

June 2020 Employment Analysis (Embargoed until 10 am Thursday, July 16, 2020)

Overview

- Minnesota added 84,700 payroll jobs in June on a seasonally adjusted basis, up 3.2%, with the private sector adding 84,400 jobs, up 3.8%, during the month. Government added 300 jobs. Seasonally adjusted employment gains in May were revised upward from 9,800 to 26,200 or 1.0%.
- Seasonally adjusted gains in June were led by Leisure & Hospitality, up 35,300 (24.9%), with accommodation & food service gaining 31,400 of the jobs (26.0%) and arts, entertainment, and recreation gaining 3,900 job (18.7%), followed by trade, transportation, and utilities up 19,100 with most of the gains in retail trade up 17,300 jobs (6.4%) and Education & Health Services up 16,900 jobs (3.4%) with 10,600 jobs added in health care & social assistance (2.4%) and another 6,300 jobs added in Education Services (11.3%). The small supersector, Other Services, added 11,300 for an over the month growth rate of 12.9%, the strongest growth rate of any supersector after Leisure & Hospitality.
- Only three supersectors saw seasonally adjusted job losses in June: Construction lost 2,000 jobs, down 1.6%, Information lost 200 jobs, down 0.5%, Financial Activities lost 1,500 jobs, down 0.8%, entirely in real estate and rental and leasing which lost 1,700 jobs down 5.5%.
- In comparison the U.S. gained 4.800 million payroll jobs in June, up 3.6% with the private sector gaining 4.767 million, up 4.3%.
- Over the year in June Minnesota shed 273,776 payroll jobs, down 9.1%, while the private sector shed 232,053 jobs, down 9.0%.
- Job losses were revised upward for May from a decline of 13.1% to 12.6% for total nonfarm jobs and 13.5% to 13.0% for private sector jobs. This means that, in aggregate, employers reporting later in the month showed improvements that those reporting for the payroll including the 12th had not yet seen.
- Despite improvement, all supersectors lost jobs in June over the year in Minnesota. The percent of job losses was still greatest in Leisure & Hospitality, down 34.4% over the year. Logging & Mining is down 19.9%, Information is down 15.6% and Other Services is still down 15.2%.
- Overall, Minnesota's private sector has bounced back more than the nation's in June, with over the year job declines of 9.0% in Minnesota compared to 9.6% nationwide. Other sectors that show strength compared to the nation include Trade, Transportation & Utilities, down 3.1% in Minnesota compared to 7.5% nationwide. The difference here is primarily retail trade which is down only 1.0% over the year compared to 8.6% nationally. Minnesota is also slightly ahead in wholesale trade, down 4.2% compared to 5.4% nationwide. The final supersector in which Minnesota is doing better than the nation is Professional & Businesses Services where Minnesota shows an over the year decline of 4.0% compared to 8.1% nationwide. The differences here appear to be primarily in administrative and support services where employment services (temp help) is down 14.6% in Minnesota and 23.1% nationwide.

| Over The Year (OTY) Employment Change By Industry Sector (Not Seasonally Adjusted) | | | |
|---|-------------------|------------------------|-----------------------|
| | OTY Job Change | OTY Growth Rate (%) | US OTY Growth Rate |
| Total | -273,776 | -9.1 | -9.0 |
| Private | -232,053 | -9.0 | -9.6 |
| Logging & Mining | -1,355 | -19.9 | -17.6 |
| Construction | -8,414 | -6.0 | -4.4 |
| Manufacturing | -20,767 | -6.3 | -5.8 |
| Trade, Transport. & Utilities | -16,628 | -3.1 | -7.5 |
| Information | -7,360 | -15.6 | -8.9 |
| Financial Activities | -8,500 | -4.4 | -0.7 |
| Prof. & Business Services | -15,556 | -4.0 | -8.1 |
| Ed. & Health Services | -35,269 | -6.5 | -6.1 |
| Leisure & Hospitality | -100,455 | -34.4 | -27.8 |
| Other Services | -17,749 | -15.2 | -12.7 |
| Government | -41,723 | -9.6 | -5.8 |

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 fell by 63 cents to \$31.20 in June, down 2% from May but up and 4.0% from one year ago.
- At 34.2 hours per week, the average work week was up 0.3% from last month and down 0.9% from last year.

Details

Construction: Construction employment was off by 1.6% (2,000 jobs) in June, on a seasonally adjusted basis. It was one of only two supersectors to lose jobs on the month (the other being information). Unlike many other supersectors, employment in Construction showed a relatively large rebound in May, adding 18.3%, which may have dampened growth in June, when many other supersectors seemed to begin their recoveries in earnest. Over the year (OTY), construction

employment was down by 6%, a slight deterioration from the 5.9% decline in May. Construction of buildings was off by 7.2% (2,198 jobs) and specialty trade contractor employment was down 6.6% (5,856 jobs).

Manufacturing: Manufacturing employment was up by 1,700 jobs (0.6%) in June, with growth in durable goods (up 3,000, or 1.6%) outpacing losses in non-durable goods (down 1,300, or 1.2%). On the year, the supersector's employment was down 6.3% (20,767 jobs), a slight improvement from May's 7.5% OTY loss (which was revised up from 7.8% in preliminary estimates). Durable goods employment was off by 6.8% (14,322 jobs) and non-durable goods was off 5.5% (6,445 jobs).

Trade, Transportation, and Utilities: Employment in trade, transportation, and utilities was up by 19,100 (3.9%) in June. Retail trade made up the lion's share of that increase, adding 17,300 jobs (6.4%). COVID-related restrictions around many retail businesses were eased in late May, after the survey's reference period, so it is likely that much of this increase is due to those businesses reopening. On an annual basis, trade, transportation, and utilities employment was off by 3.1% (16,628 jobs). This is a marked improvement over April's 7.1% OTY decline. Transportation, warehousing, and utilities had the largest proportional decline of any component sector, off by 7.5% (8,105 jobs).

Information: Information employers lost 200 jobs (0.5%) over the month in June, making it one of only three supersectors to post a seasonally-adjusted decline on the month. Annually, employment in the supersector was off by 15.6% (7,360 jobs). This decline pushed information past other services for the second-worst OTY change of any supersector in the state. Employment in the supersector has been on a fairly consistent downward trajectory for nearly twenty years.

Professional and Business Services: Professional and business services added 3,800 jobs (1.1%) on the month, with all the gains coming in administrative and support and waste management and remediation services, which includes temporary employment services, (up 5,900 jobs, or 4.9%). Over the year, professional and business services lost 15,556 jobs, or 4%. This was a marked improvement over May's 5.9% OTY job loss.

Education and Health Services: Education and health services employment was up by 3.4% (16,900 jobs) in June. Educational services added 6,300 jobs (11.3%) and health care and social assistance added 10,600 (2.4%). Over the year, employment in education and health services was down by 6.5%, an improvement over May's 10.9% decline. Health care and social assistance was off by 6.8% (32,821 jobs), with declines across all component sectors, while educational services lost 2,448 jobs, or 3.9%. Administrative and support and waste management and remediation services improved from a 10.4% OTY decline in May to a 3.8% decline in June.

Leisure and Hospitality: Leisure and hospitality had another large swing in June, this time towards the positive, as the supersector added 35,300 jobs (24.9%) on the month. It was the largest real and proportional OTM job growth of any supersector in the state, coinciding with the easing of restrictions on bars and restaurants over the month. Accommodation and food services added 31,400 jobs (26%) while arts, entertainment, and recreation was up 3,900 (18.7%). In spite of the monthly growth, leisure and hospitality still had the worst OTY job growth of any supersector in the state, off by 100,455 jobs, or 34.4%, though this is still a notable improvement over May's 49% annual decrease. Arts, entertainment, and recreation was down 24,931 jobs (46.8%) and accommodation and food services was down 75,524 (31.7%).

Other Services: Employment in Other Services was up by 11,300 (12.9%) in June. As was the case in leisure and hospitality, the growth was likely aided by an easing of restrictions on hair salons and other personal services businesses, which make up a large part of employment in the supersector. Over the year, other services employment was down by 15.2% (17,749 jobs), an improvement over May's 23.7% annual decrease. Personal and laundry services had the steepest decline, off by 32.6%, or 9,345 jobs. This was a dramatic improvement over the 60.1% loss posted in May, as roughly half of the jobs lost in the industry group during the early stages of the COVID response returned. Religious, grantmaking, civic, professional and similar organizations lost 7,180 jobs (11%) and repair and maintenance lost 1,224 jobs (5.4%).

Government: Government employment was mostly flat in June, up 0.1% (300 jobs). State government lost 1,800 jobs (1.8%) but local government added 1,900 (0.7%) and federal government chipped in 300 jobs (0.1%). Over the year, government employers lost 41,723 jobs (9.6%). The loss was felt most strongly at the local level, where employers lost 37,233 jobs (12.2%). State employment was down by 5,004 jobs (5.2%) and federal employers added jobs on the year, up by 514, or 1.6%.

Regional Analysis

The Minneapolis-St. Paul MSA shows the greatest over the year job loss in June, down 189,212 jobs or 9.2%. Losses were largest in Leisure & Hospitality, down 65,788 or 32.8%. Only St. Cloud showed a larger percentage decline in this supersector. Losses were also large in Education & Health Services, down 26,729 jobs or 7.8%, the largest drop among the MSAs. Finally, MSP MSA lost 22,983 jobs over the year in Government, down 9.1%. This was also the sharpest drop among the MSAs in this supersector.

Over the year job losses in the Duluth-Superior MSA were concentrated in Leisure & Hospitality, down 2,149 or 13.6%, Government, down 2,103 or 8.1%, Trade, Transportation & Utilities down 1,378 or 5.6% and Other Services, down 1,022 or 15.9%, the largest percent loss in the supersector among the MSAs.

| Metropolitan Statistical Area | OTY Employment Change (#, NSA) | OTY Employment Change (% , NSA) |
|--------------------------------------|---------------------------------------|--|
| Minneapolis-St. Paul MN-WI MSA | -189,212 | -9.2 |
| Duluth-Superior MN-WI MSA | -11,362 | -8.2 |
| Rochester MSA | -8,352 | -6.7 |
| St. Cloud MSA | -4,643 | -4.2 |
| Mankato MSA | -2,952 | -5.1 |

Outlook

June showed many positive signs of recovery across the most impacted sectors including Leisure & Hospitality, Other Services and retail trade as easing of restrictions began to show up in both the June numbers and the revised May numbers. May revisions indicate that many business openings happened later in May than was recorded in the preliminary numbers.

On the down side, there is evidence that the secondary impacts of the COVID recession is hitting other sectors including Financial Activities, Construction, Manufacturing, Transportation and Information.

The improvement in the unemployment rate and the number of people employed is another positive sign that the economy is improving rapidly.

As this month's report shows, industries will bounce back at very different rates. It is important, for both equity reasons as well as continued economic growth, that we do not lose sight of those workers who cannot get back to work quickly through no fault of their own.

Labor Market Information Office
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