Minnesota Hiring Picks Up in August

Employers added 40,500 new jobs during the month and the jobless rate fell to 7.4%. Overall, labor market conditions continue to improve, but uncertainty will weigh heavily on hiring in the second half of the year.

More Gains in August, but Employment Still Well Below Prior Peak

Hiring continues to get back-on-track in Minnesota. Employers added 40,500 net new jobs to payrolls during August, slightly more than the 34,600 jobs added the month prior. Despite four consecutive months of substantial gains, payrolls remain about 7% (or 212,000 jobs) below the levels hit in the lead-up to the coronavirus crisis and ensuing lockdowns.

Similarly, the unemployment rate fell to 7.4% from 7.6%, as household employment increased at a slightly faster rate than the labor force. This is a lower unemployment rate than the national average of 8.4%, but still very high for a state that saw a 2.9% jobless rate as recently as March. Overall, the Minnesota economy continues to improve, but a full recovery is still clearly some ways off. The fairly robust rise in payrolls was also flattered somewhat by an 11,000 upturn in public sector hiring, both at the federal and local level. The 3,700 rise at the federal level was partially the result of temporary Census hiring. Roughly 8,500 jobs were also added at the local level, although the abrupt end to the school year in early spring might be skewing the seasonal adjustment process and overstating the gain.

Private employers still added 29,500 jobs during the month. Hotels, bars and restaurants once again led the way and recouped another 8,100 jobs. Indoor dining (at a max of 50% occupancy) is still permitted at bars and restaurants, which may be helping these establishments recoup the jobs lost during March and April. Many of these establishments have seen success by expanding outdoor seating options, which may become problematic as colder weather begins to set in. The state’s massive healthcare industry also saw a robust 7,000 job-gain. Professional & business services saw payrolls increase by 4,300. Manufacturing added 5,200 jobs. Trade & transportation (2,700) and construction (1,500) also saw sizable gains.

Looking ahead, uncertainty surrounding the path of the coronavirus during the colder fall and winter months will likely lead to a slowdown in hiring. Reported separately this morning, initial jobless claims rose slightly to just over 11,500 for the week ending September 12th. The number of Minnesotans applying for unemployment benefits has come down from the lofty heights hit earlier this year, but still remain highly elevated. For context, the number of claims each week so far in September is still about three times higher than the pre-pandemic average. The lack of continued improvement in this respect suggest job growth may already be slowing.

COVID-19 case counts and hospitalizations appear to have subsided recently. Both remain fairly elevated, however. Rapid antigen testing may help some close contact businesses operate under more normal conditions when out-door options are unavailable, which should help support hiring in coming months. The promise of quicker testing has also led the Big Ten to plan on reinstating fall sports, with Minnesota Gophers football slated to get underway at the end of October. Given fans will not be permitted to attend games and many bars and restaurants continue to have seating and occupancy limitations, the usual economic boost will not be present this season. That noted, the addition of TV revenues should at least help support the university, which employs roughly 27,000 in the state and is a major economic driver itself.

Source: U.S. Department of Labor and Wells Fargo Securities