

April 2020 Employment Analysis (Embargoed until 10 am Thursday, May 21, 2020)

Overview

- Seasonally adjusted payroll employment plummeted by 359,800 jobs in April, or 12.2% with the private sector down 334,700 jobs, or 13.3%, during the month. Job losses were greatest in Leisure & Hospitality, down 146,400, with a loss of 118,200 jobs in the Accommodation & Food Services component and 28,200 jobs in the Arts, Entertainment & Recreation component. Education & Healthcare lost 53,700 jobs, down 39,100 in the Healthcare & Social Assistance component. Trade, Transportation & Utilities lost 38,100 jobs with 30,100 in the Retail Trade component. Professional & Business Services lost 25,700 jobs, with 15,800 lost in Administrative & Support component (mostly temp help). Government lost 25,100 jobs with basically all in Local Government. And Manufacturing lost 23,600 jobs with the majority in the Durable Good component.
- In April, over the year Minnesota shed 387,894 payroll jobs, down 13.1%, while the Private sector lost 361,673 jobs, down 14.3%.
- March payroll employment was revised downward, with late reporters reflecting the impact of pandemic containment measures. Job losses totaled 21,371 over the year, compared to the 10,144 jobs loss originally reported, with March 2020 payroll employment down 0.7% over March 2019.
- All supersectors lost jobs in April over the year with the exception of Mining which added a mere 101 jobs.
- By far the largest relative declines were in Leisure & Hospitality, down -148,593 jobs or 55.5% followed by Other Services, down 32,245 jobs or 28.3% over the year. Job losses in these two supersectors alone accounted for 47% of all over the year job losses in April.
- Financial Activities, a telework-friendly supersector, was the only supersector (besides Mining) that did not experience dramatic job loss, losing only 5,536 jobs or 2.9% of employment.
- Overall, Minnesota's job losses were slightly less dramatic than nationally, probably due to our industry mix. U.S. employment fell 13.2% over the year with the private sector dropping 14.9%. Mining, Construction, Manufacturing, Trade, Transportation & Utilities, and Professional & Business Services were all hit harder at the national level than in Minnesota.

Over The Year (OTY) Employment Change By Industry Sector (Not Seasonally Adjusted)			
	OTY Job Change	OTY Growth Rate (%)	US OTY Growth Rate
Total	-387,894	-13.1	-13.2
Private	-361,673	-14.3	-14.9
Logging & Mining	101	1.6	-13.5
Construction	-12,464	-10.6	-11.3
Manufacturing	-25,635	-8	-10.6
Trade, Transport. & Utilities	-43,711	-8.3	-11.1
Information	-3,524	-7.5	-5.9
Financial Activities	-5,536	-2.9	-0.8
Prof. & Business Services	-29,240	-7.7	-9.7
Ed. & Health Services	-60,826	-11	-9.1
Leisure & Hospitality	-148,593	-55.5	-47.7
Other Services	-32,245	-28.3	-21.8
Government	-26,221	-6.1	-3.6

Unemployment Data

- Minnesota's unemployment rate jumped to 8.1% in **April** on a seasonally adjusted basis, while the number of people unemployed jumped 160,627 to 249,453. This is the highest seasonally adjusted unemployment rate recorded in Minnesota since 1983 when it hit 8.9%.
- Minnesota's employment-to-population ratio fell 4.4 points to 63.2% as a result of a drop in the number employed. The number employed fell by 192,221 to 2,813,281. At the same time 31,594 people left the labor market – neither employed nor actively seeking work - causing the labor force participation rate to drop 0.8 points to 68.8%.
- In comparison, U.S. unemployment increased to 14.7% on a seasonally adjusted basis in April and the employment-to-population ratio fell 8.7 points to 51.3%.
- These estimates reference the week including April 12th, approximately five weeks after the first executive order temporarily closing bars and limiting restaurants to take out only went into effect.
- 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.

Wage and Hour Data

- Average hourly earnings for all private sector workers rose in April by 53 cents to \$32.09, up 1.7% from March and 6.7% from last April. This is typical during recessions when employers tend to let their least senior staff go first and retain their most senior and skilled staff as long as possible. During this crisis, it is also indicative of the industries hit hardest by COVID containment measures, that is, lower wage industries including Leisure & Hospitality, Retail Trade and Other (personal) Services.
- At 33.5 hours per week, the average work week was down 1 tenths of an hour from last month but up 3 tenths of an hour from last year. Employers with layoffs in March and April may have kept more senior, long term staff who are more likely to work full time schedules on payroll.

Details

Mining and Logging: Mining and Logging was the only supersector not to lose jobs in April, up by 100 (1.5%) on a seasonally-adjusted basis. However, highly publicized layoffs in the supersector in the weeks following April reference period suggest that estimates may show a significant decline next month. On an annual basis, the supersector added 101 jobs (1.6%), and was the only supersector with positive over-the-year (OTY) job growth.

Manufacturing: Employment in Manufacturing was off by 23,600 (7.3%) in April. Durable Goods Manufacturing was down 17,000 (8.3%) while their counterparts in Nondurable Goods Manufacturing was off 6,600 (5.7%). Over the year, manufacturing employers lost 25,635 jobs (8%). While dramatic, this does not represent the worst-ever OTY job loss in the supersector, as annual change due to the Great Recession was regularly worse than 10% in 2009, and in fact averaged 10.6% on the year.

Trade, Transportation, and Utilities: Trade, Transportation, and Utilities employment was off by 38,100 (7.2%) in April. This was both the worst month in the series' history (by a large margin, the next-worse being -2.4% in September of 1998) and somewhat better than most industry groups in the state. Over the year, the supersector lost 43,711 jobs (8.3%). Most of the losses came in Retail Trade, where employment was off by 33,589 (11.6%), though all component sectors had negative annual growth.

Professional and Business Services: The Professional and Business Services supersector lost 25,700 jobs (6.8%) in April, with the bulk of those losses coming in Administrative and Support and Waste Management and Remediation Services (down 15,800, or 11.8%). Over the year, employment in the supersector was off by 7.7% (29,240 jobs). While all component sectors shed jobs, the losses remain concentrated in Administrative and Support and Waste Management and Remediation Services, and more specifically in its component Employment Services (temp help), which was off by 16,084 (27.3%).

Education and Health Services: Education and Health Services lost 53,700 jobs (9.9%) on a seasonally-adjusted basis in April, with both component sectors showing significant declines. Over the year, the supersector lost 60,826 jobs (11%). Educational Services lost 16,049 jobs (21.3%), with those losses concentrated in Colleges, Universities, and Professional Schools (down by 6,341, or 19.5%) while Elementary and Secondary Schools employment was off by 515 (2.1%). Declines were similarly unequal in the Health Care and Social Assistance sector, where Offices of Dentists lost 9,163 jobs (55.1%) and Social Assistance lost 15,868 (16%) while more immediately critical industries like Hospitals saw smaller declines (off 2,003, or 1.7%).

Leisure and Hospitality: Leisure and Hospitality was the supersector hit hardest by pandemic containment measures. While dramatic declines in employment for the industry groups including restaurants, hotels, sporting events, and concert venues were not unexpected, the scale of the job losses were no less striking for it. Seasonally adjusted employment was down by 146,400, a loss of over half of the supersector's jobs (54.4%) in a single month. Accommodation and Food Services employment was down 53.2%, while Arts, Entertainment, and Recreation was off 60%. Declines were no less extreme over-the-year, as the supersector lost 148,593 jobs (55.5%) from April 2019. Arts, Entertainment, and Recreation lost 27,138 jobs (61.4%), while Accommodation and Food Services lost 121,455 (54.5%). Full Service Restaurants fared the worst, losing 65,902 jobs, or 73.5%, on the year.

Other Services: Other Services was the next hardest-hit supersector after Leisure and Hospitality. The supersector that includes hairdressers and other personal services lost 30,900 jobs (27.3%) on a seasonally-adjusted basis. On the year, the supersector shed 32,245 jobs (28.3%). While every component sector saw large declines, the most extreme losses came in Personal and Laundry Services, which was off by 18,040 (63.2%). Religious, Grantmaking, Civic, Professional, and Similar Organizations lost 12,389 jobs (19.7%) over the year.

Government: Government employers lost 25,100 jobs (5.9%) on the month in April. The losses were mostly concentrated in Local Government (off 24,500, or 8.3%). State Government lost 700 jobs (0.7%) and Federal employment was up by 100 (0.3%). Annually, the public sector lost 26,221 jobs (6.1%). State employers lost 2,992 jobs (2.9%), entirely from the educational services component, and Local Government employers lost 23,763 (8.1%) with declines in both educational and non-educational services.

No published geographic region in the state was spared large employment declines in April. The Duluth-Superior MSA had the most dramatic annual decline, off by 15.6% (21,513 jobs). The Minneapolis-St. Paul-Bloomington MSA lost 271,198 jobs (13.4%), slightly worse than the state's 13.1% decline. The other Minnesota MSAs performed slightly better than the state as a whole, perhaps suggesting slightly worse effects in more populous regions. However with more than 60,000

lost jobs outstanding after accounting for all the MSAs published here, it's clear that the negative downturn in employment is in no way isolated only to MSAs.

Metropolitan Statistical Area	OTY Employment Change (#, NSA)	OTY Employment Change (% , NSA)
Minneapolis-St. Paul MN-WI MSA	-271,198	-13.4
Duluth-Superior MN-WI MSA	-21,513	-15.6
Rochester MSA	-14,989	-12.2
St. Cloud MSA	-12,779	-11.5
Mankato MSA	-6,551	-11.1

Outlook

April is the first month in which we can see the full impact of the COVID-19 containment measures on Minnesota's labor market, and it is dramatic and unprecedented. The impacts are by far the strongest on industries most impacted by the containment measures as predicted, but every supersector was dramatically impacted with unprecedented month-to-month job losses, with the exception of Mining and perhaps Financial Activities.

Having said this, for every indicator other than LAUS (unemployment rate) data, Minnesota is in line with the nation in terms of the impact of pandemic containment measures on the labor market. However, the LAUS measures of employment-to-population, labor force participation and unemployment are not in line with those of the nation for April. We believe that the LAUS methodology is not doing a good job capturing the impact of this dramatic shift in the labor market, in part because, as a mid-size state, our CPS sample is small (only 900 households) and data collection was somewhat disrupted by pandemic safety measures. Based on the industry employment data (CES) and the UI claims data, we believe that Minnesota's measures of employment and unemployment should be closer to those of the nation overall.

Minnesota's Unemployment Insurance data as well as April Current Population Survey data indicate that most employers and employees are thinking of the job losses as temporary. Ninety-nine percent of UI applicants applied as temporarily laid off and longer term layoffs as measured by WARN notices have not risen dramatically. Moreover, Federal government programs like the Paycheck Protection Program and loans and grants to airlines may ease job losses and help workers to get back on payroll quickly.

Interestingly, the industries hardest hit in Minnesota are industries that were most impacted by pandemic containment measures. Compared to the nation as a whole, in those industries Minnesota fared worse in terms of over the year job losses. However, in industries that were less impacted by pandemic containment measures, Minnesota fared better than the nation – including Mining, Construction, Manufacturing and Professional & Business Services. This might indicate that the business and movement restrictions had less impact on critical industries and industries with higher shares of telework capability than in other states so far, and could bode well for the period of reopening.

However, companies and government agencies in the practice of forecasting the national economy have revised pandemic forecasts downward from what was initially anticipated. David Autor, a

leading labor market economist, speculates that work practices and consumer demand will change in a way that upward pressure on wages in the low-wage services sector will slow or reverse. On the other hand, he believes the “wild card” will be whether or not more people decide to retire early.

As states, including Minnesota, and countries begin to ease restrictions on businesses and movement, we will start to understand what the longer-term impacts of the pandemic might be on the labor market. In Minnesota, the May employment and unemployment data will largely reflect labor market conditions during the week of May 11th through 15th. As restrictions on businesses and movement were eased beginning during the week of May 18th, we will have to wait until the June employment data, to be released in July, to begin to see how quickly the labor market may recover.

Labor Market Information Office
MN Department of Employment and Economic Development
May 18, 2020