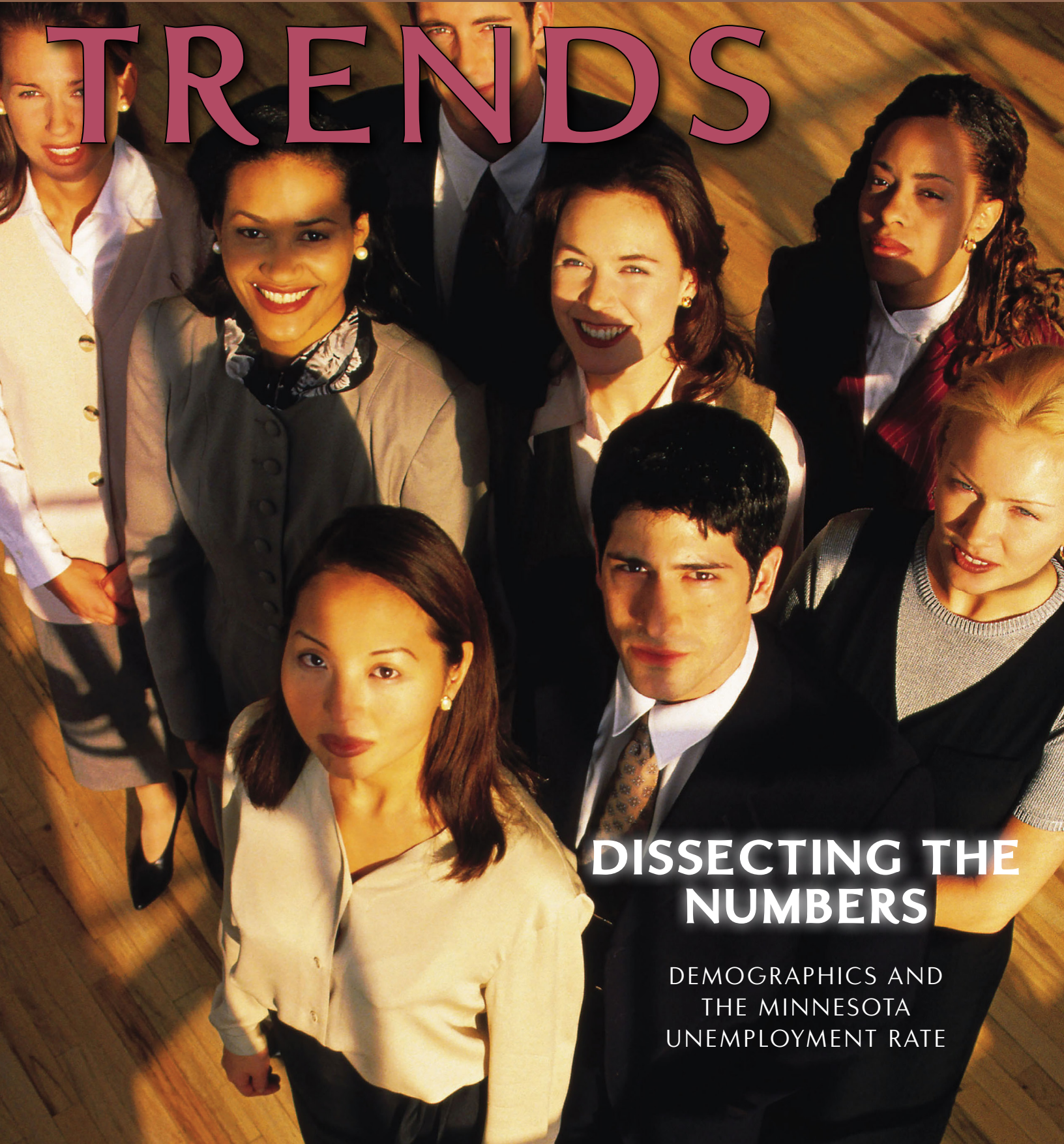


MINNESOTA ECONOMIC

TRENDS



DISSECTING THE NUMBERS

DEMOGRAPHICS AND
THE MINNESOTA
UNEMPLOYMENT RATE

SEPTEMBER 2013

POSITIVELY
Minnesota
Department of Employment and Economic Development



A Closer Look at the Numbers

The Minnesota unemployment rate and job figures get a lot of attention when they are announced on the third Thursday of every month, frequently attracting front-page newspaper coverage statewide. Reporters and economists analyze the numbers and interpret what they say about the economy. While there are plenty of other ways to look at our economic performance, the monthly unemployment rate and job figures are arguably the most closely watched barometer in Minnesota.

This issue of Trends takes an even closer look at those numbers, breaking down the Minnesota unemployment rate by race, gender, education and other characteristics not found in the monthly numbers. Rachel Vilsack's story "Unemployment Under a Microscope," looks at the 2012 "Geographic Profile of Employment and Unemployment," a federal report that comes out every August with an in-depth breakdown of the labor force in each state and in major metropolitan areas.

While stark differences remain in Minnesota unemployment rates by race and ethnicity, the 2012 figures show that joblessness for all groups declined last year. Undoubtedly, we still have more work to do, but the latest report is an encouraging sign, showing the state is making progress in closing the unemployment gap.

Other stories in this issue look at how well DEED's Dislocated Worker Program matches jobs with training, what's happening with per capita personal income in the state and what the latest Job Vacancy Survey found.

Finally, I'd like to mention Jerry Brown, a longtime DEED employee who died recently at the age of 50. Jerry was a supervisor in the Labor Market Information Office who made many contributions to this magazine over the years, including sharing a byline with three colleagues in the June issue of Trends. Besides being brilliant and an outstanding data analyst, he was a great guy who would patiently answer my questions about economic data, no matter how silly. Jerry had a lot of friends at DEED and will be greatly missed.

Monte Hanson
Editor

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Unemployment Under a M

Monthly employment numbers tell only part of the story. New statistics offer a more revealing look at unemployment by breaking down the numbers by race, gender, education

DEED provides an up-to-date snapshot of the Minnesota and regional labor markets with the release of the employment numbers and jobless rate each month. This information is essential for tracking trends and comparing labor market conditions across the country.

Many people, though, want to see more in-depth statistics on how certain populations in the state are faring. Instead of monthly statistics, annual estimates are used to assess differences in unemployment rates by gender, education, race, ethnicity and more. The release of the “Geographic Profile of Employment and Unemployment” report in August is an opportunity to see what some of those differences were in 2012.

Understanding the Data

The Current Population Survey (CPS), sponsored by the Bureau of Labor Statistics (BLS) and the U.S. Census Bureau, is the primary source of labor force statistics nationally, including the U.S. and state unemployment rates. The survey provides the most comprehensive data available for understanding the labor force. The “Geographic Profile of Employment and Unemployment” report

summarizes CPS employment data for states and metropolitan areas, examining a variety of characteristics including:

- Gender
- Race (white, black or African American, Asian)¹
- Ethnicity (Hispanic or Latino)²
- Teens ages 16 to 19³
- Married men (spouse present) and married women (spouse present)⁴
- Women who maintain families⁵

“Geographic Profile of Employment and Unemployment” reports, dating back to 1997, are available online at www.bls.gov/opub/gp/laugp.htm.

Characteristics of Minnesota Unemployment

The CPS is the source of data for estimating Minnesota’s unemployment rate. Detailed survey questions capture household attachment to the labor force by identifying if people are available and actively seeking work. The key to defining unemployment is a connection to the labor force.

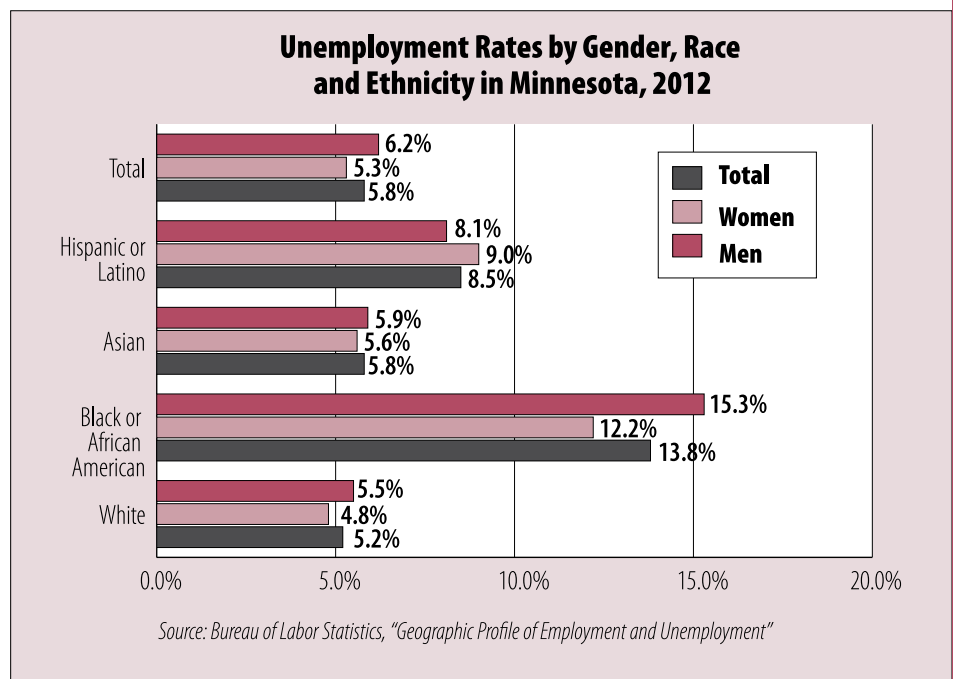
Microscope

...y about Minnesota's labor
employment in the state,
and other characteristics.

Those who are discouraged (haven't looked for work) or have a marginal attachment (aren't currently available to work) to the labor force are not counted in the measurements used to produce the unemployment rate. In 2012, Minnesota's unemployment rate averaged 5.8 percent, tied for 10th lowest in the country (with Utah) and sixth lowest among the 12 states in the Midwest.⁶

Figure 1 shows the unemployment rates for Minnesotans by gender, race and ethnicity in 2012. Unemployment rates for women were 1 percent lower than the rates for men. Among states, Minnesota tied with Kansas for the seventh-lowest unemployment rate among women. Unemployment rates for women were lower than average in all but 12 states.

FIGURE 1



Unemployment rates for teens (ages 16 to 19) averaged 18.6 percent in 2012. Across states, teen unemployment rates ranged from 10.8 percent in Montana to 34.6 percent in California.

Basic labor force statistics are also available for married men (spouse present), married women (spouse present) and for women who maintain families. In 2012, the unemployment rates for married men and married

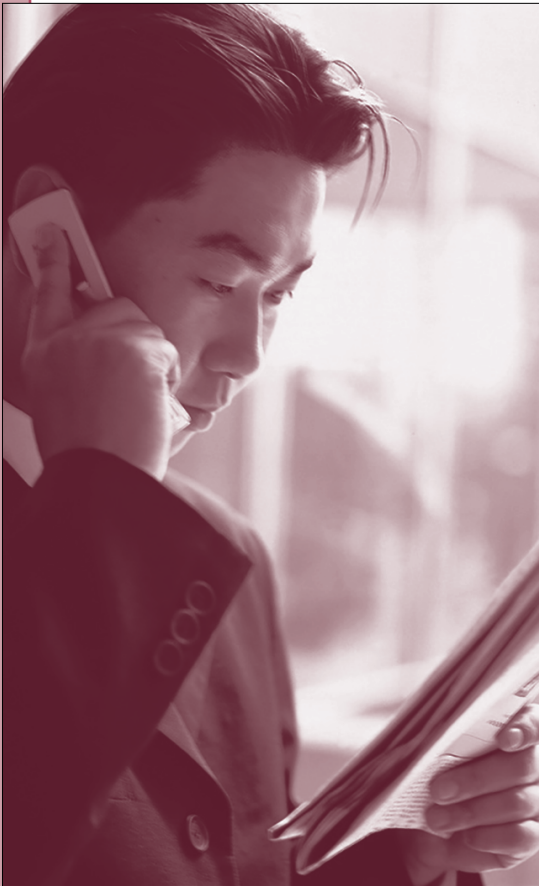


TABLE 1

Minnesota Unemployment Rates by Race and Ethnicity, 2000-2012

	Total	White	Black or African American	Asian	Hispanic or Latino
2000	3.3%	3.0%	7.0%	NA	NA
2001	3.7%	3.5%	9.4%	NA	NA
2002	4.4%	4.0%	11.4%	NA	5.6%
2003	5.0%	4.6%	10.7%	7.8%	5.6%
2004	4.8%	4.3%	12.9%	5.0%	6.4%
2005	3.9%	3.5%	11.9%	3.7%	4.2%
2006	4.0%	3.6%	10.7%	5.6%	4.7%
2007	4.6%	4.1%	15.8%	2.8%	7.1%
2008	5.5%	5.0%	16.9%	5.5%	7.4%
2009	7.8%	7.1%	22.5%	7.9%	15.5%
2010	7.3%	6.4%	22.0%	11.7%	12.3%
2011	6.5%	5.6%	20.7%	9.2%	8.6%
2012	5.8%	5.2%	13.8%	5.8%	8.5%

Source: Bureau of Labor Statistics, "Geographic Profile of Employment and Unemployment"

women were lower than average, at 3.8 percent and 3.2 percent, respectively. The unemployment rate for Minnesota women who maintain families was 10.2 percent, nearly twice the average.

There is a stark difference in Minnesota unemployment rates by race and ethnicity. For states with reportable rates for black or African American residents, Minnesota ranks near the middle with an average unemployment rate of 13.8 percent in 2012 — on par with the national unemployment rate

for African Americans. Asian unemployment rates averaged 5.8 percent and Hispanic or Latino unemployment rates were 8.5 percent in 2012.

Unemployment rates for all groups in Minnesota declined in 2012 (see Table 1). The unemployment rate for African Americans in Minnesota is down from 20.7 percent in 2011 and a decade-long high of 22.5 percent in 2009. Recent unemployment rates for Asian and Hispanic or Latino Minnesotans remains above pre-recessionary levels.

Reasons for Unemployment

Unemployment is based on the status of people at the time they began to look for work. People are divided into four groups based on their reason for unemployment. In Minnesota, about 54.8 percent of the unemployed in 2012 were job losers, comprising persons whose employment ended involuntarily including those who completed temporary jobs. About 10 percent were job leavers, or people who quit or otherwise voluntarily terminated

their employments. One in four unemployed people were considered re-entrants who had previously worked but were out of the labor force prior to beginning their job searches. Finally, 10.7 percent were new entrants who had never worked.

Figure 2 displays the reasons for unemployment for Minnesota men and women in 2012. Job losers made up the majority of reasons for unemployment in Minnesota. Women made up a higher share (11 percent) of new entrants to the labor market in 2012 and a higher share (15.1 percent) of job leavers. Not surprisingly, nearly one-third of Minnesota women were re-entrants to the labor market in 2012, indicating that they were returning to job search activity after some time away from the job market.

Duration of Unemployment

Across the country, the average duration of unemployment ranged from 17.3 weeks in North Dakota to 50 weeks in the District of Columbia in 2012. Minnesota and New Mexico tied for 16th among states, with an average unemployment duration of 32.6 weeks. Among the 12 Midwestern states, Minnesota ranks in the middle, having neither the lowest (North Dakota at 17.3 weeks) nor the highest (Illinois at 44.5 weeks) average duration.

FIGURE 2



FIGURE 3

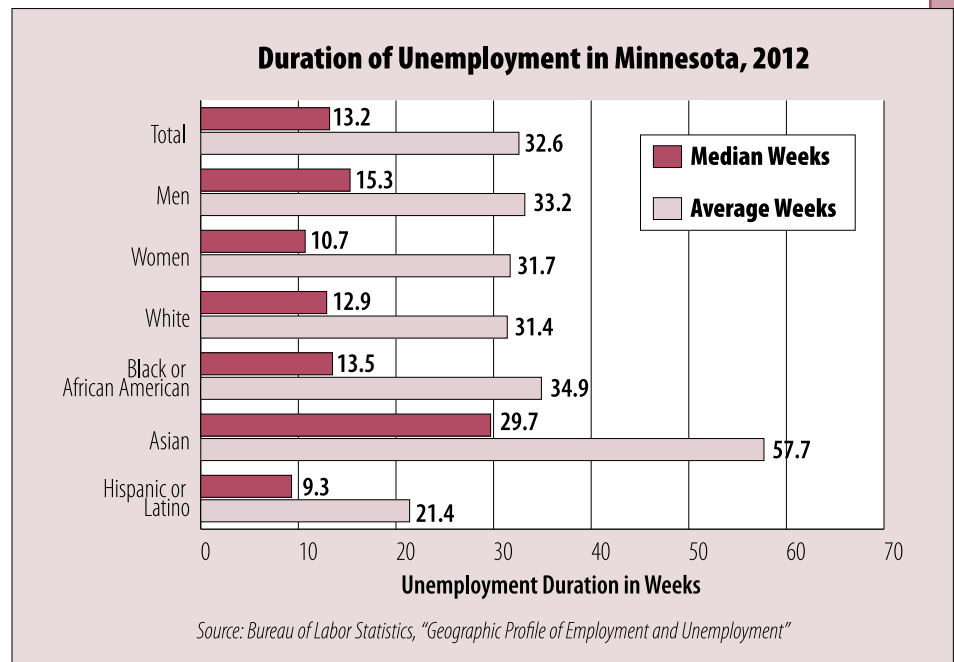


Figure 3 provides the duration of unemployment in Minnesota in 2012 in average weeks and median weeks for various characteristics of

the unemployed. While the state's average duration of unemployment is 32.6 weeks, the median or midpoint number of weeks of unemployment



duration was 13.2. The difference in the median and average weeks of unemployment suggests that there are people who have been unemployed for long periods. In fact, nearly 55,000 Minnesotans were unemployed for 27 weeks or more in 2012, accounting for one-third of the total number of unemployed.

Minnesota women had slightly shorter average unemployment duration (31.7 weeks) than men (33.2 weeks). By race, the average unemployment duration was longest for Asians at 57.7 weeks. While the Asian population had the lowest unemployment rate (5.8 percent) among racial and ethnic groups, Asians were more likely to be unemployed for a longer time. The black or African American population had an average unemployment duration of 34.9 weeks, which is significantly lower than the 53.1 weeks of unemployment in 2011. The Hispanic or Latino population had the shortest average unemployment duration at 21.4 weeks.

Type of Work Sought by the Unemployed

Three out of 10 unemployed workers in Minnesota were seeking part-time work. Of the 44,000 people seeking part-time employment, more than one-third of them were between ages 16 and 19, reflecting the educational attachment of teens. This is the only age category for which data are available.

Figure 4 explores the percentages of unemployed people seeking part-time or full-time work by gender, race and ethnicity.⁷ A higher percentage of women were seeking part-time work (27.4 percent) than men (15.6 percent). There was little difference between the types of employment sought by the white, African American and Hispanic or Latino unemployed populations.

Educational Attainment of Unemployed

Figure 5 displays unemployment rates by educational attainment for people 25 and over in Minnesota in 2012. Trends have long shown that the higher the level of education the lower the unemployment rate. In 2012, adults with no high school diploma had an

unemployment rate that was four times larger (12.4 percent) than adults with a bachelor's degree or higher (2.9 percent).

Conclusion

Unemployment data for Minnesota residents by characteristic provides a more complete picture of 2012 labor market conditions. While unemployment rates remain higher than average for the black or African American demographic, they have fallen considerably from recessionary highs of more than 20 percent. The duration of unemployment is also higher than average among Asians and African Americans in Minnesota. Women, on average, fared better in 2012 with an unemployment rate 1 percent lower than men. Women were also more likely to be re-entrants into the labor market and to seek part-time work. Finally, education remains highly correlated with unemployment, with Minnesotans with no high school diploma experiencing the highest unemployment rates in 2012. ¹

FIGURE 4

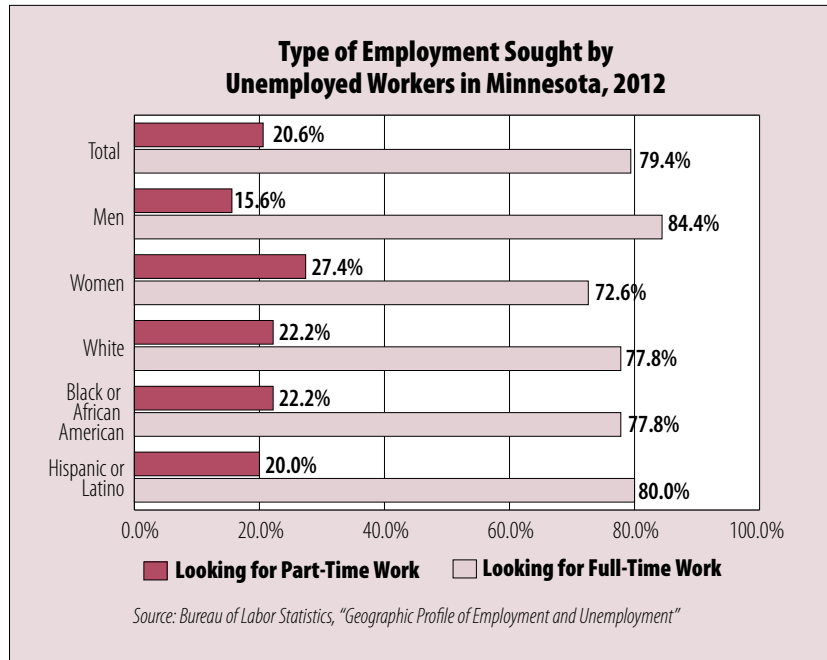
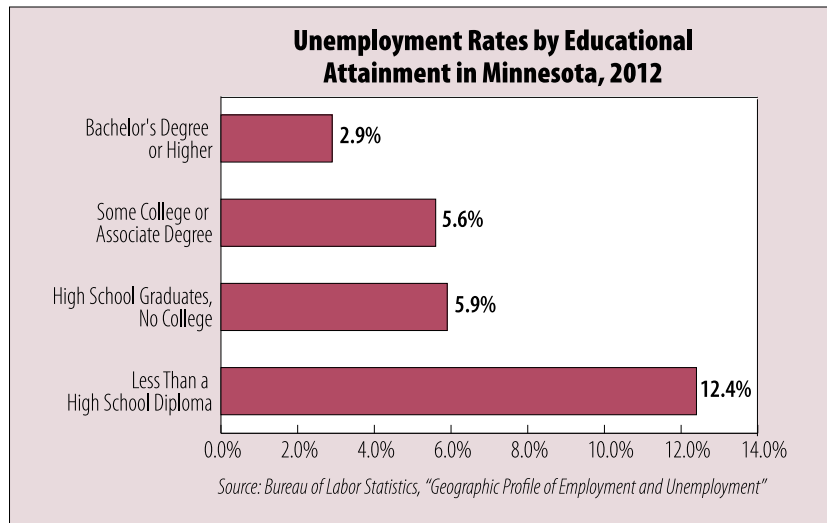


FIGURE 5



¹Labor force data for American Indians are not included in the "Geographic Profile of Employment and Unemployment" report.

²Persons of Hispanic or Latino ethnicity may be of any race.

³Limited data are available for this population.

⁴Limited data are available for this population.

⁵Limited data are available for this population.

⁶Unemployment rates in the "Geographic Profile of Employment and Unemployment" report may differ slightly from unemployment rates produced by the Local Area Unemployment Statistics program in Minnesota's Labor Market Information Office.

⁷Data for Asian Minnesotans were not available.

Matching Jobs With Training

Data from DEED's Dislocated Worker Program found that more than half of the people who participated in the program over a 13-year period landed jobs related to their training.



How are you going to use that degree? It's a question dreaded by most students, especially if they just completed a philosophy, history or anthropology degree. Many people in those fields often end up working in completely unrelated occupations. Students pursuing specific occupational training, however, generally have

a better chance of finding work in their field. Someone obtaining a degree in nursing, for example, is qualified for work in a number of health care-related jobs.

Workforce development programs generally focus on training people in health care and other occupations where the demand for jobs is greatest.

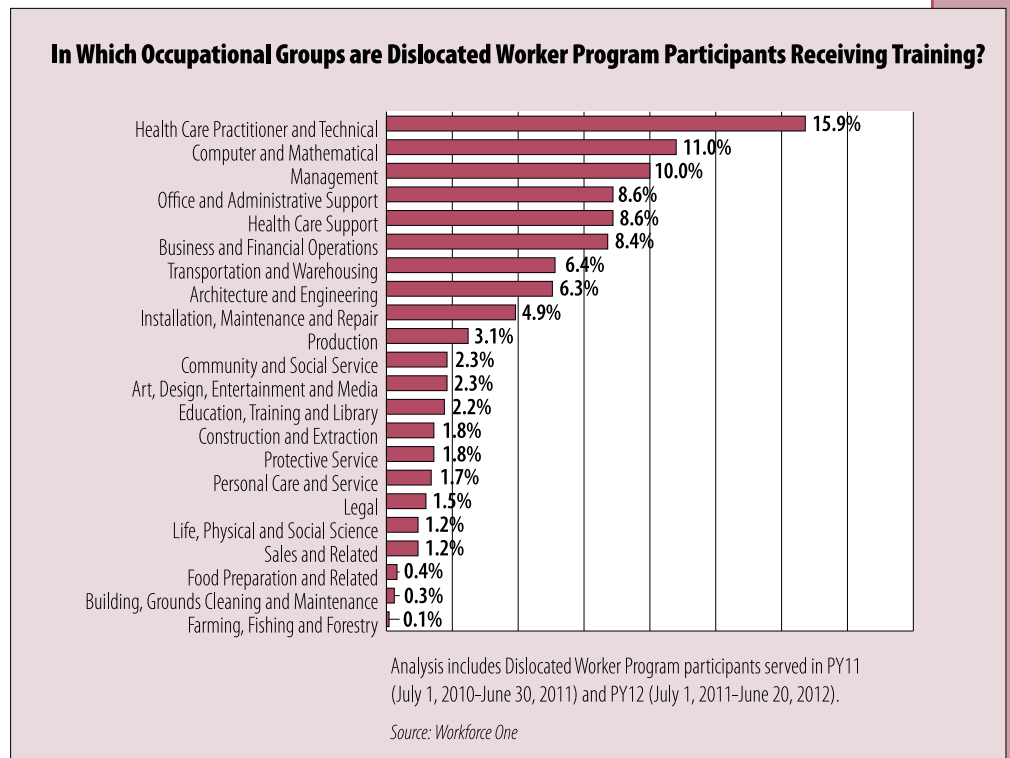
This article looks at whether one of those programs, DEED's Dislocated Worker Program, succeeded at linking training with related employment.

The Dislocated Worker Program is designed to help laid off Minnesotans overcome difficult employment barriers in order to find suitable work as quickly as possible.¹ Some workers need additional education to stay competitive in their current occupations, while others need to be retrained in new, in-demand fields.

The program's performance is tied to how well participants do in training (Do they earn a credential?) and how well they do in the labor market (Do they find and keep a job? How much do they earn?). An additional indicator of program efficiency — above and beyond official performance measures — is whether Dislocated Worker Program participants find jobs related to the publicly funded training they receive through the program.

Local service providers who administer the Dislocated Worker Program track participants in Workforce One, a management information system database. In Workforce One, employment counselors are asked to provide an occupational code (ONET) that relates to the participant's training, as well as an occupation title and ONET code associated with the participant's ultimate employment. This analysis looked at that data to find out whether participants found jobs in occupations that matched their program training. A data and methodology sidebar with this story provides more details on how the study was conducted.

FIGURE 1



The bottom line of the findings is this: More than one-half of Dislocated Worker Program participants found employment in the same occupational group for which they were trained.

First, Get Trained

To receive training in the Dislocated Worker Program, participants must demonstrate to their employment counselors that training will improve their chances of getting a job. Not all program participants want to receive training.² Of participants pursuing classroom or occupational skills training leading to a credential, one-third sought training in health care or computer occupations between July 1, 2010, and June 30, 2012 (see Figure 1). Alternatively, less than 1 percent of participants entered training in food preparation, building and grounds maintenance, or farming-related activities.

The following list shows the top 10 detailed occupations in which Dislocated Worker Program participants received training between July 1, 2010, and June 30, 2012:

- Heavy/tractor-trailer truck drivers
- Licensed practical/vocational nurses
- Medical assistants
- Registered nurses
- Business operations specialists
- Network/computer systems administrators
- Nursing assistants
- Bookkeeping/accounting clerks
- Medical secretaries
- Accountants



These occupations represent some of the most in-demand jobs in Minnesota, with all appearing on DEED's Occupations in Demand list.

Second, Find a Job

An examination of 13 years of training and jobs data shows that 45 to 60 percent of the jobs obtained after people left the Dislocated Worker Program were directly related to program training (see Figure 2). For instance, 54.7 percent of Dislocated Worker Program participants who received a credential in 2012 found a job that matched their occupational training. So a participant who was trained in a business occupation exited the Dislocated Worker Program to take a job in a business occupation.

Not having an occupational match, however, does not necessarily indicate the training was not important in landing a job. For example, think of someone who trained as a welder but found a job in sales. That job may be at a welding company, and the training may have been the key to landing the job. Although this would not be a match we could easily examine, by slightly loosening our definition of a match between training and employment, our match rate increased by 5 to 8 percent compared with Figure 2. The new definition was expanded to include the following:

- Any training was a match for employment in the management occupation group.
- Training in either of the two health care occupation groups was a match for employment in health care.
- Training in the management occupation group was a match for employment in business.

FIGURE 2

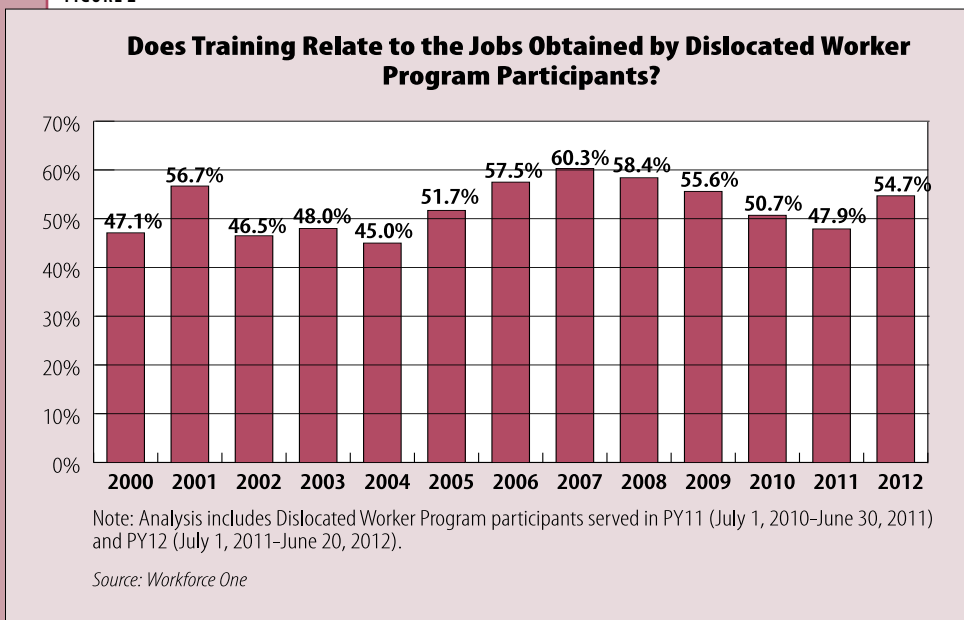


Figure 2 looks at customers who left the program for jobs during the calendar year, rather than the standard program year (July to June) that is usually referenced with Dislocated Worker Program statistics. This is deliberate. During 2001 and from 2007 to 2009, a slightly higher rate of participant employment

Data and Methodology

Program data analysts investigated the accuracy of the occupational codes in Workforce One, using a database of nearly 60,000 lay job titles mapped to ONET codes developed by the National Crosswalk Service Center. This database was developed under a U.S. Department of Labor contract to improve the accuracy of occupational keyword searches, such as on O*NET Online. The matching mechanism is many-to-many: One ONET code may be associated with many lay titles, and one lay title may be associated with many ONET codes. This analysis considers a record validated if its ONET code matches one of the multiple ONET codes associated with its lay job title.

The sample was drawn from Dislocated Worker Program participants served between July 1, 2010, and June 30, 2012, who met the following criteria

1. They were enrolled in credentialed training.
2. They had an ONET and Classification of Instructional Programs (CIP) code associated with their training program.
3. They had an ONET code and job title associated with their post-exit employment.

In all, 5,205 participants fit those parameters, and all results are true for this population at a 95 percent confidence level.

Of those records with job titles included in the lay title database, 64 (± 2) percent result in an ONET match at the eight-digit level. Only 51 percent of records in this sample, however, have a job title found in the lay title database. This is low mainly due to abbreviations and misspellings. Editing job titles for spelling increased the found rate to 80 percent, and the ONET match rate did not change significantly from 64 (± 2) percent. This is lower than most automated ONET coders, which tend to have accuracy rates of 80 percent or higher.

A secondary avenue for validating occupational codes is to compare them with the CIP codes associated with the training program. The CIP taxonomy was developed by the U.S. Department of Education in order to gather reliable enrollment statistics within various educational fields. Dislocated Worker Program counselors are asked to enter both a CIP code and an ONET code associated with the training program in which their client is enrolled. While ONET codes are not designed to classify training programs, ONET is more familiar to both counselors and participants. This is because participants' training plans are researched and written around an occupational, rather than educational, goal, often using the Department of Labor's O*NET website.

This analysis used the National Crosswalk Service Center's CIP-to-ONET crosswalk to determine whether the CIP code and ONET code for the same training program match each other. Again, the matching mechanism is many-to-many, and the record is considered validated if the ONET code on the record matched one of the multiple ONET codes associated with the CIP code on the record. Only 49 (± 2) percent of records were validated using this methodology, suggesting inaccuracy in the CIP codes as well as ONET codes entered into Workforce One. DEED staff members are currently engaged in a re-write of Workforce One, including redesigns to CIP and ONET fields to improve coding accuracy.

was related to training. What distinguishes those years is a recession. From a labor market standpoint, it makes intuitive sense that participants are more likely to find jobs related to their training during difficult economic times, when job opportunities are scarce. When job opportunities are plentiful, participants are slightly less likely to find jobs related to their training.

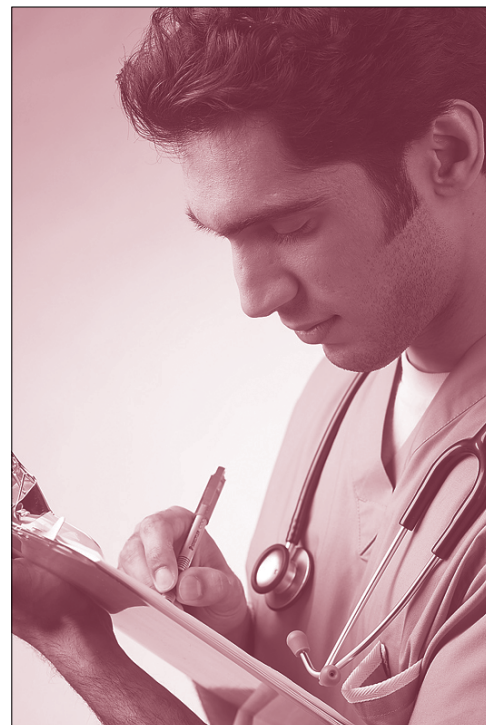
Conclusion

Dislocated Worker Program guidelines typically require a person to seek training in an occupation in demand. Indeed, this analysis confirms that the top training occupations chosen by Dislocated Worker Program participants are in demand in Minnesota. These program guidelines are intended to increase the chances that the person will find employment, the ultimate goal of the program.

As this analysis shows, the percentage of training participants finding related employment is countercyclical.

As the economy improves, the related employment rate decreases. This is in line with anecdotal reports from Dislocated Worker Program counselors, who say their clients generally wish to resume working as soon as an acceptable job offer is extended, even in an occupation different than the one for which they trained.

Because a job search can follow unpredictable paths, we should not expect to see a direct link between training and employment for 100 percent of participants. Even unrelated training may offer a “signaling” effect, indicating to employers that the job candidate is highly motivated. To the extent that this is true, training in any occupation could directly improve the employment chances for Dislocated Worker Program participants. ■



¹During SFY 2012 (July 1, 2011, to June 30, 2012), the Dislocated Worker Program spent \$20.3 million to serve 13,568 participants, costing nearly \$1,500 per participant. In total 7,076 people exited the program, with 5,847 entering unsubsidized employment — a success rate of 82.6 percent.

²There are many sources of training available to Dislocated Worker Program participants that lead to a credential, including educational diplomas, certificates and degrees; registered apprenticeship certificates; occupational licenses; industry-recognized or professional association certifications; and other certificates of skills completion. For the purposes of this analysis, we looked at only the classroom training and occupational skills training activities that lead to a credential, or a formal recognition of an individual's attainment of measurable technical or occupational skills necessary to obtain employment or advance within an occupation. These technical or occupational skills are generally based on standards developed or endorsed by employers.

The Long Climb Back

Per capita personal income in Minnesota is rising again after plunging during the Great Recession, but there is still lost ground to recover.

Per capita personal income in Minnesota continued to rebound last year, increasing for the third straight year to an all-time high of \$46,227 after plunging 5.8 percent (down \$2,500) in 2009. That's the good news. The bad news is that after adjusting for inflation, per capita income in Minnesota last year was 0.3 percent or \$125 below the record real high reached in 2008 (see Figure 1).¹

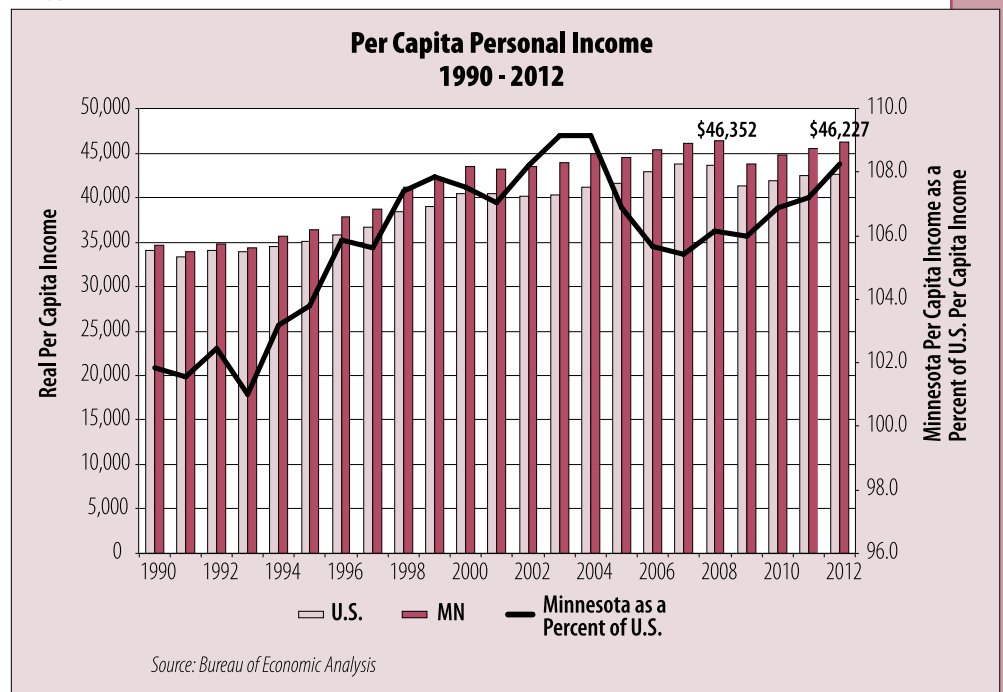
Real personal income in Minnesota spiraled downward in 2009, driven by a combination of job losses, reduced work hours, delayed raises, wage cuts, bonus suspensions, lower interest income, declining farm income and slipping dividend payouts.

While many of those factors have reversed direction since then, helping to boost real per capita income over the last three years, there is still lost ground to recover. The distribution of income sources for Minnesotans has not completely returned to the pre-recession mix, nor has the income distribution across households bounced back to the distribution of five years ago.

Personal income (especially per capita personal income), as compiled and reported by the Bureau of Economic Analysis (BEA), is widely used to compare and evaluate the economic well-being of states,



FIGURE 1





metro areas and counties.² The major drawback is that it has little to say about the distribution of income across individuals or households. Median household income, produced by the U.S. Census Bureau's American Community Survey (ACS), is another widely used state or regional income measure that provides the distribution side of an area's income picture.³ Median household income, as well as other income measures produced by the Census Bureau, however, are released less frequently, come out later than BEA's personal income data, and provide significantly less detail about the sources of personal income.

Minnesota's real median household income, unlike per capita personal income, has shown no signs of rebounding, at least through 2011. Real median income declined 5.9 percent between 2007 and 2011 in Minnesota and by 8.2 percent nationwide. More current estimates of U.S. median household income from another source (Current Population Survey) show median household income bottomed out in 2011, followed by gradual but uneven improvement over the last 18 months. It remains well below pre-recession levels, however. Median household income in Minnesota is likely to show an increase for 2012 when the data are released this fall, but the increase will still leave median

household income in Minnesota below pre-recession levels, as is the case nationally.

Minnesota's personal income, on the other hand, has nearly rebounded to pre-recession levels over the last three years, but the distribution of the income gains has been uneven, leaving many Minnesota households economically behind where they were before the Great Recession.

Minnesota's per capita personal income has grown faster over the last few years than the national rate. It soared during the 1990s and early 2000s compared with the rest of the country, peaking at 9.2 percent higher (or roughly \$3,800 more income per person in Minnesota than nationally) in 2003 and 2004. The state's advantage slipped some during the mid-2000s but has been rising again since the recession (see Figure 1).

Minnesota's share of the nation's private wage and salary disbursements, wage and salary supplements, and farm income has increased over the last three years. Minnesotans' share of other income sources, like public sector wage and salary disbursements, interest and dividend income, and transfer payment income have remained constant since the recession. The net result is that Minnesota's per capita personal income relative to the U.S. level rose to an eight-year high last year.

The BEA's personal income measure is a more comprehensive measure of income than the various measures of family or household income measured by the Census Bureau. BEA's income estimates are designed to be consistent with national income and product accounts used to estimate gross domestic product. The largest source of income is private nonfarm wage and salary disbursements, better known as paychecks, tips and bonuses received by Minnesota's 2.1 million private sector workers.

Real private paychecks nosedived 7 percent from 2007 to 2009. Dividends, interest and rent (collectively termed property income) plunged even more during the two-year recessionary period, dropping nearly 16 percent. Nonfarm proprietors' income also plummeted when the recession hit, tumbling 14 percent. Nonfarm proprietors' income is the income earned by self-employed Minnesotans, excluding farmers and ranchers.

Personal income from the above three sources declined by a combined \$17.7 billion between 2007 and 2009. That huge income drop was partially offset by a substantial jump in personal current transfer receipts, which included some of the federal spending generated by the 2008 Economic Stimulus Act. Transfer receipts or payments climbed \$6.6 billion over the two years as federal spending across various

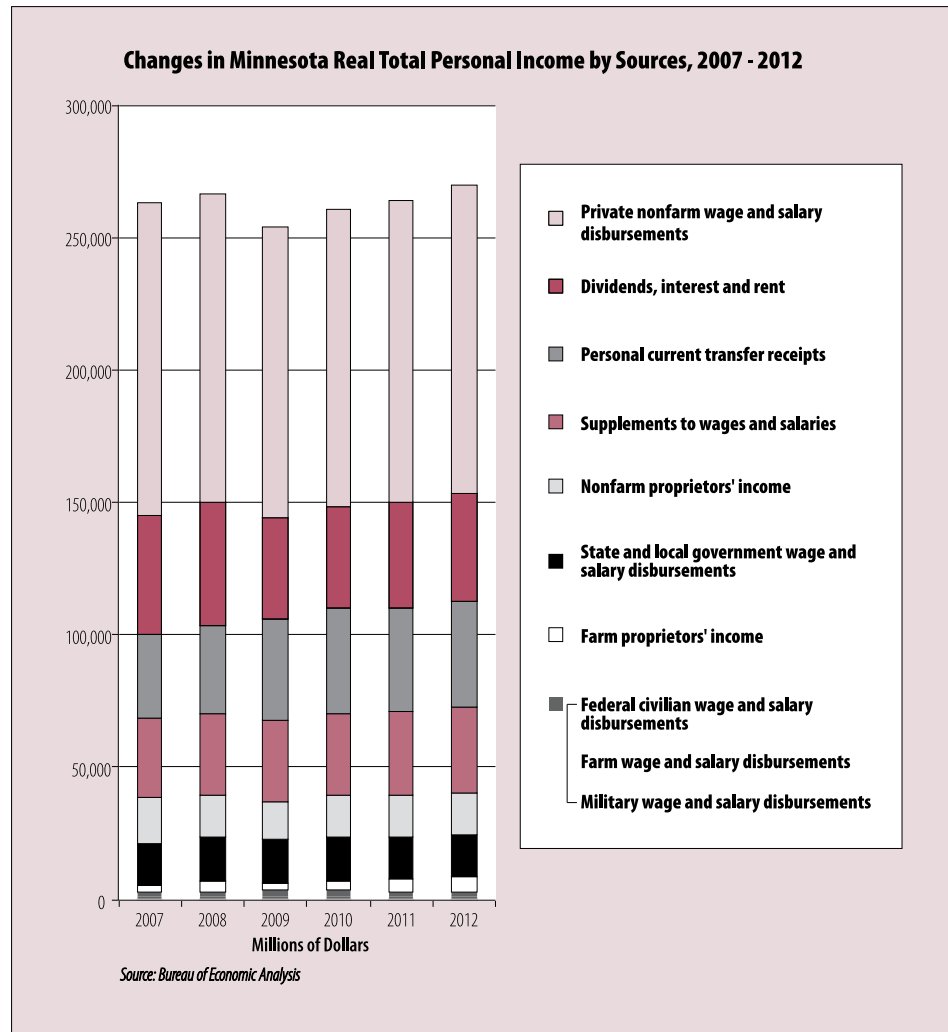
programs soared in Minnesota and nationally. Five programs accounted for three-fourths of the rise in transfer payment income in Minnesota: Social Security benefits, other income maintenance benefits, Medicare benefits, Medicaid payments and unemployment insurance checks.⁴

Figure 2 displays the relative importance and changes in Minnesota's income sources from 2007 to 2012. Private wage and salary payments have bounced

backed since 2009 but not completely. Interest, dividend and rent income has started to grow again but remains significantly below five years ago. Nonfarm proprietors' income has also snapped back but is still short of pre-recession levels.

Transfer receipts have leveled off over the two years but remain elevated from 2007. Many of the transfer programs that rose during the recession, such as unemployment insurance payments, have declined over the

FIGURE 2



last few years as the economy has improved. Other transfer payments, however, will continue to increase as the number of baby boomers collecting Social Security checks and signing up for Medicare mounts.

State and local government wage and salary payments, which rose slightly during the recession, actually decreased over the last few years, leaving public sector pay 2 percent lower in 2012 than in 2007. Wage and salary supplements (private and public employer-paid benefits such as health insurance and pension contributions) continued to climb even during the recession.

One significant source of income growth during the recovery that will likely wane in the future is farm income. Farm income, termed farm proprietors' income here, doubled between 2007 and 2012, climbing from \$2.1 billion to \$5.5 billion. Minnesota farmers had a bumper year in 2012, capturing 7.5 percent of nationwide farm income, their second highest share ever, topped only by the 7.8 percent attained in 1977. The good fortunes of Minnesota farmers last year increased Minnesota's personal per capita income by \$452. That extra income pushed per capita personal income from 7.2 to 8.2 percent above the national average.

The combined paychecks of the five wage and salary disbursements displayed in Figure 2 add up to roughly \$135 billion for 2012, or half of the money that is counted in total personal income by the BEA for the year. Last year's paycheck was \$3.6 billion higher than in 2009 but still \$2.5 billion short of the 2007 combined paycheck. Detailed BEA sector and industry wage and salary data for 2012 have yet to be published, but 2012 wage and salary data from the Quarterly Census of Employment and Wages (QCEW) program have been released and can be utilized to track wage and salary shifts in more detail.⁵



Since wage rates in most industries have been flat over the last five years, wage and salary payment gains and losses across sectors mostly mirror job gains and losses across sectors. Payroll numbers were hit hard in manufacturing and construction during the recession and have only partially recovered since. Health care and social assistance employment, on the other hand, slowed for a time during the recession but ramped up soon after the recovery was underway.

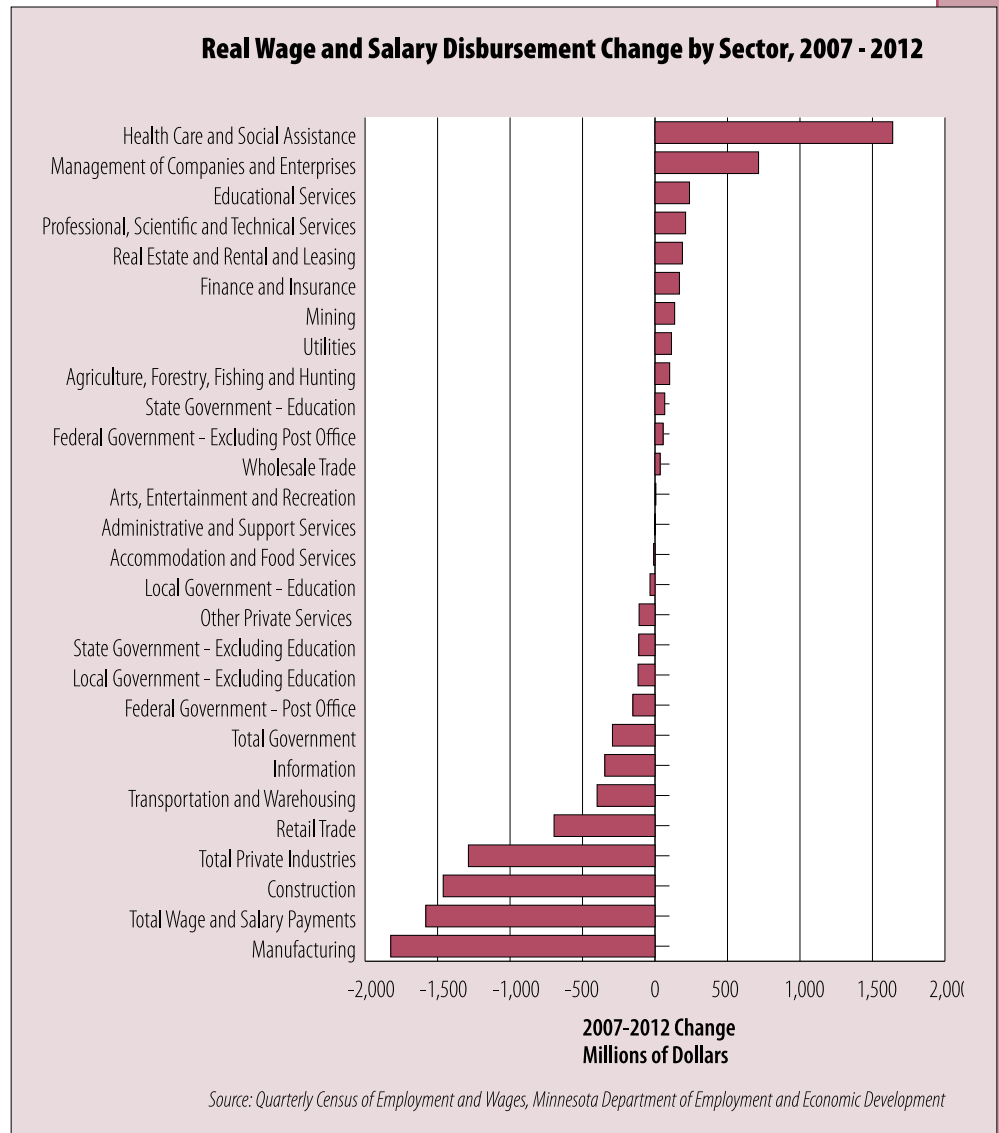
As a result, health care and social assistance wage and salary payments were \$1.6 billion higher in 2012 than in 2007. Wage and salary payments in manufacturing were \$1.8 billion below their 2007 level in 2012, while construction wage and

salary income was down \$1.5 billion over the five-year period (see Figure 3).

QCEW data can also show where wage and salary payments have recovered or are still below pre-recession levels across the state. Private wage and salary payments in Minnesota as measured by QCEW were 1.1 percent lower in 2012 than 2007. Private wage and salary income was higher over the five-year period, however, in 42 counties. A majority of the counties with positive wage and salary growth are in western Minnesota. The seven core counties of the Twin Cities are among the 45 counties with private wage and salary income still below pre-recession levels (see Figure 4 on Page 18).

Per capita personal income in Minnesota has rebounded faster from the Great Recession than nationally, but a closer look at the various sources of income included in personal incomes reveals that there is still plenty of lost ground to be recovered for many income sources, industries and areas. **T**

FIGURE 3



¹All income data presented here have been adjusted to 2012 dollars using the Consumer Price Index – All Urban Consumer (CPI-U). CPI-U numbers are available at <http://research.stlouisfed.org/fred2/series/CPIAUCSL?cid=9>.

²BEA income data is available at <http://bea.gov/iTable/iTable.cfm?reqid=70&step=1&isuri=1&acrdn=4#reqid=70&step=1&isuri=1>.

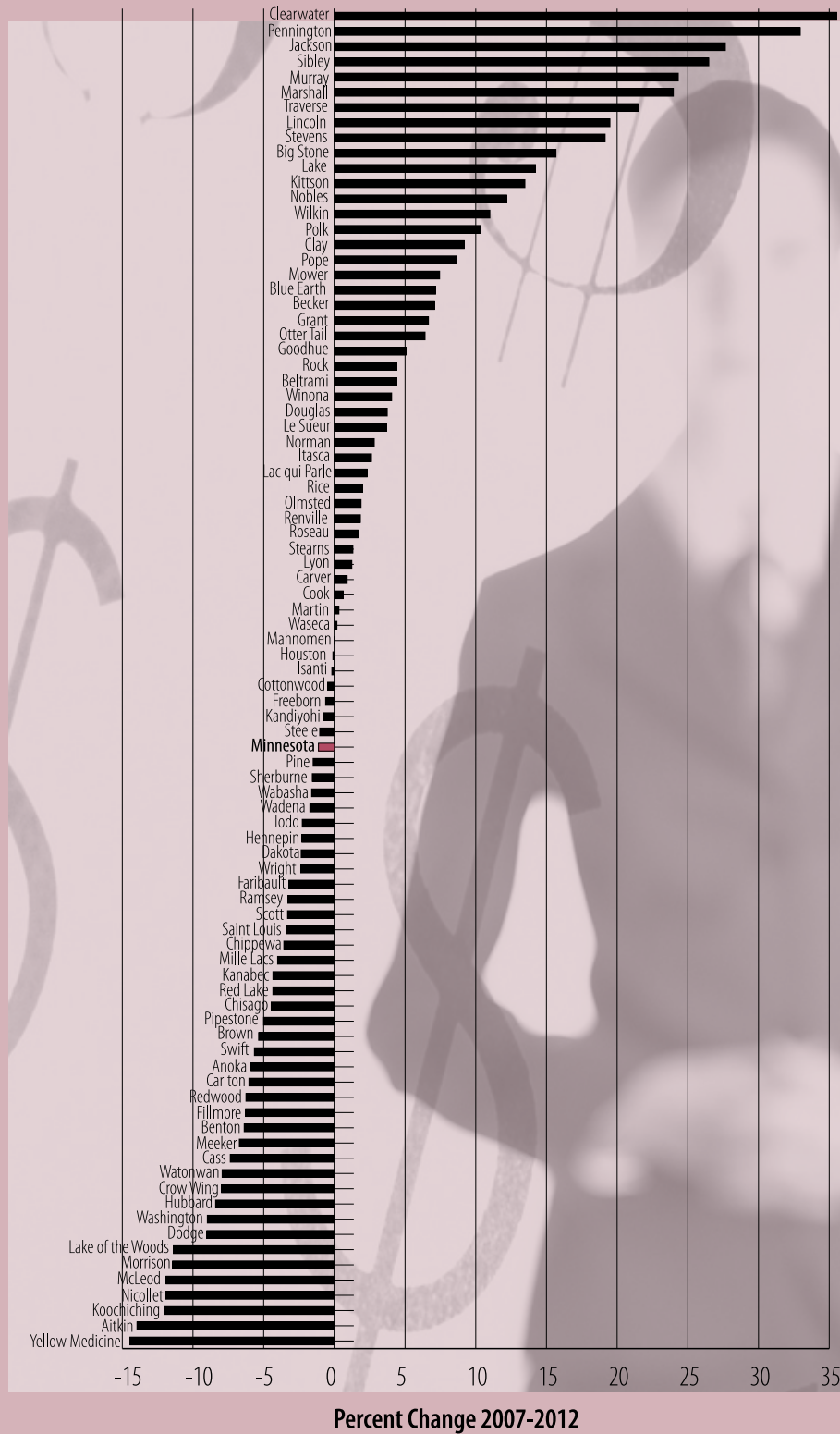
³Median household income from the American Community Survey is available at www.census.gov/acs/.

⁴Other income maintenance benefits consists largely of general assistance; expenditures for food under the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); Other Needs Assistance; refugee assistance; foster home care and adoption assistance; the 2008 Economic Stimulus Act Rebates; Earned Income Tax Credits; Child Tax Credits; American Recovery and Investment Act-funded tax credits; other tax credits; and energy assistance.

⁵QCEW data is available at www.PositivelyMinnesota.com/apps/lmi/qcew/AreaSel.aspx. QCEW is used by the BEA to calculate their wage and salary disbursement estimates. BEA wage and salary totals usually exceed QCEW wage and salary totals by 4 percent because the BEA makes adjustment to account for employment not included in QCEW and for under-reporting of wages and salaries.

FIGURE 4

Real Private Wage and Salary Payments, 2007-2012



Source: Quarterly Census of Employment and Wages, Minnesota Department of Employment and Economic Development

Another Sign of the Labor Market Recovery

DEED's latest Job Vacancy Survey showed job openings in the second quarter climbed to their highest level in 12 years in Minnesota.

The Minnesota Job Vacancy Survey results for the second quarter of 2013 support other evidence — job growth, falling unemployment and strong gross domestic product growth, for example — that the labor market has finally recovered from the Great Recession. The number of vacancies (72,569) was higher than any time since 2001, and the ratio of unemployed to job

openings fell to 2.1. This matches the ratio during second quarter 2007, just before the economy fell into recession and the unemployment rate spiked at the same time that hiring dropped off. This ratio rose to as high as 8.2 unemployed per vacancy during fourth quarter 2009 — the peak of the recession as far as job seekers in Minnesota were concerned.

Figure 1 shows the relationship between vacancies and the number of unemployed over the last 12 years.

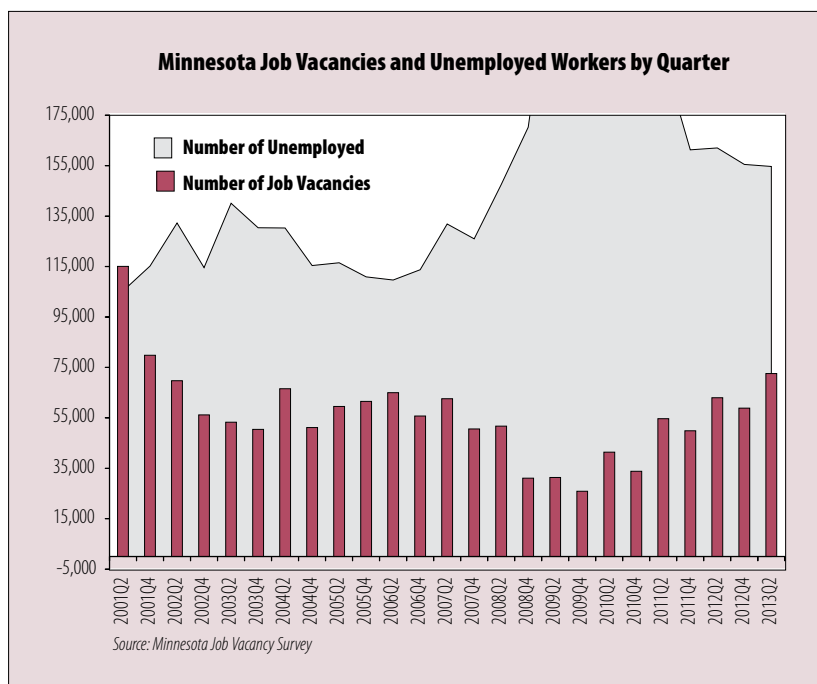
Is the Good News Shared Across Regions?

With 42,316 vacancies in the second quarter, the Twin Cities has seen a surge in job vacancies over the past year. Greater Minnesota, while seeing a rise of 6.7 percent to 30,253 vacancies, did not capture the same share of the increase over the last year. Over the past three years, however, the vacancy increases are much closer, growing 77 percent in the Twin Cities and 72 percent in Greater Minnesota. The increases in Greater Minnesota came earlier (in 2011) and have slowed since.

Across Industries?

Statewide, major industry sectors that have seen the greatest increases in vacancies since second quarter 2010 — when the economy finally began to show signs of life again — are health

FIGURE 1



care (up 5,663), retail trade (up 4,966), accommodations (up 3,961) and construction (up 2,495). Other categories, such as other services and management, have high percentage increases over the period, but the vacancy numbers are smaller.

But the Median Wage Offer is Down

Over the year, the median wage offer for all job vacancies dropped from \$12.99 to \$12.50. This is due to a slight shift in the industries that were hiring during the second quarter of 2013 compared with a year earlier. Hiring in both the retail trade and the arts and entertainment industries was up, accounting for 4,100 of the 9,600 additional job vacancies over the year. While good news, this had the effect of lowering the overall median wage offer slightly.


Part-time job offers were at an all-time high. While there is no definitive explanation, it might be seen as good news. Marginally attached workers, people with disabilities who might have a difficult time holding full-time jobs, stay-at-home parents and older workers benefit from access to part-time jobs. Employers might be offering these options as the labor market tightens in an attempt to draw in these workers.

Will Employers Continue Strong Hiring?

The survey also asked employers to report their future hiring plans over the next six months. The following question was asked: “In the next six months, do you expect your current employment level to rise, remain the same or decrease?” Results were positive during second quarter 2013. Eighteen percent of employers expect to increase employment levels, up 6.6 percent from a year ago, while only 5.6 percent expect to see decreases, down slightly from last year.

These numbers can be translated into a diffusion index where a score over 50 indicates that employers plan to increase employment overall. At 56.2, the second quarter 2013 diffusion index indicates that employers plan to add jobs over the next six months.

Moreover, these positive results are spread across all industries statewide. By region, the Twin Cities has a higher diffusion index than Greater Minnesota, but only one region, the northeast, fell below the threshold for overall expansion. Moreover, all industries fell above the threshold.

This article provides a brief overview of the second quarter 2013 Minnesota Job Vacancy Survey results. Many other important pieces of information on these vacancies, including part-time versus full-time hiring, wages, educational and experience requirements, and benefits offers, are available at www.PositivelyMinnesota.com/JVS. 



Meet

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