

## July 2020 Employment Analysis (Embargoed until 10 am Thursday, August 20, 2020)

### Overview

- Minnesota added 32,500 payroll jobs in July on a seasonally adjusted basis, up 1.2%, with the private sector adding 26,300 jobs, up 1.1%, during the month. Government added 4,800 jobs. Seasonally adjusted employment gains in June were revised.
- Seasonally adjusted gains in July were led by Leisure & Hospitality, up 17,200 (9.8%), with accommodation & food service gaining 12,300 of the jobs (up 8.1%) and arts, entertainment, and recreation gaining 4,900 jobs (up 20.4%), followed by Government with a gain of 6,200 (up 1.6%) mostly in local government and Education & Health Service with a gain of 4,400 (up 0.9%), with health care & social assistance gaining 3,700 of those jobs (up 0.8%).
- Four supersectors lost jobs in July: Professional & Business Services lost 900 jobs, down 0.2%, Information also lost 900 jobs, down 2.2%, Construction lost 400 jobs, down 0.3% and Mining and Logging lost 100 jobs, down 1.9%.
- In comparison, the U.S. gained 1.8 million payroll jobs in July, up 1.3% with the private sector gaining 1.5 million, also up 1.3%.
- Over the year in July Minnesota shed 256,062 payroll jobs, down 8.5%, while the private sector shed 220,409 jobs, also down 8.5%.
- June employment was revised down from 2,748,510 to 2,738,275. The downward revisions came in Transportation, Warehousing, and Utilities and Education and Health Services.
- Despite the improvement, all supersectors lost jobs in July over the year in Minnesota. The percent of job losses was still greatest in Leisure & Hospitality, down 29.2% over the year. Logging & Mining is down 20.6%, Information is down 15.6% and Other Services is still down 13.3%. Both Leisure & Hospitality and Other Services show improvement in over the year job losses compared to June.
- Two sectors showed strength compared to the nation in July. Trades, Transportation & Utilities was down 3.0% in Minnesota compared to 5.7% nationwide over the year. Once again, strength here was in Retail Trade where Minnesota was down 0.6% compared to 5.5% nationwide. Professional & Business Services was down 4.7% in Minnesota compared to 6.7% nationwide. Minnesota's strength was in administrative & support & waste services which was down only 3.1% in MN compared to 11.2% nationwide, and employment services (temp help) down 10% in MN compared to 17.2% nationwide.

Over The Year (OTY) Employment Change By Industry Sector (Not Seasonally Adjusted)			
	OTY Job Change	OTY Growth Rate (%)	US OTY Growth Rate
Total	-256,062	-8.5	-7.7
Private	-220,409	-8.5	-8.2
Logging & Mining	-1,429	-20.6	-15.3
Construction	-8,336	-5.9	-4.3
Manufacturing	-20,070	-6.1	-5.7
Trade, Transport. & Utilities	-15,709	-3.0	-5.7
Information	-7,398	-15.6	-10.6
Financial Activities	-7,616	-3.9	-1.6
Prof. & Business Services	-18,426	-4.7	-6.7
Ed. & Health Services	-39,766	-7.3	-5.1
Leisure & Hospitality	-86,132	-29.2	24.2
Other Services	-15,527	-13.3	-10.0
Government	-35,653	-8.8	-4.5

## Unemployment Data

- Minnesota's unemployment rate fell to 8.6% in June on a seasonally adjusted basis, down from 9.9% in May. The number of people unemployed dropped by 35,440 to 267,526 in June.
- Minnesota's employment-to-population ratio rose to 63.9%, up 1.8 percentage points from May and above April's rate of 62.9%, as a result of an increase in the number employed. The number employed rose 81,822 to 2,848,800, which put it above where it stood in April (2,799,493).
- The labor force grew by 46,382 people, 5,003 people short of where it was in February 2020 on a seasonally adjusted basis.
- In comparison, U.S. unemployment dropped to 11.1% on a seasonally adjusted basis in June, down from 13.3 and the employment-to-population ratio increased to 54.6%, also up 1.8 percentage points from May.
- Since February, the number employed has dropped by 176,404, the number unemployed has risen by 171,401 and the unemployment rate has risen from 3.1% to 8.6% in Minnesota.
- The number of unemployed and the unemployment rate are distinct from the number of people applying for, or currently receiving benefits through Unemployment Insurance. Unemployment Insurance applicants do not represent the population of unemployed for several reasons. First, not everyone who is unemployed applies for UI. For example, people starting job search after a time away from the labor market would be counted as unemployed but would not have had a recent employer and therefore would not have the opportunity to apply for UI benefits. Others simply choose not to apply for UI or run out of UI benefits before they find a job. All of these people may be unemployed (actively seeking work) but would not be receiving UI benefits.
- Another distinction between the unemployment rate and UI is that workers can apply for and receive benefits if their hours have been cut but they are still working. This would cause an

over-count of unemployment because these people are still employed. This UI program is being used during the pandemic by employers who can stay open but at reduced capacity.

- A final distinction is that people can be collecting UI benefits and still be counted as employed in the LAUS numbers if they have a second job in which they worked at least one hour for pay during the reference week. Minnesota has a higher rate of multiple job holding compared to the nation.
- Instead, the unemployment rate is based heavily on a household survey called the Current Population Survey (CPS) conducted by the Bureau of Labor Statistics that asks about 900 households monthly in Minnesota about their work and job seeking status. Unemployment Insurance applications are one input but the final results are much more heavily based on people's responses to the household survey. Given the importance of CPS variables in unemployment estimation, note that in June the Minnesota CPS sample consisted of 864 households. Of these, the response rate was 78.5%, the lowest response rate on record. The CPS in-person follow-up questions have been suspended due to social distancing policies. All of these together have affected the response to the labor force questions, and hence unemployment rate estimation.
- Another reason for the difference between number of unemployed and number of UI filers has to do with possible misclassifications in the CPS, wherein, workers who were unemployed may have been counted as "employed but absent from work". With temporary closures beginning March 17 and a Stay at Home order in effect from March 28 through May 17, many workers were laid off on a temporary basis. These workers should ideally be categorized as unemployed. However, in many cases they were instead reported as being employed but absent from work. At the national level, this created an error in measuring the number of unemployed workers, which should have been much higher. In Minnesota the number of observations in the category "employed, but not at work for other reasons" was higher than average during the pandemic vs. the pre-pandemic months. In June of previous years (June of 2016, 2017, 2018, and 2019), the average "employed, not at work for other reasons" was 14,934. This average is higher in June of 2020, at 49,924, implying that after adjusting for possible misclassification, the number of unemployed could potentially be higher by 34,990 participants.

## **Wage and Hour Data**

- Average hourly earnings for all private sector workers rose by 28 cents to \$31.48 in July, down up 0.9% from June. Over the year avg hourly earnings rose \$1.21, up 4.0%.
- At 34.3 hours per week, the average work week was unchanged from June and up 1.2% from last year.

## **Details**

**Mining and Logging:** Employment in mining and logging was down by 100 (1.9%) in July. The supersector has not seen a seasonally-adjusted monthly increase since January. Over the year, mining and logging employment was down by 1,429 (20.6%), slightly worse growth than June's 19.9% decrease.

**Construction:** Construction employment was off by 400 (0.3%) in July, on a seasonally adjusted basis. This was the second consecutive month of declines for the supersector, which lost 2,200 jobs in June. Over the year (OTY), construction employers lost 8,336 jobs (5.9%). All three published

component sectors saw negative growth, led by heavy and civil engineering construction, which was down by 6,260 jobs, or 6.9%.

**Manufacturing:** Employment in manufacturing was up by 900 (0.3%) in July. The addition of 1,400 jobs (1.3%) in non-durable goods manufacturing more than offset the loss of 500 jobs (0.3%) in their durable goods counterparts. Annually, the supersector lost 20,070 jobs (6.1%), maintaining June's OTY job loss. Durable goods manufacturers lost 15,616 jobs (7.4%) and non-durable goods manufacturers lost 4,454 (3.8%).

**Trade, Transportation, and Utilities:** Trade, transportation, and utilities added 2,300 jobs in July (0.5%). It was the third consecutive month of seasonally adjusted growth for the supersector. Retail trade was up 1,200 (0.4%) and transportation, warehousing, and utilities added 3,000 (3%), while wholesale trade employers shed 1,900 jobs (1.5%). Over the year, trade, transportation, and utilities lost 15,709 jobs (3%). Despite the loss, it was the best proportional OTY growth of any supersector in the state, buoyed by the relatively modest 0.6% decline in retail trade, which marks a significant improvement over April's 11.5% decline.

**Information:** Employment in information was down by 900 (2.2%) in July. Over the year, information employers lost 7,398 jobs (15.6%). While much of the loss can likely be attributed to fallout from the ongoing pandemic, employment in the supersector has also been on a steady decline for more than a decade.

**Financial Activities:** Financial activities employment was up by 1,000 (0.5%) in July, as both component sectors posted positive monthly growth. Real estate and rental and leasing added 700 jobs (2.4%) while finance and insurance added 300 (0.2%). Annually, financial activities employers lost 7,616 jobs (3.9%). Finance and insurance was down 1,559 (1%) and real estate and rental and leasing was off by 6,057 (16.4%).

**Professional and Business Services:** Professional and business services lost 900 jobs (0.2%) in July, with all of those losses coming in professional, scientific, and technical services (down 2,700, or 1.7%). Management of companies was up 1,200 (1.4%) and administrative and support services added 600 (0.5%). Over the year, the supersector lost 18,426 jobs (4.7%), with all three major components posting similar declines. While administrative and support and waste management and remediation services outperformed the other two sectors, down just 3.1% (4,299 jobs), the important employment services component was off by 10% (5,751 jobs).

**Education and Health Services:** Employment in education and health services was up by 4,400 (0.9%) in July. Health care and social assistance added 3,700 jobs (0.8%) and educational services added 600 (0.5%). On an annual basis, education and health services lost 39,766 jobs (7.3%). While most of the actual losses came from health care and social assistance (down 35,504, or 7.3%), proportional declines in educational services were similar, as the sector was down 7.1% (4,262 jobs).

**Leisure and Hospitality:** Leisure and hospitality employment was up 17,200 (9.8%) in July. It was the largest proportional monthly growth, from the supersector that has been the hardest hit by effects of the ongoing pandemic. Arts, entertainment, and recreation was up by 4,900 (20.4%) and accommodation and food services was up 12,300 (8.1%). Leisure and hospitality still posted the worst OTY job loss, down by 29.2% (86,132) from July of 2019, though that is a marked

improvement from June’s 34.8% loss. Arts, entertainment, and recreation was down 21,875 (39.7%) while accommodation and food services was off by 64,257 (26.7%).

**Other Services:** Other Services employment was up by 2,800 (2.9%) in July. The increase followed growth of 12.1% in June and 6.1% in May as employment continued to move back towards pre-pandemic levels. Over the year, the supersector lost 15,527 jobs (13.3%). While all three component sectors shed jobs, the largest declines in both real and proportional terms continued to be in personal and laundry services, which was down by 9,416 jobs, or 32.5%.

**Government:** Government employers added 6,200 jobs (1.6% in July). All three levels of government posted positive monthly growth. Local government led the way in both real and proportional terms, adding 4,800 jobs, or 1.9%. Annually, government employers lost 35,653 jobs (8.8%). Most of those declines came at the local level, where employers shed 32,885 jobs, or 11.8%. Federal government employers actually added jobs on the year, up 567, or 1.8%.

<b>Metropolitan Statistical Area</b>	<b>OTY Employment Change (#, NSA)</b>	<b>OTY Employment Change (% , NSA)</b>
Minneapolis-St. Paul MN-WI MSA	-178,932	-8.7
Duluth-Superior MN-WI MSA	-12,642	-9.3
Rochester MSA	-10,046	-8.7
St. Cloud MSA	-3,433	-3.1
Mankato MSA	-781	-1.4

**Labor Market Information Office**  
**MN Department of Employment and Economic Development**  
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