

August 2021 Employment Analysis

Overview

- The unemployment rate ticked down to 3.8% in August due to people moving out of unemployment and into employment.
- Minnesota gained 4,300 jobs, up 0.2% in August on a seasonally adjusted basis. The private sector gained 6,200 jobs, up 0.3%.
- July gains were revised upward by 2,600 jobs in total employment and 3,100 in the private sector. This brings the gain in total employment from 0.5% to 0.6% and private sector employment from 0.4% to 0.5% in July.
 - Accommodations & Food Services saw the largest revision, up an additional 1,200 jobs, followed by Health Care & Social Assistance, up 900. Manufacturing and Professional & Business Services were both up 800 from originally published.
- The U.S. gained just 235,000 jobs, up 0.2% over the month in August, with the private sector up 243,000 jobs or 0.2%.
- Growth has been lumpy and uneven coming out of the pandemic recession. Translating seasonally adjusted job change into a 3-month moving average series, MN added 9,100, up 0.3%, in April-June, 10,333 jobs, up 0.4%, in May-July and 8,767 jobs, up 0.3% in June-Aug. Nationally, this compares to 0.4% in April-June, 0.6% in May-July and 0.5% in June-Aug.
- Six supersectors gained jobs in August and five lost jobs on a seasonally adjusted basis.
 - Gains were in Manufacturing up 2,300 jobs, Leisure & Hospitality, up 2,000 jobs, Trade, Transportation & Utilities, up 1,500 jobs, Financial Activities up 1,300 jobs, Professional & Business Services up 900 jobs and Construction up 600 jobs.
 - Losses were in Government, down 1,900 jobs, Education & Health Services, down 1,200 jobs, Information down 600 jobs, Other Services down 500 jobs and Mining & Logging down 100 jobs.
 - Losses in Education & Health Services were in Health Care & Social Assistance, down 1,800. Private Educational Services gained 600 jobs in August.
 - Losses in Government were across the board, with Federal Gov down 400, State Gov down 900 and Local Gov down 600.
- Minnesota lost 416,300 jobs from February through April 2020 and has since gained 272,700 jobs, or 65.5% of the jobs lost on a seasonally adjusted basis. The private sector has regained 67.0% of the jobs lost.

Over the Year

- Minnesota gained 109,834 payroll jobs, up 4.0%, over the year. The private sector gained 103,012 jobs, up 4.3% over the year. These gains put total nonfarm employment 128,849 jobs short of August 2019 employment and the private sector 111,858 jobs short.

- Information and Financial Activities continued to show over the year losses, down 2,501 (-5.9%) and 748 (-0.4%) respectively.
- U.S. employment grew 4.4% over the year with the private sector up 5.2% in August. All supersectors except Government, which was down by 0.2%, showed gains over the year.
- Four supersectors in Minnesota now show strength over the year compared to the U.S.: Leisure & Hospitality, Government, Construction and Manufacturing. The first two supersectors listed here lost a greater share of jobs in April 2020 compared to the nation and therefore had more ground to make up over the year compared to the nation.
- In Leisure & Hospitality, Minnesota’s over the year gains in August outpaced those of the U.S. in Arts, Entertainment, and Recreation and Accommodation, but fell slightly short in Food Services and Drinking Places.
- The OTY growth in Government was driven by Local Government, up 5.5% in MN: both the education and, even more so, the noneducation components showed strong growth, surpassing the nation in over the year job growth. State Government continued job losses over the year in both educational and noneducational components.
- Construction employment in Minnesota outpaced U.S. gains, with Specialty Trade Contractors Construction of Buildings components both showing strong growth compared to the nation. Employment growth in the Heavy and Civil components is below that of the nation.
- Strength in Manufacturing in Minnesota is in the Nondurable Goods components, primarily Food Manufacturing which showed strength in MN throughout the pandemic. Durable Goods Manufacturing in MN is basically neck in neck with U.S. growth, with strength there in wood products and transportation equipment manufacturing among comparable sectors.

| August 2021 Over The Year (OTY) Employment Growth By Industry Sector | | | |
|---|-----------------------|----------------------------|---------------------------|
| Not Seasonally Adjusted | | | |
| | OTY Job Change | OTY Growth Rate (%) | US OTY Growth Rate |
| Total | +109,834 | +4.0% | +4.4% |
| Private | +103,012 | +4.3% | +5.2% |
| Mining & Logging | +286 | +4.4% | +8.7% |
| Construction | +7,022 | +5.2% | +2.5% |
| Manufacturing | +11,196 | +3.6% | +3.0% |
| Trade, Transport. & Utilities | +10,780 | +2.1% | +3.3% |
| Information | -2,501 | -5.9% | +5.7% |
| Financial Activities | -748 | -0.4% | +1.9% |
| Prof. & Business Services | +18,307 | +5.1% | +5.6% |
| Ed. & Health Services | +9,800 | +1.9% | +2.5% |
| Leisure & Hospitality | +43,879 | +19.9% | +17.5% |
| Other Services | +4,991 | +4.9% | +6.7% |
| Government | +6,822 | +1.8% | -0.2% |

Wage and Hour Data

- Average hourly earnings for all private sector workers rose 9 cents to \$32.69 in August over the month. Over the year average hourly earnings rose \$1.00, up 3.2% and since August 2019 they are up 8.0%. Nationally all private sector wages rose 4.3% over the year.
- At 35.3 hours per week, August’s average work week was half an hour longer than in July and 0.4 hours or 1.1% longer than a year ago. Since August 2019 hours are up 3.5%. Nationally, hours were unchanged over the year.

Unemployment Data

- The unemployment rate again ticked down one-tenth of a point to 3.8% in August.
- The number of employed rose by 3,612, to 2,915,902, and the number of unemployed fell by 2,724 to 114,964. The employment to population ratio was unchanged at 65.2% in August.
- Overall, the labor force increased by 888 people, while the labor force participation rate held steady at 67.8%. The labor force is 86,215 smaller than in February 2020 when the participation rate was at 70.2%.
- Nationally, the unemployment rate fell two-tenths of a percentage point to 5.2% and the employment to population ratio rose one-tenth point to 58.5%. The size of the labor force increased slightly but not enough to change the labor force participation rate which held steady at 61.7% in August.

Based on **12-month moving average** unemployment rates by race in August are as follows (source: CPS Demecon, 12-month moving averages):

| Month/Year | Total | Black | Hispanic | White |
|------------|-------|-------|----------|-------|
| August-21 | 4.4% | 3.6% | 5.5% | 4.4% |
| July-21 | 4.6% | 3.5% | 6.7% | 4.7% |
| August-20 | 5.3% | 9.5% | 7.9% | 4.9% |

Note that these estimates differ from the official statewide estimate because they are calculated from 12 months of data rather than a single month.

- The table below add the unemployment rate and the decrease in the labor force participation rate since February 2020. This analysis shows the total share of Minnesotan’s who are either actively seeking work or who would have been expected to be working or looking for work if it wasn’t for the impact of the pandemic. This alternative unemployment rate is calculated from 12-month moving average Demecon data for Minnesota.

| Month/Year | Total | Black | Hispanic | White |
|------------|-------|-------|----------|-------|
| Aug-21 | 6.4% | 8.4% | 4.7% | 5.9% |
| Jul-21 | 6.4% | 9.3% | 5.0% | 6.0% |
| Aug-20 | 5.9% | 14.4% | 9.6% | 5.1% |

Details

Mining and Logging: Employment in Mining and Logging was down over the month (OTM) in August, on a seasonally adjusted basis, as the supersector lost 100 jobs (1.6%). Monthly growth in Mining and Logging has fluctuated between 100 and -100 for the past year. On an annual basis, the supersector added 286 jobs (4.4%). This was a large drop-off from July's over-the-year (OTY) growth, which was at 18.3%.

Construction: Employment in Construction was up by 600 (0.5%) in August, after adding 800 jobs in July. Over the year, Construction employers added 7,022 jobs (5.2%). It was the second-largest proportional OTY growth of any supersector in the state (after Leisure and Hospitality). Building Construction was up 5.9% (1,713 jobs) and Specialty Trade Contractor employment was up 6.2% (5,368 jobs). Heavy and Civil Engineering Construction was down by 0.3%, or 59 jobs.

Manufacturing: Manufacturing employers added 2,300 jobs (0.7%) OTM in August. Durable Goods Manufacturers added 2,100 jobs (1.1%) while their counterparts in Nondurable Goods added 200 (0.2%). On an annual basis, the supersector added 11,196 jobs (3.6%). Nondurable Goods led the way, adding 4,977 jobs (4.5%) thanks to strong growth in Food Manufacturing, while Durable Goods Manufacturers added 6,219 jobs (3.1%) with growth across a wide range of component sectors.

Trade, Transportation, and Utilities: Trade, Transportation, and Utilities employment was up by 1,500 (0.3%) in August, with all the growth coming in Wholesale Trade (up 2,300, or 1.8%). Retail Trade and Transportation, Warehousing, and Utilities each lost 400 jobs (down 0.1 and 0.4%, respectively). Over the year, the supersector added 10,780 jobs, or 2.1%. All three component sectors added jobs on the year, led in both real and proportional growth by Wholesale Trade, which was up 4,426 jobs, or 3.6%, with most of that growth coming among Nondurable Goods Merchant Wholesalers (up 3,174, or 7.2%). Retail Trade added 3,422 jobs (1.2%) and Transportation, Warehousing, and Utilities added 2,932 jobs (3%).

Information: Employment in Information was off by 600 (1.5%) in August, after a brief respite from the supersector's long decline in July, when it added 600 jobs. Over the year, Information employers lost 2,501 jobs, or 5.9%. Not only was this the largest proportional loss of any supersector in the state, it was also the largest amount of real jobs lost on the year, which is telling for a supersector that was already quite small in terms of real jobs compared to others in the state.

Financial Activities: Financial Activities employment was up by 1,300 (0.7%) in August, with growth in both component sectors. Real Estate and Rental and Leasing employment was up 1.8% (600 jobs) while Finance and Insurance was up 700 (0.4%). Over the year, the supersector lost 748 jobs (0.4%). It was one of just two supersectors to lose jobs on the year, due at least in part to the fact that it was much less hard-hit by the original wave of COVID-related job losses than most supersectors, and as such had less ground to make up to get back to pre-COVID levels. Finance and Insurance lost 1,488 jobs (0.9%) while Real Estate and Rental and Leasing added 740 jobs (2.2%).

Professional and Business Services: Employment in Professional and Business Services was up by 900 (0.2%) in August, thanks in large part to the addition of 1,300 jobs (1%) in Administrative and Support Services. Management of Companies was up 200 (0.2%) while Professional, Scientific, and Technical Services lost 600 jobs (0.4%). Over the year, the supersector added 18,307 jobs, or 5.1%, the third-largest proportional OTY increase of any supersector in the state. Administrative and Support Services added 11,331 jobs (9.5%) with growth of 6,020 (12.8%) in its component Employment Services.

Education and Health Services: Education and Health Services employment was down by 1,200 (0.2%) in August. Health Care and Social Assistance lost 1,800 jobs (0.4%) while Educational Services added 600 jobs (0.9%). Over the year, Education and Health Services employers added 9,800 jobs (1.9%). Educational Services drove the annual growth, adding 9,003 jobs, or 16.6%, while Health Care and Social Assistance added 797 jobs (0.2%). The largest component sector, Ambulatory Health Care Services, added 5,490 jobs (3.6%) but that growth was countered by the loss of 5,190 jobs (4.9%) in Nursing and Residential Care Facilities.

Leisure and Hospitality: Leisure and Hospitality employers added 2,000 jobs (0.8%) in August. It was the eighth consecutive month of seasonally adjusted growth for the supersector as it continues to dig out of the deep hole it was put in by the ongoing pandemic. Over the year, Leisure and Hospitality employers added 43,879 jobs, or 19.9%, the largest real and proportional growth of any supersector in the state by a large margin. Arts, Entertainment, and Recreation added 15,569 jobs (42.2%) while Accommodation and Food Services added 28,310 jobs (15.5%).

Other Services: Employment in Other Services was off by 500 (0.5%) in August. It was the first OTM job loss in for the supersector since February, a span of time during which it added 5,500 jobs. Over the year, Other Services added 4,991 jobs (4.9%). Repair and Maintenance employment was up 9.7% (2,003 jobs), Personal and Laundry Services was up 5.6% (1,391 jobs) and Religions, Grantmaking, Civic and Professional Organizations was up 2.9% (1,597 jobs).

Government: Government employment was off by 1,900 jobs (0.5%) in August, as all three levels of government shed jobs. Over the year, Government employers added 6,822 jobs (1.8%). Both Federal and State-level employers lost jobs (down 11.2% and 3.2%, respectively), but those losses were more than offset by the addition of 13,795 jobs (5.5%) among Local Government employers. Non-education local government was particularly strong, adding 9,964 jobs, or 7.1%.

All **regions** continued to show job growth over the year in August and Duluth-Superior and Mankato MSAs continued to see the strongest growth over the year at 5.0% and 4.8% respectively. All regions over-the-year growth continued to slow in August, along with statewide growth, because comparisons are now to August 2020, which reflected strong growth in May, June, July and August 2020.

| Metropolitan Statistical Area | OTY Employment Change (#, NSA) | OTY Employment Change (% , NSA) |
|--------------------------------|--------------------------------|---------------------------------|
| Minneapolis-St. Paul MN-WI MSA | +72,300 | 3.9% |
| Duluth-Superior MN-WI MSA | +6,198 | 5.0% |
| Rochester MSA | +4,621 | 3.9% |
| St. Cloud MSA | +2,155 | 2.1% |
| Mankato MSA | +2,538 | 4.8% |

Outlook

- August showed continued job growth, although at a slower pace than July, as well as continued tightening in the labor market.
- One sign of the tight labor market is that the teen (age 16-19) unemployment rate decreased to 6.2% in August and is down 4.8 percentage points over the year in MN. This is one of the lowest

teen unemployment rates on record: teen unemployment was only lower in August 2018 at 5.7% (estimates go back to 2002).

- There is some evidence that in this tight labor market employers are better utilizing their workforces. Involuntary part time fell again in August by 9,000 people on a 12-month moving average basis. There are now 69,100 involuntary part time workers, down from 104,900 one year ago but still up from 66,100 two years ago in August.
- Private sector average weekly *hours* ticked up in August for the second month. Compared to one and two years ago in August, hours are up 1.1% and 3.5% respectively. A federal Reserve Bank of Minneapolis/DEED survey shows that inability to find jobs with enough hours per week was a major barrier to employment for unemployed workers in Minnesota this spring. Shortages may be putting pressure on employers to offer more hours per week to each worker.
- In those industries hiring the most quickly *hours* were up even more. Hours for production (non supervisory) workers were up 3.2% from August 2020 and 2.9% from August 2019 in Retail Trade and 0.9% from August 2020 and 7.0% from August 2019 in Food Service and Drinking Places in August.
- Average hourly *wages* for all private sector workers rose 9 cents in August and rose \$1.00 or 3.2% over the year and \$2.42 or 8.0% since August 2019. Wages rose even faster for production workers in Retail Trade, up 5.1% (+\$0.87) from August 2020 and 10.3% (+\$1.68) from 2019, and Food Service and Drinking Places, up 10.5% (\$1.54) from August 2020 and 13.4% (\$1.92) from 2019.
- The average hourly wage for production workers in Food Service and Drinking Places have remained above \$15 per hour since February 2021. In August it was \$16.27, down 10 cents from July. This is slightly above the cost of living for a single person in Minnesota (\$15.85 per hour) but below the cost of living for a typical family (one parent working fulltime, one parttime and one child), which is currently \$18.85 per hour.
- The question is, will these wage and hours trends continue and how quickly will they draw workers back into high demand, low wage industries?

Labor Market Information Office
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