

December 2020 Employment Analysis (Embargoed until 10 am Thursday, January 21, 2020)

Overview

- The unemployment rate ticked down again in December to 4.4% from an upwardly revised 4.5% in November. This month the decline in Minnesota was entirely due to people leaving the labor force from both employment and unemployment. The number of unemployed fell 4,048 and the number of employed fell 11,440 for a total decline of 15,488 in Minnesota's labor force.
- Minnesota lost 49,800 jobs, down 1.8%, in December on a seasonally adjusted basis following a loss of 15,500 jobs in November (revised). December losses came during the temporary shutdown of in-person dining and arts, entertainment and recreation during the end of November and first half of December. These losses erase job gains made from August through October. The private sector lost 42,900 jobs, down 1.8% and Government lost 6,900 jobs, down 1.7% in December.
- Monthly job losses were concentrated in five supersectors in December while five gained jobs and Mining and Logging held steady.
 - Losses were greatest in Leisure & Hospitality, down 41,100 jobs or 20.7% followed by Government down 6,900 or 1.7%, Other Services down 3,400 or 3.3%, Education & Health Service down 2,600 or 0.5% and Information down 900 or 2.3%.
 - Manufacturing and Trade, Transportation & Utilities led gains, both up 1,300 jobs (0.4% and 0.2% respectively). Professional & Business Services gained 1,200 jobs or 0.3%, Construction gained 800 jobs, up 0.7% and Financial Activities added 500 jobs, up 0.3%.
 - Mining & Logging held steady.
- Minnesota lost 387,800 jobs from February through April and has since gained 140,300 jobs, or 36.2% of the jobs lost on a seasonally adjusted basis. The private sector has regained 41.7% of the jobs lost.
- Over the year in December, Minnesota shed 238,056 payroll jobs, down 8.0%. Combined with losses in November (down 195,101 or 6.5% revised), all the job gains made from August through October have been erased.
- The private sector shed 201,904 jobs, down 7.9% in December.
- U.S. over-the-year job loss stood at 6.0% with the private sector down 6.1% in December, unchanged from November.
- All supersectors continued to show over-the-year job loss in MN and nationally.
- Over the year job losses were still greatest in Leisure & Hospitality, down 43.7% or 116,429 jobs and Information down 15.9% or 7,301 jobs. Other supersectors with a high share of job

losses were Other Services, down 13.5% or 15,499 jobs, Logging & Mining down 11.4% or 694 jobs and Government, down 8.4% or 36,152 jobs over the year.

- Four supersectors in Minnesota showed strength over the year compared to the U.S.
 - Trade, Transportation & Utilities was down 1.7% in Minnesota compared to 2.4% nationwide over the year. Strength here was in Retail Trade, down 505 or 0.2% over the year compared to 2.7% nationally. Minnesota also showed strength in Utilities, which was flat over the year in Minnesota and down 1.8% nationwide.
 - Professional & Business Services was down 1.3% in Minnesota compared to 3.7% nationwide. Minnesota's strength was in both Management of Companies and Enterprises, down 1.2% in MN and 3.2% nationwide as well as Administrative & Support & Waste Services, down 0.5% in MN and 6.0% nationwide. Within that sector, Employment Services (temp help) was up 0.9% or 543 jobs over the year in MN compared to a drop of 6.4% nationwide.
 - Manufacturing fell 3.3% in MN compared to 4.2% nationwide over the year in December. The strength here was in Nondurable Goods, particularly Food Manufacturing where Minnesota employment grew 3.2% over the year while nationally employment fell by 1.4%. Medical Equipment and Supplies also showed strength, up 2.3% over the year in MN.
 - Logging & Mining job loss in MN remains just below U.S. job loss with MN down 11.4% and the U.S. down 11.8%.

December Over The Year (OTY) Employment Change By Industry Sector (Not Seasonally Adjusted)			
	OTY Job Change	OTY Growth Rate (%)	US OTY Growth Rate
Total	-238,056	-8.0	-6.0
Private	-201,904	-7.9	-6.1
Logging & Mining	-694	-11.4	-11.8
Construction	-4,694	-3.9	-1.7
Manufacturing	-10,581	-3.3	-4.2
Trade, Transport. & Utilities	-9,140	-1.7	-2.4
Information	-7,301	-15.9	-8.8
Financial Activities	-1,643	-0.9	-0.7
Prof. & Business Services	-5,098	-1.3	-3.7
Ed. & Health Services	-30,825	-5.6	-4.7
Leisure & Hospitality	-116,429	-43.7	-22.7
Other Services	-15,499	-13.5	-7.4
Government	-36,152	-8.4	-5.5

Wage and Hour Data

- Average hourly earnings for all private sector workers rose by 12 cents to \$32.24 in December over the month. Over the year average hourly earnings rose \$1.05, up 3.4%.
- At 34.6 hours per week, December's average work week was unchanged from November and rose seven-tenths of an hour or 2.1% from a year ago.

Unemployment Data

The unemployment rate ticked down again in December to 4.4% from an upwardly revised 4.5% in November.

- The decline was entirely due to people leaving the labor force from both employment and unemployment. The number of unemployed fell 4,048 and the number of employed fell 11,440 for a total decline of 15,488 in Minnesota's labor force.
- The labor force participation rate fell to 67.5% from 67.9% in November. In February it was 70.2%.
- The employment to population ratio also fell to 64.5% from a revised 64.8% in November as a result of more people moving out of employment than out of unemployment. In February it was 68.1%.
- Nationally, the unemployment rate remained steady at 6.7% in December as did the labor force participation rate at 61.5% and the employment to population ration at 57.4%. Overall the size of the labor force rose slightly with small increases in the number employed as well as the number unemployed.
- Based on **six month moving averages** (July to December 2020 data) unemployment rates by race in December for Minnesota are as follows (source: CPS Demecon, 6-month moving averages):

Month/Year	Total	Black	Hispanic	White
Dec-20	5.3%	5.5%	6.0%	5.2%
Nov-20	6.0%	11.1%	7.7%	5.6%
Dec-19	2.8%	4.3%	5.4%	2.7%

- Note that these estimates differ from the official statewide estimate by a fairly large margin because they are calculated from 6 months of data rather than a single month.

Details

Mining and Logging: Employment in Mining and Logging was flat in December, holding at 5,700 jobs, where it has been since October. Employment in the supersector was off by 11.4% (694 jobs) over the year. This was an improvement over November, when the supersector's employment was down 14%.

Construction: Employers in the Construction supersector added 800 jobs (0.7%) over the month (OTM), after losing 2,700 jobs in November. Over the year (OTY), Construction employers shed 4,694 jobs (3.9%), with losses in all three major component sectors. This was an improvement over November's 4.3% OTY decline.

Manufacturing: Manufacturing employers added 1,300 jobs (0.4%) in December, with seasonally adjusted growth in both component sectors. Non-Durable Goods Manufacturing added 1,000 jobs (0.9%) while Durable Goods Manufacturing added 300 (0.2%). On an annual basis, the supersector lost 10,581 jobs, or 3.3%, with most of that decline coming in Durable Goods (down 10,499, or 5.2%). This was an improvement over November's 4.1% decline, and the fifth consecutive month with OTY employment improvement for the supersector.

Trade, Transportation, and Utilities: Trade, Transportation, and Utilities employers added 1,300 jobs (0.2%) in December. Retail Trade added 2,600 jobs (0.9%) while Wholesale Trade lost 1,300 (0.2%) and Transportation, Warehousing, and Utilities employment held steady at 106,500 jobs. Over the year, the supersector lost 9,140 jobs (1.7%). All three component sectors lost jobs on the year, with Wholesale Trade down 5,729 (4.5%), Retail Trade down 505 (0.2%) and Transportation, Warehousing and Utilities down 2,906 (2.6%).

Information: Employers in Information lost 900 jobs (2.3%) over the month in December. It was the third consecutive month of seasonally adjusted declines for the supersector. On an annual basis, Information employers lost 7,301 jobs, or 15.9%. It was the second-largest proportional decline of any supersector in the state (after Leisure and Hospitality).

Financial Activities: Employment in Financial Activities was up 500 (0.3%) in December, with growth in both components. Finance and Insurance added 300 jobs (0.2%) and Real Estate and Rental and Leasing added 200 jobs (0.6%). Over the year, the supersector lost 1,643 jobs (0.9%). The decline came entirely from Real Estate and Rental and Leasing, which shed 2,513 jobs (7.3%). Finance and Insurance added 870 jobs (0.6%), making it one of the few major component sectors to post positive OTY growth.

Professional and Business Services: Professional and Business Services added 1,200 jobs (0.3%) in December, with all three component sectors posting flat or positive growth. Management of Companies and Enterprises added 700 jobs (0.8%) and Administrative and Support Services added 500 (0.4%) while Professional, Scientific and Technical Services employment remained flat. Over the year, the supersector lost 5,098 jobs (1.3%). Professional, Scientific, and Technical Services lost 3,319 jobs (2.1%), Management of Companies lost 1,093 (1.2%) and Administrative and Support Services lost 686 jobs (0.5%), though its largest component, Employment Services, added 543 jobs (0.9%).

Education and Health Services: Education and Health Services employers lost 2,600 jobs (0.5%) in December. Declines in Educational Services (down 3,900 jobs, or 5.9%) dragged down the supersector's employment, likely due to private schools reacting to increases in COVID-19 cases. Health Care and Social Assistance added 1,300 jobs (0.3%). Over the year, the supersector lost 30,825 jobs (5.6%). This marked a slight deterioration of the situation from November's 5.4% decline, and this was the first month that the OTY employment situation worsened in the supersector.

since April. Educational Services lost 11,048 jobs (15%) while Health Care and Social Assistance lost 19,777 jobs (4.1%) OTY.

Leisure and Hospitality: Leisure and Hospitality employment was down 41,100 jobs (20.7%) in December. The steep decline was likely due in large part to increased COVID-19 cases and the tightened restrictions placed on many businesses in this supersector in late November to combat that increase. Over the year, employment in the supersector was down by 116,429, or 43.7%, a marked deterioration from November's 28.6% OTY decline. Arts, Entertainment, and Recreation was down 26,443 jobs (59.7%) and Accommodation and Food Services was down 89,986 (40.5%).

Other Services: Employment in Other Services was down 3,400 (3.5%) in December on a seasonally adjusted basis. It was the second consecutive month of declines for the supersector. On the year, Other Services lost 15,499 jobs, or 13.5%. While all three component sectors posted negative growth, Personal and Laundry Services drove the supersector's decline, losing 9,539 jobs, or 32.5%.

Government: Government employers lost 6,900 jobs (1.7%) in December, with losses at the Local (down 6,200, or 2.3%) and State (700, or 0.7%) levels. Federal employment was flat at 32,700. Over the year, Government employment was down 36,152, or 8.4%, worse than November's 7% OTY decline. Losses at the Local Government level drove the decline, down 9.8% OTY versus a 7.7% decline in November.

Regional: Duluth-Superior MSA continued to experience the steepest over the year decline in jobs, down 8.3%. Employment in Minneapolis-St. Paul MSA fell 7.9%, Rochester MSA fell 6.3%, Mankato MSA fell 6.6% and St. Cloud MSA fell 4.2% over the year. Of these five MSAs, only Duluth-Superior MSA saw improvement in over the year job loss since November.

Metropolitan Statistical Area	OTY Employment Change (#, NSA)	OTY Employment Change (% , NSA)
Minneapolis-St. Paul MN-WI MSA	-161,623	-7.9
Duluth-Superior MN-WI MSA	-11,354	-8.3
Rochester MSA	-7,730	-6.3
St. Cloud MSA	-4,699	-4.2
Mankato MSA	-3,963	-6.6

Outlook

December's employment report was predictably bad, with the reference week falling within the period of the Governor's executive order restricting arts, entertainment and recreation and indoor seating in restaurants and bars and urging people to stay home.

December was also the month with the highest infection rates, which likely influenced consumer behavior by keeping people home, further depressing hiring.

Combined, these precautions had the desired effect of lowering infection rates to their lowest level in several months. If infection rates remain low as the vaccination rollout reaches more high-risk groups, the necessary environment for a sustained recovery will have been achieved. Unfortunately,

January is a challenging time for Minnesota employment under the best of circumstances so job growth will likely remain somewhat depressed during the winter months.

Although the unemployment rate continued to decline for the seventh month in a row, this decline was the result of workers *leaving* the labor market - from both employment and unemployment. As jobs come back and people begin to feel safer, the hope is that workers will reenter the labor market. This is a necessary step in order to achieve job growth as a 4.4% unemployment rate is very close to full employment – that is, an unemployment rate resulting from the natural churn in the labor market.

Unemployment rates dropped across the three race groups for which we have information, with rates down the most for Black Minnesotans in December. However, across all groups these declines were due to workers dropping out of the labor market all together rather than entering employment.

Workers have not been impacted equally in the COVID-19 recession. In general, those who work in low wage sectors have been the most impacted by job losses and those who work in the service sector have been most susceptible to exposure. There is much overlap in these two sectors.

A recent study shows that the high rates of hospitalization and death among Black and Hispanic Americans are explained by higher rates of exposure on the job and at home rather than worse health outcomes (Ogedegbe, Ravenell and Adhikari, 2020). As unemployment and job growth continues at an uneven pace among industries, many of these workers will continue to suffer disproportionate impacts of both the pandemic and the recession.

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