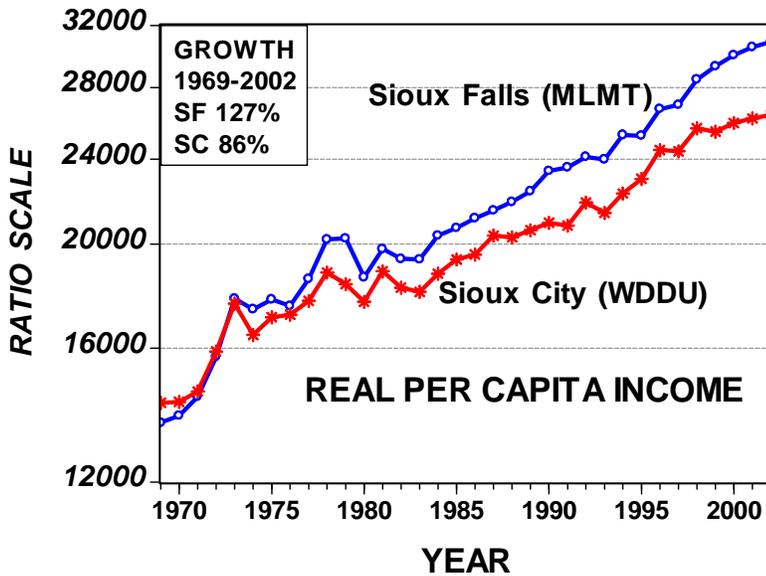
Employment growth differences undoubtedly reflect the historical fact that service-providing employment has grown faster than in goods-producing industries. Why is this important and how does it affect the path of development? Over time, goods-producing industries, whether farming or manufacturing, require fewer and fewer people to produce more and more output. Fundamentally, this is a result of an immense increase in productivity in goods-producing industries. This is the source of increased living standards.

**TABLE 6: EMPLOYMENT AND OCCUPATION PATTERNS**

<u>EMPLOYMENT STATUS</u>	<u>SF(MLMT)</u>		<u>SC(WDDU)</u>		<u>SF(ML)</u>		<u>SC(WD)</u>	
Population 16 year and over .....	142,817		107,813		131,592		93,414	
In Labor force .....	106,637	74.7%	74,893	69.5%	99,252	75.4%	64,751	69.3%
Civilian labor force .....	106,355	74.5%	74,700	69.3%	98,997	75.2%	64,578	69.1%
Employed .....	103,410	97.2%	71,816	96.1%	96,177	73.1%	61,923	66.3%
Unemployed .....	2,945	2.8%	2,884	3.9%	2,820	2.1%	2,655	2.8%
% of Labor Force .....	2.8%		3.9%		2.1%		2.8%	
Armed Forces .....	282		193		255		173	
Not in labor force .....	36,180		32,920		32,340		28,663	
<b><u>OCCUPATION</u></b>								
Mgmt, Profess, & related occupations .....	32,399	31%	20,161	28%	29,921	31%	16,740	27%
Service occupations .....	13,414	13%	10,811	15%	12,370	13%	9,533	15%
Sales and office occupations .....	32,573	31%	19,094	27%	30,958	32%	16,764	27%
Farming, fishing, & forestry occup. ....	591	1%	741	1%	397	0%	447	1%
Construction, extraction, & maint. occupations .....	9,275	9%	6,333	9%	8,478	9%	5,441	9%
Production, transportation, & material moving occupations .....	15,158	15%	14,676	20%	14,053	15%	12,998	21%
<b><u>INDUSTRY</u></b>								
Agriculture, forestry, fishing & hunting & mining .....	2,782	3%	2,095	3%	1,685	2%	1,261	2%
Construction .....	6,431	6%	4,136	6%	5,957	6%	3,578	6%
Manufacturing .....	12,555	12%	16,694	23%	11,795	12%	14,216	23%
Wholesale trade .....	4,549	4%	2,649	4%	4,267	4%	2,291	4%
Retail trade .....	12,813	12%	8,296	12%	12,045	13%	7,368	12%
Transportation & wareh., & util. ....	5,178	5%	3,650	5%	4,776	5%	3,168	5%
Information .....	2,976	3%	2,203	3%	2,754	3%	1,997	3%
Finance, insurance, real estate, & rental and leasing .....	13,838	13%	3,608	5%	13,367	14%	3,134	5%
Professional, scientific, man. adm., & waste man. services .....	5,914	6%	3,459	5%	5,634	6%	3,017	5%
Educational, health & social ser. ....	20,563	20%	13,928	19%	18,955	20%	11,935	19%
Arts, entertainment, recreation, acoom. & food services .....	7,118	7%	5,178	7%	6,811	7%	4,749	8%
Other services (except pub. adm.) .....	5,511	5%	3,639	5%	5,154	5%	3,225	5%
Public administration .....	3,182	3%	2,281	3%	2,977	3%	1,984	3%

Source: 2000 Census

FIGURE 7: REAL PER CAPITA INCOME



Increases in productivity allow the release of people from the production of goods and they can move into service-providing industries. However, the education and knowledge requirements can be quite different in this new world. At one level, service-providing jobs such as fast-food service or many retail trade clerk positions do not require a lot of education, training and they do not pay high wages. However, other service-providing occupations such as management, professional, business services, medical services, and information technology occupations, do

require high levels of education, and in some cases much greater education.

Retail trade employment accounted for about 12 percent of total employment in both cities. Closer examination of the retail sector indicates that retail sales per capita in Sioux Falls were \$12,391 compared with \$10,282 per capita in Sioux City.<sup>20</sup> The ratio of per capita retail sales in Sioux Falls to Sioux City is 1.21. However, when adjusted for differences in per capita personal income between the two cities the Sioux Falls-Sioux City retail sales ratio is 1.03. This indicates

that there is little difference in income-adjusted retail sales per capita in the two cities.

**B.3. Accounting for Employment Growth**

In this section, we performed the same decomposition of growth rates we did for population in section A.3. In this case, we decompose employment growth rates by decade for the 1970-2000 time period. The interpretation of national, regional, metropolitan, and city factors is the same. As shown in Table 7, the importance of the city factor in explaining employment growth is even more dramatic. For Sioux Falls, the city factor is positive in all decades and was 61% over the 1970-2000 period. For Sioux City, the city factor is negative but less so during each decade, ranging from -13% in the 1970s to -5% in the 1990s. However, the city factor since 1999 when employment peaked in Sioux City will be negative.

**C.1. Personal Income Per Capita**

Personal income per capita is one of the best measures of economic well-being. Personal income estimates are prepared by the Bureau of Economic Analysis of the U.S. Department of Commerce. Personal income represents income received by all persons from all sources. The income is measured by place of residence. The personal income components include:

- Wages and salary disbursements,
- Supplements to wages and salaries,
- Proprietors' income (nonfarm and farm),
- Rental income,
- Dividend income,
- Interest income,
- Transfers payments,
- Less contributions of social insurance.

Real personal income per capita over the 1969-2002 is presented in Figure 7. Real personal income per capita has increased significantly in both cities. In Sioux City, it increased by 86 percent. In Sioux Falls, real per capita income increased by 127

TABLE 7: ACCOUNTING FOR EMPLOYMENT GROWTH

DECOMPOSITION OF GROWTH	Population Growth of City	National Factor (nat'l grth)	Regional Factor (reg-nat'l)	Metro Factor (metro-reg)	City Factor (city-metro)
<b>Sioux Falls</b>					
1970s	32%	25%	-2%	4%	6%
1980s	33%	22%	-7%	6%	12%
1990s	41%	20%	0%	2%	20%
1970-2000	148%	83%	-14%	17%	61%
<b>Sioux City</b>					
1970s	14%	25%	-2%	4%	-13%
1980s	14%	22%	-7%	6%	-7%
1990s	16%	20%	0%	2%	-5%
1970-2000	51%	83%	-14%	17%	-35%

**TABLE 8: INCOME AND POVERTY**

<u>INCOME in 1999</u>	<u>SF(MLMT)</u>	<u>SC(WDDU)</u>	<u>SF(ML)</u>	<u>SC(WD)</u>
Median Household Income (\$s) .....	\$42,131 .....	\$38,937 .....	\$43,387 .....	\$38,559
Median Family Income (\$s) .....	\$50,757 .....	\$46,317 .....	\$52,387 .....	\$46,048

<u>POVERTY STATUS IN 1999</u>				
Percent of Individuals in Poverty .....	6.9 .....	9.8 .....	6.9 .....	10.2
65 and over .....	7.1 .....	7.4 .....	6.7 .....	7.1

Source: 2000 Census

percent. Sioux Falls real per capita income first surpassed that of Sioux City's in 1973 and since then the difference has increased. By 2002, the difference is approximately 18 percent. If we use the narrow MSA definition the difference is 20 percent. In both cities, wages were the largest source of income with approximately 52 percent in both. Proprietors' income as a proportion of income was 44 percent higher in Sioux Falls at 13 percent compared to 9 percent in Sioux City. This is interesting because the proportion of income generated by proprietorships is often used as a measure of entrepreneurship.<sup>21</sup> Transfer payments as a proportion of income was 46 percent higher in Sioux City at 14 percent compared to 9 percent in Sioux

Falls. Other income such as dividends, interest, and rent were almost the same proportion in both cities.

**C.2. Income and Poverty: 2000 Census**

Based on the 2000 Census, median household income is about eight percent higher in Sioux Falls than Sioux City using the broad MSA definition and 14 percent higher using the narrow MSA definition. The poverty rate in Sioux City is approximately 10 percent compared to seven percent in Sioux Falls. See Table 8.

The 1999 family income distribution in Sioux Falls and Sioux City is presented in Table 9. This table includes data for Sioux Falls (ML), Sioux City (WD), and

Sioux City (WDU). Union County combined with Woodbury and Dakota counties is included as a third option because of the high income in the Dakota Dunes area.

The middle class (\$25,000 to \$75,000) is almost equal in the two cities, at 61 percent in Sioux Falls (ML) and 60 percent in Sioux City (WD). Sioux City (WDU) had a little lower percentage at 59 percent. Sioux Falls (ML) has a smaller

percent of families with low income (less than \$25,000) and higher percent of families with high incomes (\$75,000 and over). Approximately 14 percent of the families in Sioux Falls (ML) have low incomes compared to 20 percent in Sioux City (WD) and 21 percent in Sioux City (WDU). Twenty-five percent of the families in Sioux Falls (ML) had high income compared to 20 percent in Sioux City (WD) and 20 percent in Sioux City (WDU). It is interesting to note that in Sioux City (WD) that two percent of the families have incomes over \$200,000 compared to 1.7 percent in Sioux Falls (ML). Sioux City (WDU) was even higher at 2.2 percent. This probably reflects the higher percentage of persons employed in management of companies

**TABLE 9: FAMILY INCOME DISTRIBUTION**

<u>INCOME in 1999</u>	<u>Sioux Falls (ML)</u>		<u>Sioux City (WD)</u>		<u>Sioux City (WDU)</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
less than \$10,000 .....	1,351 .....	3.0% .....	1,184 .....	4.4% .....	1,529 .....	4.8%
\$10,000 to \$14,999 .....	1,127 .....	2.5% .....	1,069 .....	4.0% .....	1,356 .....	4.3%
\$15,000 to \$24,999 .....	3,699 .....	8.3% .....	3,084 .....	11.5% .....	3,720 .....	11.7%
\$25,000 to \$34,999 .....	4,937 .....	11.1% .....	3,759 .....	14.1% .....	4,393 .....	13.9%
\$35,000 to \$49,999 .....	9,459 .....	21.2% .....	5,442 .....	20.3% .....	6,331 .....	20.0%
\$50,000 to \$74,999 .....	12,874 .....	28.9% .....	6,820 .....	25.5% .....	7,936 .....	25.0%
\$75,000 to \$99,999 .....	5,870 .....	13.2% .....	2,926 .....	10.9% .....	3,395 .....	10.7%
\$100,000 to \$149,999 .....	3,673 .....	8.2% .....	1,603 .....	6.0% .....	1,935 .....	6.1%
\$150,000 to \$199,999 .....	871 .....	2.0% .....	322 .....	1.2% .....	391 .....	1.2%
\$200,000 or more .....	570 .....	1.7% .....	537 .....	2.0% .....	708 .....	2.2%
Total .....	44,621 .....	100% .....	26,746 .....	100% .....	31,694 .....	100.0%
Median Family Income .....	\$52,387 .....		\$46,048 .....		NA	
Mean Family Income .....	\$51,231 .....		\$49,474 .....		\$51,112	
Low Income <\$25K .....	6,177 .....	13.8% .....	5,337 .....	19.9% .....	6,605 .....	20.8%
Middle Class \$25K-\$75K .....	27,270 .....	61.2% .....	16,021 .....	59.9% .....	18,660 .....	58.9%
High Income \$75+ .....	10,984 .....	25.1% .....	5,388 .....	20.1% .....	6,429 .....	20.3%

Source: 2000 Census

and enterprises in Sioux City compared to Sioux Falls. (2.7% vs. 1.1%, see Table 5)

Finally, the median and mean<sup>22</sup> family income figures are quite interesting. Median family income is 13 percent higher in Sioux Falls (ML) than Sioux City (WD). We are not able to compute the median family income for Sioux City (WDU) because we do not have a detailed breakdown by income category. The mean income numbers are also interesting because when we use the Sioux City (WDU) definition rather than the Sioux Falls (WD) definition, mean family incomes are almost identical to Sioux Falls (ML). The mean family income for Union County is very high. It was \$59,963 which is 17 and 21 percent higher than Sioux Falls (ML) and Sioux City (WD), respectively. This, of course, reflects the effect of very high incomes in computing the mean.

## V. THE MYSTERY OF PER CAPITA INCOME DIFFERENCES?

### A. Is it wages by occupation?

In 1969, Sioux City per capita personal income was \$3,593 or 4 percent higher than Sioux Falls per capita income of \$3,444. By 2002, Sioux Falls' per capita personal income was \$31,947 or 18 percent greater than Sioux City's \$27,112.<sup>23</sup> What accounts for this income differential in 2002 when they were almost equal in 1969? Is it because of higher income per job in Sioux Falls? Is it because a higher percent of the population is employed in Sioux Falls? What is the answer to this puzzle?

Let's start with occupational wages. Are they higher in Sioux Falls? Do workers in the same occupation earn more in Sioux Falls than in Sioux City? The average earnings by occupation (wages times 2,080 hours per year) are shown in Table 10. Wages for all occupations are

five percent higher in the Sioux Falls MSA. Since this is an employment-weighted average of all occupations it reflects a higher percentage of workers in higher-paying occupations in Sioux Falls. The unweighted average of occupational earnings is only one percent higher in Sioux Falls. This indicates that there is little difference between Sioux Falls and Sioux City in average wages in the same occupation. For instance, while management occupation earnings are about 14 percent higher in Sioux Falls, business and financial occupation earnings are 6 percent higher in Sioux City. While these are rather broad occupational definitions, it does not appear that wage differences by occupation can account for the personal income difference.

### B. Percent of Population Employed

Is the higher per capita income in Sioux Falls due to a higher proportion of the

TABLE 10: 2003 OCCUPATIONAL EARNINGS

Occupation Title	SIOUX CITY MSA (WD)		SIOUX FALLS MSA (ML)		SF/SC %
	Employment	Mean Annual	Employment	Mean Annual	
All Occupations .....	59,140	\$28,450	112,290	\$29,840	105%
Management Occupations .....	2,060	\$70,640	3,710	\$80,580	114%
Business & Financial Occup. ....	1,730	\$46,420	3,980	\$43,700	94%
Computer & Math. Science Occup. ....	300	\$46,580	2,300	\$41,800	90%
Architecture & Engineering Occup. ....	300	\$47,090	950	\$43,260	92%
Life, Physical & Social Sci. Occup. ....	150	\$43,160	450	\$42,480	98%
Community & Social Serv. Occup. ....	930	\$28,440	1,310	\$32,620	115%
Legal Occupations .....	270	\$51,310	500	\$48,510	95%
Education, Training & Library Occup. ....	3,560	\$29,400	4,090	\$31,100	106%
Arts, Design, Ent. & Sports,Media Occup. ....	560	\$27,200	1,670	\$27,670	102%
Healthcare Practitioner & Tech. Occup. ....	3,230	\$46,930	7,660	\$47,180	101%
Healthcare Support Occupations .....	1,650	\$22,110	2,650	\$21,580	98%
Protective Service Occupations .....	760	\$32,980	1,370	\$31,290	95%
Food Preparation & Service Occup. ....	5,730	\$15,700	10,580	\$16,800	107%
Building & Grounds & Maint. Occup. ....	2,380	\$18,960	4,100	\$19,700	104%
Personal Care & Service Occup. ....	1,240	\$17,820	2,910	\$19,980	112%
Sales & Related Occup. ....	7,350	\$24,580	13,440	\$29,020	118%
Office & Adm. Support Occupations .....	10,180	\$23,690	24,710	\$24,210	102%
Farming, Fishery & Forestry Occup. ....	210	\$22,780	120	\$22,650	99%
Construction & Extraction Occup. ....	2,760	\$31,520	5,460	\$29,270	93%
Installation, Maintenance & Repair Occup. ....	2,570	\$31,900	4,180	\$32,370	101%
Production Occupations .....	5,890	\$27,440	8,340	\$25,880	94%
Transportation & Material Moving Occup. ....	5,360	\$24,730	7,830	\$25,200	102%

Source: <http://stats.bls.gov/oes/>

**TABLE 11: PER CAPITA INCOME AND ITS DETERMINANTS**

	$PI/POP = PI/EMP \times EMP/POP$			
<b>SF</b>				
1969	\$3,444	=	\$7,053	x 49%
2002	\$31,947	=	\$41,653	x 77%
<b>SC</b>				
1969	\$3,593	=	\$7,482	x 48%
2002	\$27,112	=	\$41,512	x 65%

population employed? This differential can be examined with the following equation.

$$PI/POP = PI/EMP \times EMP/POP$$

Where:

PI = Personal income,

POP = Population,

EMP = Total employment.

Data for 1969 and 2002 using the broad MSA definition is presented in Table 11. As shown in Table 11, per capita personal income in Sioux Falls was \$3,444 or 96 percent of Sioux City's per capita personal income of \$3,593 in 1969. In 2002, Sioux Falls' income was 18 percent greater at \$31,947 compared to \$27,112 in Sioux City. These are stated in current dollars. Examination of the PI/EMP ratio, personal income per job, shows that in 1969, Sioux Falls personal income per job was \$7,053 compared to \$7,482 in Sioux City. By 2002, personal income per job was essentially equal, at \$41,653 vs. \$41,512. Therefore, it cannot be argued that the 2002 per capita income differential is due to greater income per job in Sioux Falls.

Examination of the EMP/POP ratio column shows that in 1969 the employment-population ratio was almost equal for the two cities at about 49 percent. However, the big news is that by 2002, the employment-population ratio in Sioux Falls is 77 percent compared to 65 percent for Sioux City. In other words, almost all of the per capita income differential between Sioux Falls and Sioux City can be accounted for by the higher percent of the population employed in Sioux Falls. That is, almost

80 percent of the population in Sioux Falls is working compared to only two-thirds of the population in Sioux City. The U.S. employment to population ratio is 58 percent.

The relationship between personal income and its determinants is presented in Figure 8. In this graph the Sioux Falls-Sioux City PI/POP ratio is plotted against the EMP/POP and PI/EMP ratio over the 1969-2002 time period. As shown, the Sioux Falls-Sioux City PI/POP ratio is closely correlated with the EMP/POP ratio, 0.89.<sup>24</sup> There is little correlation, 0.29, between the PI/POP ratio and PI/EMP ratio over this time period.<sup>25</sup>

**C. Why is the Employment-Population Ratio Higher?**

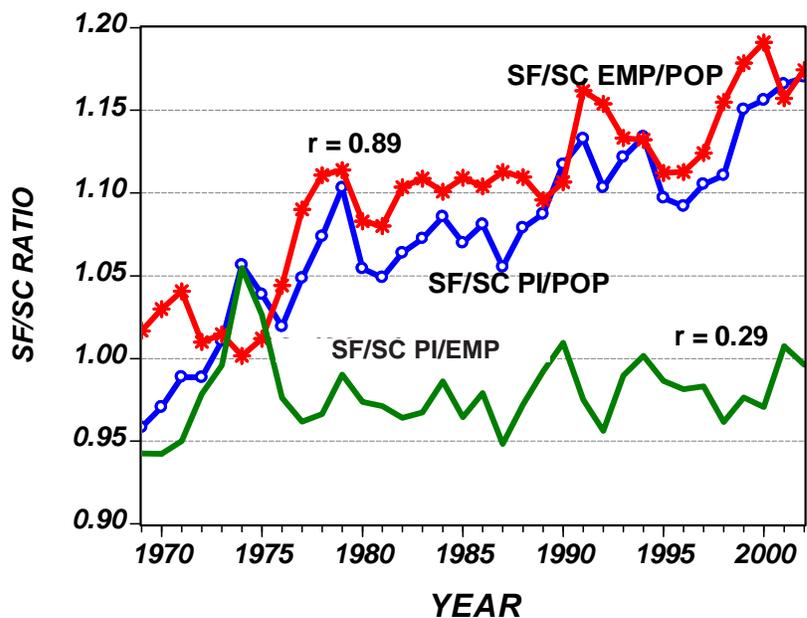
So the next question is why is the EMP/POP ratio so high in Sioux Falls? Is it because the age structure of Sioux Falls has a higher percentage of people in the working age population? Actually the two cities do not vary much on this measure. Based on the 2000 Census, 61 percent of the Sioux Falls population was

between 18 and 65 years of age. In Sioux City, 59 percent of the population was between 18 and 65 years of age. Certainly that is not enough difference to explain the Sioux Falls EMP/POP ratio of 77 percent compared to 65 percent for Sioux City.

Could it be that a large number of people are commuting to Sioux Falls from surrounding counties? Since we are using the very broad MSA definition that includes Minnehaha, Lincoln, McCook, and Turner counties, that would not appear to be that big a factor. Surely, there are people commuting from counties outside of this area such as Clay, Brookings, and Moody counties in South Dakota or Lyon County in Iowa or Rock County in Minnesota. The 2000 Census *Journey to Work*<sup>26</sup> data indicates 5.3 percent of the workers in Sioux Falls commute from outside the broadly-defined MSA.

In Sioux City the same phenomena are at work for Clay County South Dakota and Plymouth and Monona counties in Iowa. In fact, the same *Journey to Work* data shows that 8.9 percent of the workers in Sioux City commute from outside the MSA. This would tend to increase the

**FIGURE 8: PER CAPITA PERSONAL INCOME DIFFERENCES**



employment-population ratio for Sioux City relative to Sioux Falls. Obviously, this can't explain the high employment-population ratio in Sioux Falls relative to Sioux City.

What about the proportion of women working? Is the percent of the female population that is employed in Sioux Falls higher than in Sioux City? In 2000, 69 percent of the females 16 and over were employed compared to 61 percent in Sioux City. A rough analysis of what the employment-population ratio would be in Sioux City if the same proportion of women were employed as in Sioux Falls indicates an increase from 65 percent to 68 percent. Therefore, the proportion of women working in the two cities accounts for about one-quarter of the employment-population ratio difference.

Perhaps the higher employment-population ratio in Sioux Falls reflects a greater percent of workers who are part-time (less than 35 hours per week). Data for 2000 indicates that 17.1 percent of workers in Sioux Falls work part-time compared to 16.9 percent in Sioux City. Obviously this difference is too low to account for much of the difference.

At this time, the high employment-population is still partly unexplained.

Is the very high ratio of employment-population in Sioux Falls unusual? We computed employment-population ratios for all MSAs in the country for 2002 and found that Sioux Falls had the 3<sup>rd</sup> highest ratio in the country. Only Boulder, Colorado and Madison, Wisconsin had higher ratios. See Table 12.

## **VI. COMMENTS ON CITY**

### **GROWTH**

So where does this survey of the two economies take us? It is pretty clear that Sioux Falls has outperformed Sioux City on most economic measures. In my research for this study, I have talked with many people and heard many opinions for the relative performance of these two cities. Comments varied widely. They ranged from the fact that Sioux Falls is on the crossroads of I29 and I90, the

dominance of Sioux Falls in South Dakota makes it the beneficiary of much government largesse (federal and state), Sioux City is too dependent on meat-packing, the business climate in South Dakota is better, the visual difference in the two cities, and many more reasons were proffered. However, it is difficult to make any generalizations about what causes growth from a sample of two. To do so is merely assertion. Obviously there are many differences between Sioux Falls and Sioux City; the problem is to determine which of these differences are determinative. Therefore, we consulted a broader range of empirical research that examines a larger sample of cities to see if some of the differences between Sioux Falls and Sioux City are supported by this research. A review of some of the empirical studies of the growth of cities in the 1990s may allow

us to gain greater insights into the growth processes in these two cities.

Glaeser and Shapiro<sup>27</sup> studied the 1990-2000 growth performance of 195 cities (MSAs) with populations more than 100,000 in 1990. Their findings about the characteristics of a fast-growing city are worth reviewing to see if there are any commonalities to the issue at hand. First, they found that the median population growth for cities in the 1990s was double that of the 1980s and that there was a strong correspondence between growth rates in the 1980s and the 1990s. That is exactly what happened in Sioux Falls, where population increased 11 percent in the 1980s compared to 22 percent during the 1990s. Sioux City's population declined 3 percent in the 1980s and increased 9 percent in the 1990s. The finding of a

**TABLE 12:  
EMPLOYMENT-POPULATION RATIOS BY MSA**

<b><u>MSA</u></b>	<b><u>Employment - Population Ratio</u></b>
<b>United States</b> .....	<b>58.0%</b>
Boulder, CO (MSA) .....	77.3%
Madison, WI (MSA) .....	77.3%
<b>Sioux Falls, SD (MSA)</b> .....	<b>76.7%</b>
Elkhart-Goshen, IN (MSA) .....	75.9%
Iowa City, IA (MSA) .....	75.5%
Harrisburg-Carlisle, PA (MSA) .....	74.8%
Fargo, ND-MN (MSA) .....	73.3%
Rochester, MN (MSA) .....	73.1%
Des Moines, IA (MSA) .....	73.0%
Ann Arbor, MI (MSA) .....	72.9%
Bismarck, ND (MSA) .....	72.0%
Bloomington-Normal, IL (MSA) .....	72.3%
Burlington-South Burlington, VT (MSA) .....	72.0%
Carson City, NV (MSA) .....	71.9%
Lincoln, NE (MSA) .....	72.6%
Durham, NC (MSA) .....	72.3%
Salt Lake City, UT (MSA) .....	72.1%
Missoula, MT (MSA) .....	72.1%
Burlington-South Burlington, VT (MSA) .....	72.0%
Columbia, MO (MSA) .....	72.0%
State College, PA (MSA) .....	71.7%
Lexington-Fayette, KY (MSA) .....	71.2%
Columbus, IN (MSA) .....	71.1%
La Crosse, WI-MN (MSA) .....	70.0%
<b>Sioux City, IA-NE-SD (MSA)</b> .....	<b>65.3%</b>

Source: Bureau of Economic Analysis

strong relationship of city growth across decades indicates a persistence that bodes well for Sioux Falls in this case.

The second finding was that during the 1990s, western and southern cities grew the fastest, midwestern cities grew more slowly, and many northeastern cities declined. Sioux Falls was the fastest growing city in the surrounding states of South Dakota, North Dakota, Minnesota, Nebraska, Iowa, and Wyoming. The average MSA population growth of the cities in these states was 11 percent, which is about one-half of the average growth of the western cities.

The third important finding of this study was the importance of human capital. High human capital cities grew more rapidly. They measured human capital as the percent of persons 25 or older with college degrees. In 1990, Sioux Falls had 21 percent of the population with a college education compared to 16 percent for Sioux City. In 2000, 25 percent of the Sioux Falls population over 25 had a college education compared to 19 percent for Sioux City. Given the differences in the average educational attainment level of the two cities, it is not surprising that Sioux Falls experienced faster growth during the 1990s. An analysis by Hernandez-Murillo found that the correlation between population growth and human capital was stronger in the snow belt (wet and cold) than in the sun belt (warm and dry) locations. He found the correlation between human capital and population growth is 0.52 and is statistically significant.<sup>28</sup>

Finally, Glaeser and Shapiro found a strong relationship between manufacturing dependence and slower growth. Cities with large manufacturing bases tended to shrink while those concentrated in services, retail and wholesale trade, and finance, insurance, and real estate grew. In 1990, approximately 20 percent of Sioux City's employment was in manufacturing compared to 13 percent in Sioux Falls. In 2002, Sioux City had 23 percent of its employment in manufacturing compared to 11 percent in Sioux Falls. A sample of

cities (MSAs) in the Upper Midwest indicated that cities that had less than 15 percent of its employment in manufacturing grew 14 percent during the 1990s, while cities with greater than 15 percent in manufacturing grew 9 percent.

While a city does not often turn down a new manufacturing plant that wants to locate or expand in its city, heavy dependence on manufacturing is associated with slow growth for the reasons discussed earlier. Given these findings, one of the goals of development should be to diversify the economy and expand the service sector. The old shibboleth that we can only grow if we produce tangible things is refuted by the evidence.<sup>29</sup>

So what do we conclude from the analysis presented in this paper and the empirical analysis on city growth during the 1990s? It appears an economic development model that emphasizes a diversified economic base which includes a combination of manufacturing and service employment, particularly finance and health care, will prosper. In addition, this model must provide jobs for highly educated people if the community is to truly grow wealthier. The evidence examined in this paper supports the proposition that the unfolding of economic events in Sioux Falls came closer to the fast-growth model than did Sioux City. Neither city planned the development or events to occur as they did. Surely, the location of Citibank and the ramifications of that serendipitous event were neither planned nor anticipated. Yet the outcome was quite remarkable in the economic transformation of the Sioux Falls economy. Likewise, the developments in the health care industry in Sioux Falls that made it a major medical center in this region were not quite planned the way it happened. The original plan was to put physicians in rural areas practicing family medicine. The outcome was somewhat different. I am not saying the events as they occurred in Sioux Falls were merely luck. They were not. But

there was no grand plan and much of the development that followed the positive shocks was spontaneous. Nevertheless,

*Given these findings, one of the goals of development should be to diversify the economy and expand the service sector.*

the development community was ready to sponsor change and accept it and mold it into beneficial change for the community as a whole. For the most part I think they succeeded.

Sioux Falls, of course, has more work to do to continue to move forward. Recent proposals by Governor Rounds in the 2006 State Budget to fund six new doctoral-level programs in science and medical fields will have a very positive impact on human capital development in the state and in Sioux Falls. The development of MD-PhD programs in Sioux Falls is seen as a way of training, retaining, and attracting highly productive people to South Dakota.<sup>30</sup> The intent of these programs is to increase South Dakota's profile in research and development. In this regard, Sioux Falls is in the process of building a research park called the Graduate Education and Applied Research (GEAR) center.<sup>31</sup> This will foster research by medical and university faculty members with the intent of commercialization. Other examples include USD's Cardiovascular Research Institute in Sioux Falls which shows great potential with existing and pending grants. Continued economic progress in Sioux Falls requires the upscaling of job opportunities for persons with college and graduate degrees. In the new economy world, the goal should be to develop a city that is attractive to people as well as to firms. These proposals appear to be a significant step in that direction.

As for Sioux City, the outcome is a bit different. First, to compare Sioux City's development with Sioux Falls' may be a bit unfair. Sioux Falls has outpaced all comers in this region and has ranked nationally in terms of growth. Sioux City did have a tough stretch from the mid-

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1970s to the mid-1980s. However, since the mid-1980s, it has shown considerable growth in both population and employment. As has Sioux Falls, Sioux City has had some remarkable successes. The Gateway Business Park in North Sioux City was one of the fastest growing business parks in the country in the 1990s. However, the down-sizing of Gateway has been a blow to the community; but the community is adjusting.<sup>32</sup> The Dakota Dunes project has turned out to be a success and more is yet to happen. A number of public investments such as the 4<sup>th</sup> Street project, the Tyson Events Center, and refurbishing the Orpheum theatre are signs of Sioux City on the move. Yet the tugging reality remains that the city must continue to diversify its economy and provide greater jobs that take advantage of people with higher levels of human capital.

Sioux City is well-aware of the challenges it faces as a result of its dependence on manufacturing and the economic dislocation resulting from the downsizing of Gateway and the consolidation of Tyson Foods outside of the Sioux City area following its acquisition of IBP.<sup>33</sup> Sioux City is pursuing an adjustment strategy based on the establishment of targeted “cluster-based” industries.<sup>34</sup> The targeted “cluster-based” industries they identify are valued-added agriculture, biotechnology, information services, medical services, transportation and logistics, advanced manufacturing, aviation/military, and hospitality and tourism. Only time will tell how these strategies work out, but Sioux City is well aware of its need for decisive action.

Finally, this has been a tale of two cities. Two cities that I know well and enjoy a great deal. I have worked, shopped, and spent leisure times in both cities. Each has its own personality. I first became acquainted with them in the early 1960s as a student at the University of South Dakota. In the late 1970s, I renewed my acquaintance as a professor at the University of South Dakota. Things had changed considerably in my years of absence. However, in the next 25 years

from my re-arrival in the later 1970s the changes in these cities was nothing short of remarkable. Both cities underwent dramatic changes; however, Sioux Falls has undergone the most dramatic change. It evolved from a city whose major industry was meat-packing to a very diversified city with a full-range of service jobs and a well-developed health care industry. Sioux City is yet to undergo the dramatic change from an “old economy” city to that of a “new economy” city. This is, of course, the challenge. With all sincerity, I wish both cities well in the future.

## **VII. CONCLUSIONS**

This study has chronicled the economic progress of Sioux Falls and Sioux City over the last 35 years. The economic performance of the two cities has been very different. Over the 1969-2002 time period, Sioux Falls’ population grew by 58 percent compared to 7 percent for Sioux City. Total employment grew 148 percent in Sioux Falls while Sioux City employment grew 46 percent. Real per capita income grew 50 percent faster in Sioux Falls than Sioux City. Today, per capita income is 18 percent higher in Sioux Falls.

In the late 1960s, the two cities were similar in population, employment, and income levels. Actually, Sioux City was slightly ahead in all of these measures. This is not true today. Over the past three decades, the two economies have evolved quite differently. In the late 1960s, both Sioux Falls and Sioux City had more than 20 percent of their employment in manufacturing, substantially meatpacking. Today, that is still true in Sioux City, whereas Sioux Falls has only 11 percent of employment in manufacturing. Sioux Falls has evolved into a service economy, growing almost three times as fast as Sioux

City. In Sioux Falls, the fastest growing service sectors were finance, and health care services. The finance sector increased 324 percent over the 1969-2002 time period. The opening of the Citibank credit card operation led to an explosion of credit card and call centers in Sioux Falls. Today, more than 19,000 people are employed in the financial services industry. In Sioux City, finance employment grew by only 6 percent and currently employs a little more than 4,000 people.

One concern for Sioux Falls is its heavy reliance on call centers. The recent trend of outsourcing, or more accurately offshoring, of some of these jobs to countries like India where labor costs are much lower should be a source of concern for Sioux Falls’ economic development experts.

Expansion in health care services has also been very important in Sioux Falls. Today, more than 16,000 people are employed in the health services sector compared to 6,600 in 1980. Sioux Falls has evolved into a regional medical center with many specialties and sub-specialties. Sioux City has also seen some growth in this sector and employment today stands at about 8,000 workers.

The continued heavy dependence on manufacturing, particularly food processing, has not been a positive for Sioux City. Nationally, manufacturing

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Ralph Brown is Professor of Economics at the School of Business at The University of South Dakota. The author thanks many people who provided helpful discussions on this topic. In particular, I wish to thank Dennis A. Johnson, Brian Brown, Diane Duin, Glenn Ivarson, Evan Nolte, and Kenneth Beekley for their careful reading and many suggestions that improved this paper. Also thanks to Nikhil Bhat for his work on data collection. As the author, of course, I bear full responsibility for the content of this paper and all remaining errors. My e-mail is [rbrown@usd.edu](mailto:rbrown@usd.edu)

employment has been decreasing for 25 years and the trend continues. The transformation of the Sioux Falls economy from one very dependent on manufacturing to a more diversified economy has been the real story. Today, 80 percent of employment in Sioux Falls is in service-producing compared to 68 percent for Sioux City. In fact, Sioux City has actually become more of a goods-producing economy over the last 35 years. This is clearly a case of the “old economy” vs. the “new economy.”

Finally, we examined why per capita income is 18 percent higher in Sioux Falls. It can't be explained by higher earnings per worker since the average worker only earns 5 percent more in Sioux Falls than Sioux City. We found the reason per capita income is higher in Sioux Falls is primarily due to the much higher percentage of the population that is working. In Sioux Falls, 77 percent of the population is employed compared to 65 percent in Sioux City. Sioux Falls has truly been a jobs machine.

Examination of the various reasons underlying employment-population ratio difference indicated that it is not due to differences in the age distribution, differences in commuting patterns, or differences in the proportion of part-time workers. We found a partial explanation was due to the higher percentage of women workers in Sioux Falls.

Overall, this study has studied two very different economies. One that has seen substantial growth and one that has seen slow growth. We carefully examined the statistical data on population, employment, and income that portrays these two economies. The diversification of the Sioux Falls economy into an economy with a small manufacturing base and a broad range of services including finance, retail, and health care has been the story behind its performance. Sioux City must diversify its economy and become less-reliant on manufacturing to continue to grow and expand. That is the challenge.

**Footnotes**

<sup>1</sup> Actually, the Sioux City Stockyards closed in 2002. The Sioux Falls Stockyards Company remains one of the largest in the country.

<sup>2</sup> These numbers are in 1989 dollars. <http://www.census.gov/hhes/income/histinc/msa/msa2.html>

<sup>3</sup> <http://www.census.gov/population/www/estimates/00-32997.txt>. Actually the name also changed over time. Originally they were called Standard Metropolitan Areas (1949) then Standard Metropolitan Statistical Areas (1959), and currently Metropolitan Statistical Areas (1983).

<sup>4</sup> *Ibid.*

<sup>5</sup> Manufacturing employment peaked at 7,038 workers in 1998.

<sup>6</sup> Special thanks to Kenneth A. Beekley, Executive Vice President of Siouxland Economic Development Corporation (SEDC) for this discussion.

<sup>7</sup> Measured in 2000 dollars using the personal consumption deflator.

<sup>8</sup> Glaeser, Edward L. “Why Does Schooling Generate Economic Growth?” *Economics Letters*, 1994, 44(3), pp 333-37 and Glaeser, Edward L. and Saiz, Albert, “The Rise of the Skilled City.” NBER Working Paper No. 10191, National Bureau of Economic Research, 2003.

<sup>9</sup> Total employment includes full-time plus part-time wage jobs by place of work. Employees, proprietors, and active partners are included. This data is prepared by the Bureau of Economic Analysis and designed to be consistent with the personal income series.

<sup>10</sup> Manufacturing data and most other data presented in this section are based on the SIC classification system. There are two widely used industrial classification systems. They are the NAICS and SIC systems. NAICS stands for the North American Industry Classification system. It replaces the U.S. Standard Industrial Classification system (SIC). The NAICS system is a much improved classification system, but the problem is that system is being implemented gradually and the historical data using the new system is limited, usually back to 1990 only. Therefore, many of the historical series presented in this study use the SIC classification system. For the purposes at hand this is not a matter of great concern.

<sup>11</sup> *Comprehensive Economic Development Strategy of the Sioux City, IA/NE/SD Urban Area*, Siouxland Economic Development Corporation (SEDC), September, 2004, p. 27.

<sup>12</sup> This is based on the SIC definition.

<sup>13</sup> Also, a 1978 U.S. Supreme Court decision in *Marquette v. Omaha Service Corp* ruled that a bank could charge the highest interest rate allowed in its home state even if the customer lived in a state with more restrictive limits, hence Citibank, South Dakota.

<sup>14</sup> Thanks to Evan Nolte, President/CEO of the Sioux Falls Area Chamber of Commerce for this data.

<sup>15</sup> The Sioux Falls data is based on the NAICS classification system while the Sioux City number is based on the SIC classification. Because of the finer categorization under the NAICS system the SIC number probably overstates the employment numbers. However, there is another problem and that is the Sioux City MSA data available for this series does not include Union County. Union County data was available from the South Dakota Department of Labor for health care services based on the NAICS data. So when we add Union County data to Sioux City MSA data based on SIC definitions we are adding a measure of health care services based on two different industrial classification systems. However, the data should be fairly close to actual

health care services employment in the Sioux City MSA. It was important to find estimates for Union County since they include several important medical service providers which includes the Siouxland Surgery Center and several other medical clinics.

<sup>16</sup> This section relies heavily on the comments of Diane Duin, Professor of Health Services Administration, University of South Dakota.

<sup>17</sup> Thanks to Kenneth Beekly for these observations.

<sup>18</sup> Typical industry earnings per job was more than \$40 thousand in 2002.

<sup>19</sup> Thanks to Glenn Ivarsen, Chairman of Siouxland Economic Development Corporation (SEDC) for this information.

<sup>20</sup> Retail sales data based on U.S. Census Bureau reports. The narrow MSA definition is used in these calculations. See [http://www.census.gov/epcd/nonemployer/2001/metro7/M7720\\_44.HTM](http://www.census.gov/epcd/nonemployer/2001/metro7/M7720_44.HTM).

<sup>21</sup> Sarah Low, “Regional Asset Indicators: Entrepreneurship Breadth and Depth,” *The Main Street Economist, Commentary on the Rural Economy*, September 2004. [http://www.kc.frb.org/RuralCenter/mainstreet/MSE\\_0904.pdf](http://www.kc.frb.org/RuralCenter/mainstreet/MSE_0904.pdf)

<sup>22</sup> Median income is often used in presenting income data because it is regarded as a better measure of central tendency or representative income. The median family income is a measure where half of all households earn less and half earn more. Mean income is a measure computed by summing all income and dividing by the number of families. The problem with the mean measure is that a few very rich families can skew the distribution and thus raise the mean so that the mean does not truly depict the typical family income.

<sup>23</sup> If the narrow MSA definition is used, per capita personal income is 20 percent higher in Sioux Falls.

<sup>24</sup> The regression equation is PI/POP ratio = 0.058 + .93 EMP/POP ratio.

<sup>25</sup> The regression equation is PI/POP ratio = 0.31 + 0.78 PI/EMP ratio.

<sup>26</sup> This data was provided by Jeremy Horpedahl of the Labor Market Information Services of the South Dakota Department of Labor.

<sup>27</sup> Edward L. Glaeser and Jesse Shapiro, “Is There a New Urbanism? The Growth of U.S. Cities in the 1990s.” NBER Working Paper 8357, National Bureau of Economic Research, July 2001 and “City Growth and the 2000 Census: Which Places Grew and Why?” <http://www.brookings.edu/es/urban/census/whygrowth.pdf>

<sup>28</sup> Ruben Hernandez-Murillo, “Metropolitan Growth Sun Belt vs. Snow Belt.” *National Economic Trends*, Federal Reserve Bank of St. Louis, October 2004, p. 1.

<sup>29</sup> I may seem a bit sensitive on this issue. In 1996 I wrote an article entitled “Whither Manufacturing?” published in the *South Dakota Business Review*, September 1996, which brought some negative comments. I think my concerns then about heavy reliance on manufacturing have been borne out.

<sup>30</sup> Peter Harriman, “Med School to Boost Research,” *Argus Leader*, December 26, 2004.

<sup>31</sup> Jay Kirschenmann, “Medical, Collegiate Center may Enhance City’s Economy,” *Argus Leader*, December 26, 2004.

<sup>32</sup> Jay Kirschenmann, “Ex-Gateway Space Finds New Tenants,” *Argus Leader*, December 5, 2004.

<sup>33</sup> *Comprehensive Economic Development Strategy*, p. 4.

<sup>34</sup> *Ibid.*, p. 44.

# LOCAL INDICATORS AND CONSUMER PRICE INDEX

## SOUTH DAKOTA LOCAL CONDITIONS INDICATORS (% Change Like Period Previous Year)

<i>City</i>	<i>Housing Starts/1</i>	<i>Employ- ment/2</i>	<i>Taxable Sales/3</i>
Aberdeen	28.8	0.0	11.4
Belle Fourche		0.8	16.5
Brookings	87.8	*1.5	10.4
Canton		1.5	15.1
Chamberlain	47.9	-3.4	15.9
Deadwood		-1.3	7.4
De Smet		-3.8	-0.5
Elk Point	-83.8	-8.9	14.5
Hot Springs		3.1	14.9
Huron	138.9	-2.1	24.9
Lead	110.1	-1.3	6.9
Madison	-54.1	-1.4	43.6
Milbank		-3.5	34.4
Mitchell	0.9	-0.8	11.1
Mobridge		0.3	-8.5
Pierre	20.1	2.0	11.2
Rapid City	53.9	3.1	9.4
Sioux Falls	4.5	1.5	8.6
Spearfish	17.8	-1.3	17.6
Sturgis	330.5	3.8	9.2
Vermillion	231.2	-6.4	11.6
Watertown	-15.6	-0.1	14.1
Winner		-2.5	31.4
Yankton	40.8	0.9	11.1

1/ Percentage change for January-September 2003 to January-September 2004.  
Data represents estimated housing start value.  
2/ Percentage change for September 2003 and September 2004 based on county employment data.  
3/ Percentage change for January-September 2003 to January-September 2004.

## CONSUMER PRICE INDEX\* United States January-September 2004 (1982-1984=100), unless otherwise noted

	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Unadjusted % Chg Jan-Sept</b>
All Items	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	2.5
Food & beverages	184.3	184.5	184.9	185.0	186.5	186.8	187.2	187.3	187.2	1.6
Food	183.8	184.1	184.4	184.5	186.1	186.3	186.8	186.8	186.7	1.6
Alcoholic beverages	189.4	189.9	190.8	191.8	191.7	192.4	192.2	192.5	193.4	2.1
Housing	186.3	187.0	187.9	188.4	188.9	190.3	190.9	191.2	191.0	2.5
Shelter	215.2	216.0	217.8	218.4	218.7	219.2	220.0	220.3	220.2	2.3
Rent of primary residence	208.3	208.8	209.2	209.7	210.2	210.7	211.2	211.9	212.4	2.0
Owners equiv rent of residence	222.6	222.9	223.3	223.9	224.3	224.7	225.1	225.7	226.1	1.6
Fuels and utilities	156.3	156.9	155.2	155.6	158.1	165.5	166.6	167.7	166.7	6.7
Fuels	139.2	139.5	137.6	138.0	140.4	148.5	149.5	150.5	149.3	7.3
Fuel oil and other fuels	149.9	155.1	152.5	149.6	150.4	150.7	151.1	157.4	161.6	7.8
Gas (piped) & electricity	145.5	145.5	143.5	144.2	146.8	155.8	156.9	157.6	156.0	7.2
Household furn. & operations	125.3	125.7	125.7	125.6	125.4	125.6	125.2	124.8	125.0	-0.2
Apparel	115.8	118.6	123.5	124.3	123.4	120.1	115.9	116.5	121.2	4.7
Transportation	157.0	158.8	160.5	161.8	165.2	165.7	164.0	162.9	162.9	3.8
Private transportation	153.2	154.9	156.6	157.9	161.5	161.9	160.0	159.1	159.4	4.0
Public transportation	206.3	208.1	209.9	211.5	210.7	212.3	214.4	209.7	205.3	-0.5
Medical care	303.6	306.0	307.5	308.3	309.0	310.0	311.0	311.6	312.3	2.9
Recreation <sup>2</sup>	107.9	108.4	108.8	109.0	108.8	108.9	108.7	108.5	108.6	0.6
Education and Communication <sup>2</sup>	111.1	111.2	111.1	110.9	110.6	110.8	110.9	111.7	112.9	1.6
Other goods and services	301.4	302.3	303.1	303.6	303.8	304.1	305.1	305.5	306.3	1.6

\*Consumer Price Index for all Urban Consumers (unadjusted indexes)  
2: Indexes on a December 1997=100 base  
Source: Bureau of Labor Statistics, U.S. Dept. of Labor

# SOUTH DAKOTA INCOME AND EMPLOYMENT

## TOTAL PERSONAL INCOME

United States, Plains Region and States  
Second Quarter 2003 - Second Quarter 2004  
(Millions of Dollars, Seasonally Adjusted at Annual Rates)

	<u>2003</u> <u>2nd Qtr/r</u>	<u>2003</u> <u>3rd Qtr/r</u>	<u>2003</u> <u>4th Qtr/r</u>	<u>2004</u> <u>1st Qtr/r</u>	<u>2004</u> <u>2nd Qtr/p</u>	<u>% change</u> <u>2nd Qtr 2003</u> <u>2nd Qtr 2004</u>
United States .....	9,093,138	9,196,611	9,317,342	9,425,245	9,565,281	5.2
Plains States .....	591,792	598,422	603,755	611,264	620,540	4.9
Iowa .....	83,008	83,916	85,170	86,756	87,837	5.8
Kansas .....	79,811	80,782	81,744	82,386	83,396	4.5
Minnesota .....	171,509	173,910	174,232	177,698	180,630	5.3
Missouri .....	165,201	166,635	168,213	169,821	172,633	4.5
Nebraska .....	52,661	53,149	53,835	53,581	54,412	3.3
North Dakota .....	18,004	18,275	18,448	18,709	18,969	5.4
South Dakota .....	21,599	21,756	22,113	22,313	22,664	4.9

Note: Detail may not add to totals because of rounding. p = preliminary. r = revised.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

## NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT

for South Dakota  
September 2003 and September 2004p  
(In Thousands)

	<u>Sept</u> <u>2003</u>	<u>Sept*</u> <u>2004</u>	<u>%</u> <u>chg</u>		<u>Sept</u> <u>2003</u>	<u>Sept*</u> <u>2004</u>	<u>%</u> <u>chg</u>
Total Nonfarm Employment .....	380.9	384.5	0.9	Educational & Health Services .....	55.5	55.7	0.4
Total Private .....				Educational Services .....	5.3	5.4	1.9
Natural Resources & Mining .....	1.0	1.0	0.0	Health Care & Social Assist .....	50.2	50.3	0.2
Construction .....	20.8	21.1	1.4	Ambulatory Health Care Serv .....	11.8	11.7	-0.8
Manufacturing .....	37.5	38.1	1.6	Hospitals .....	18.1	18.4	1.7
Durable Goods .....	24.9	25.4	2.0	Nursing & Res Care Fac .....	12.7	12.8	0.8
Nondurable Goods .....	12.6	12.7	0.8	Leisure & Hospitality .....	42.0	41.6	-1.0
Wholesale Trade .....	16.6	17.2	3.6	Arts, Entertainment & Rec .....	6.6	6.5	-1.5
Retail Trade .....	48.3	48.8	1.0	Accommodation & Food Serv .....	35.4	35.1	-0.8
Motor Vehicle & Parts Dealers .....	6.4	6.3	-1.6	Accommodation .....	8.8	8.7	-1.1
Food & Beverage Stores .....	8.6	8.7	1.2	Food Serv & Drink Places .....	26.6	26.4	-0.8
General Merchandise Stores .....	8.9	9.0	1.1	Other Serv (exc Public Adm) .....	16.0	16.2	1.3
Trans, Warehousing & Utilities .....	11.8	11.9	0.8	Government .....	73.8	74.5	0.9
Utilities .....	2.0	2.1	5.0	Federal .....	11.6	11.5	-0.9
Transportation & Warehousing .....	9.8	9.8	0.0	State .....	16.6	17.6	6.0
Information .....	6.9	6.8	-1.4	State Education .....	8.1	8.4	3.7
Financial Activities .....	27.3	27.9	2.2	Local .....	45.6	45.4	-0.4
Finance & Insurance .....	24.0	24.4	1.7	Local Education .....	24.3	24.2	-0.4
Real Estate & Leasing .....	3.3	3.5	6.1				
Professional & Business Serv .....	23.4	23.7	1.3				

\* Preliminary data subject to revision.

Source: Developed by the South Dakota Dept. of Labor, Labor Market Information Center.

# SOUTH DAKOTA AGRICULTURAL INDICATORS

## CROP SUMMARY 2003 and 2004

As of November 1, 2004  
South Dakota

Crop	Unit of Production	Acres Planted 1000 Acres			Yield/Harvested Acre			Production Thousands		
		2003	2004	% Chg	2003	2004	% Chg	2003	2004	% Chg
Corn, All		4,400	4,650	5.7						
Corn, Grain	Bushels				111.0	127.0	14.4	427,350	520,700	21.8
Soybeans	Bushels	4,250	4,150	-2.4	27.5	34.0	23.6	115,500	139,060	20.4
Sorghum, All		270	250	-7.4						
Sorghum, Grain	Bushels				45.0	46.0	2.2	6,750	7,360	9.0
Potatoes, Fall	Cwt	1.0	1/		340.0	1/		340	1/	

1/ Estimates discontinued in 2004

Source: South Dakota Crop & Livestock Reporter



Need more information?  
Please call the  
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(605) 677-5287

## PRICES RECEIVED BY FARMERS FOR COMMODITIES SOLD

September 2003 and September 2004

Commodity and Unit	Prices (\$)		% chg Sept 03 Sept 04
	Sept 2003*	Sept 2004*	
Wheat ..... Bu.	\$3.24	\$3.36	3.7
Corn ..... Bu.	\$2.01	\$2.05	2.0
Oats ..... Bu.	\$1.39	\$1.47	5.8
Barley ..... Bu.	\$2.23	\$1.93	-13.5
Soybeans ..... Bu.	\$5.83	\$5.73	-1.7
All Hay ..... Ton	\$55.00	\$61.00	10.9
Cattle /1 ..... Cwt.	\$87.20	\$97.20	11.5
Calves ..... Cwt.	\$117.00	\$134.00	14.5
Hogs ..... Cwt.	\$40.30	\$55.40	37.5
Sheep ..... Cwt.	\$35.40	\$41.40	16.9
Lambs ..... Cwt.	\$108.00	\$115.00	6.5



\*Full month except hay which is mid-month.

1/ "Cows" and "Steers & Heifers" combined with allowance where necessary for slaughter bulls.

2/ No price available.

Source: South Dakota Crop & Livestock Reporter

# South Dakota Business Review

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## Definitions of Economic Indicators

### Personal Income

Income received by persons from all sources. It is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars. Data is published by the Bureau of Economic Analysis, U.S. Department of Commerce.

### Nonagricultural Wage & Salary Employment

The number of wage and salaried workers on nonfarm establishment payrolls. Persons are counted by place of work regardless of the residence of workers. (Multiple jobholders are counted more than once.) Figures are collected and tabulated by the Labor Market Information Center, South Dakota Department of Labor.

### Total Employment

Also known as resident employment, this indicator measures the number of residents who have jobs somewhere--workers are counted only once by their primary job. Figures are produced using survey data and are published by the South Dakota Department of Labor.

### Unemployment Rate

The percentage of the resident labor force who do not have jobs but are actively seeking jobs. Data is published by the South Dakota Department of Labor.

### Building Permits (Housing Starts)

Data reported includes the estimated dollar value of construction as shown on the building permit for single family homes and multiple family buildings. Data is received from the Bureau of the Census, Building Permits Branch.

### New Car & Truck Registration

Number of titles issued for new cars and trucks. Includes registrations of various makes of vehicles except "other" category which combines cars and trucks. Data is received from the Department of Revenue, Division of Motor Vehicles.

### Taxable Sales

The amount of sales and use taxable sales subject to the 4% tax rate as reported by the South Dakota Department of Revenue.

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