Minnesota Jobs Outlook: Continued Progress

Minnesota’s recovery from the recession has been slow but steady, with that trend expected to continue through the remainder of the year.

Minnesota’s job market has rebounded faster than the country as a whole since the Great Recession, but the pace of job growth in the state has been moderate and uneven by historical standards. Unemployment has also dropped faster here than nationally, but under-employment has only recently started to decline. Despite headwinds from a cut in federal spending, many positive indicators remain, including an improving housing market, rising wages, low unemployment insurance claims and rising job vacancies. They indicate state job growth in 2013 will follow recent patterns, staying slightly ahead of the national pace.

The Unemployment Picture

Minnesota unemployment rates outperformed the U.S. during and after the recession, peaking earlier and ticking reliably downward for the past three years (see Figure 1). Despite this optimistic picture, other measures of labor force health until very recently have indicated a hidden but continuing struggle. For example, the share of the unemployed who had been out of work for a year or more continued...
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This suggests two trends: First, fewer people were becoming unemployed. Second, people who had been unemployed for a shorter time were more desirable to employers, who had their pick of the labor force. Although the long-term unemployed are not back to their pre-recessionary levels, their rapidly decreasing numbers might indicate that employers are more willing to tap talent despite employment gaps. A tightening market for labor will undoubtedly benefit these workers.

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Demographics suggest the trend is largely driven by retirements. It’s uncertain, however, how many workers are retiring from jobs and how many are retiring from job searches as they become eligible for Medicare or Social Security. Regardless, the tightening labor market benefits workers. Even those who leave the labor force reluctantly might have better luck re-entering it in the near future.

Another point of optimism is in the measures of under-employment. While unemployment is fairly narrowly defined as people who are available and actively seeking work, not everyone who is looking for work falls neatly into this category. They are tracked in separate measures. Discouraged workers have given up active job searches because they believe nothing is available to them. Like discouraged workers, marginally attached workers want a job and have looked for work in the past year, but for a variety of reasons were not actively looking during the four weeks prior to being surveyed. Part-time under-employed workers want full-time work but cannot find it.

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During the recession, these groups grew more rapidly than the traditionally defined unemployed. As the number of unemployed declined, under-employment levels remained elevated (see Figure 3). In recent months, the number of workers in all of these groups has finally started declining — another indication that the labor market is tightening and workers have more options.

While the unemployment rate has been declining for some time, the underlying data indicate a much slower recovery in the labor market. We’re not yet back to pre-recessionary levels, but other measures are finally beginning to support a broad-based recovery in the labor market.

**Employment Growth**

Employment growth had shown gradual improvement over the past several years. Figure 4 shows this upward trend in employment for both Minnesota and the U.S. While not as smooth, the upward trend in Minnesota has been slightly stronger than the rest of the country. As of February, employment was only 5,600 jobs short of the pre-recession peak employment of 2,789,900 in February 2008.

Two soft months in March and April have caused a bit of a reversal, however, with employment now 20,300 jobs short of the pre-recession peak.

After those two weak months, Minnesota’s employment growth rate for the year fell to 1 percent, compared with a 1.6 percent growth rate for the U.S. The majority of the state’s 22 major employment sectors were growing slower than the same sectors nationally as of April (see Table 1).

Timing is important when comparing the Minnesota and U.S. growth rates. February’s annual job growth was 2.2 percent in Minnesota compared with 1.6 percent in the U.S., with no industries showing year-over-year declines in the state.

Minnesota typically trends closely with the U.S. as a whole but with more variance (see Figure 4). It is likely, therefore, that the sharp downturn of the past two months is only a short reversal. Some of the job losses in April were likely related to the late spring, with cold temperatures and heavy snowfall affecting several industries, most notably construction, leisure and hospitality, and retail businesses.
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