

## Service Industries Show Strong Growth

Service industries are a vital and growing part of Minnesota's economy. Ranging from janitorial services to computer consulting, this industry includes a wide variety of services provided to individuals and businesses. According to the most recent economic census in 1992, a total of 36,630 service establishments in Minnesota employed 557,581 paid workers. The service industry is Minnesota's largest industry in number of establishments, and second only to manufacturing in number of employees.

- Minnesota taxable service firms posted receipts of \$18.4 billion in 1992, an increase of 32 percent in inflation-adjusted dollars.
- From 1987 to 1992 the number of business service firms grew by 35 percent and receipts went up 56 percent after controlling for inflation.
- Per capita receipts from services vary considerably, from a high of \$21,241 in Wayzata to a low of \$239 in the city of Rockford.

Minneapolis and its western and southwestern suburbs have assumed a prominent role in the state's growing service industry. Business services and engineering, accounting, research, management and related services are concentrated in the western suburbs. Minneapolis has a disproportionate share of the legal and advertising businesses, accounting for 55 percent of the state's legal service revenues and 54 percent of advertising revenues.

Casinos contribute to the economy in counties such as Cook and Scott, as indicated by high receipts in the amusement and recreation industry. Hotel receipts are highest in north central and northeastern Minnesota, where tourism is a major part of the economy.

Data in the Census of Service Industries is not directly comparable to data in other industry censuses. The Census Bureau distinguishes between service firms subject to federal income tax and service firms exempt from tax, generally nonprofit or charitable organizations. This distinction is not

made in other industries such as manufacturing and retail trade.

About 88 percent of Minnesota service firms are subject to tax. Taxable firms average 11 paid employees, compared to 37 employees for firms exempt from tax. Tax-exempt firms have more workers because many are large health care establishments such as hospitals, medical clinics and nursing homes.

Health care is the single largest component of Minnesota's service industry group. More than 216,000 people were employed in health services in 1992, and the industry brought in \$4.1 billion in taxable receipts and a further \$9.8 billion in tax-exempt revenues.

Among other services industries, business services experienced rapid growth. Ranging from computer programming and temporary help agencies to advertising and janitorial services, business services reported 1992 receipts of \$5.3 billion. This group of industries has thrived in recent years, with large increases in both number of firms and number of workers. Other rapidly growing service industry groups included amusement and recreation and social services.

This issue of *PopBites* summarizes findings from "Minnesota's Service Industries, 1992: An Overview of the Census of Service Industries," a working paper by Martha McMurry. The paper discusses results of the 1992 Census of Service Industries from the U.S. Department of Commerce, Bureau of the Census. To receive a copy of the paper, call the Minnesota State Demography Office Helpline at (612) 296-2557 or write Minnesota Planning, 658 Cedar St., St. Paul, Minnesota 55155.

