

# A Long and Winding Road

*Minnesota's job losses peaked in the first quarter last year, but the path to recovery is likely to be rocky.*



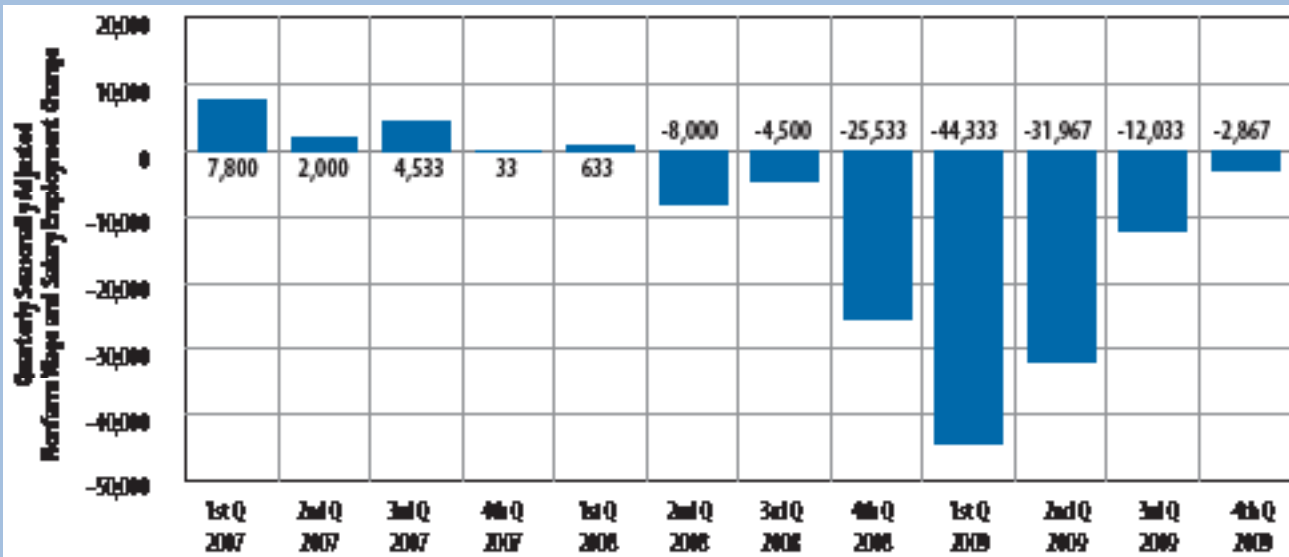
**M**innesota's long-awaited job rebound appeared ready to kick off late last year after November's job report showed employment growth in the state for the second straight month — the first time that had happened since early 2008.

But December's job announcement contained a double whammy. Jobs were down for the month, and November's initial report of jobs gained was revised to reflect a slight loss of jobs.

Despite the disappointing numbers, Minnesota's job picture has improved over the last few months and will continue to slowly gain steam in 2010. Job losses peaked during the first quarter of 2009 at 44,000 and have been headed in the right direction since, although at a painfully slow pace (see Figure 1).

Minnesota's economy started to grow again last summer — helping to dampen the layoff

**Recent Quarterly Change in Minnesota's Nonfarm Wage and Salary Employment**



Source: Seasonally adjusted Current Employment Statistics (CES), Minnesota Department of Employment and Economic Development

FIGURE 1

rate — but employers have remained reluctant to hire. A job rebound might be just around the corner, but December’s job losses hint that the rebound is likely to be slow and bumpy.

There are numerous reasons to be cautious about predicting quick and robust job growth this year, even as most economic indicators continue to gradually show improvement. Consumers are said to have undergone a conversion during the harsh recession and will be busy saving instead of spending in coming years. Small businesses can’t ramp up hiring because of a credit crunch in the banking industry. Employers have cut hours and increased part-time employment, enabling them to boost output without expanding payroll numbers. Home foreclosures are likely to remain high, delaying even a moderate rebound in home-building activity. Finally, even if the economy accelerates faster than expected, globalization pressures are intensifying, forcing more jobs to be shipped overseas.

The speed and the strength of the impending job recovery aren’t the only unknowns surrounding the job market in 2010. Just as uncertain is which industries will be adding or subtracting employees as the economy improves. A good starting point for predicting industries that will be hiring over the next few years

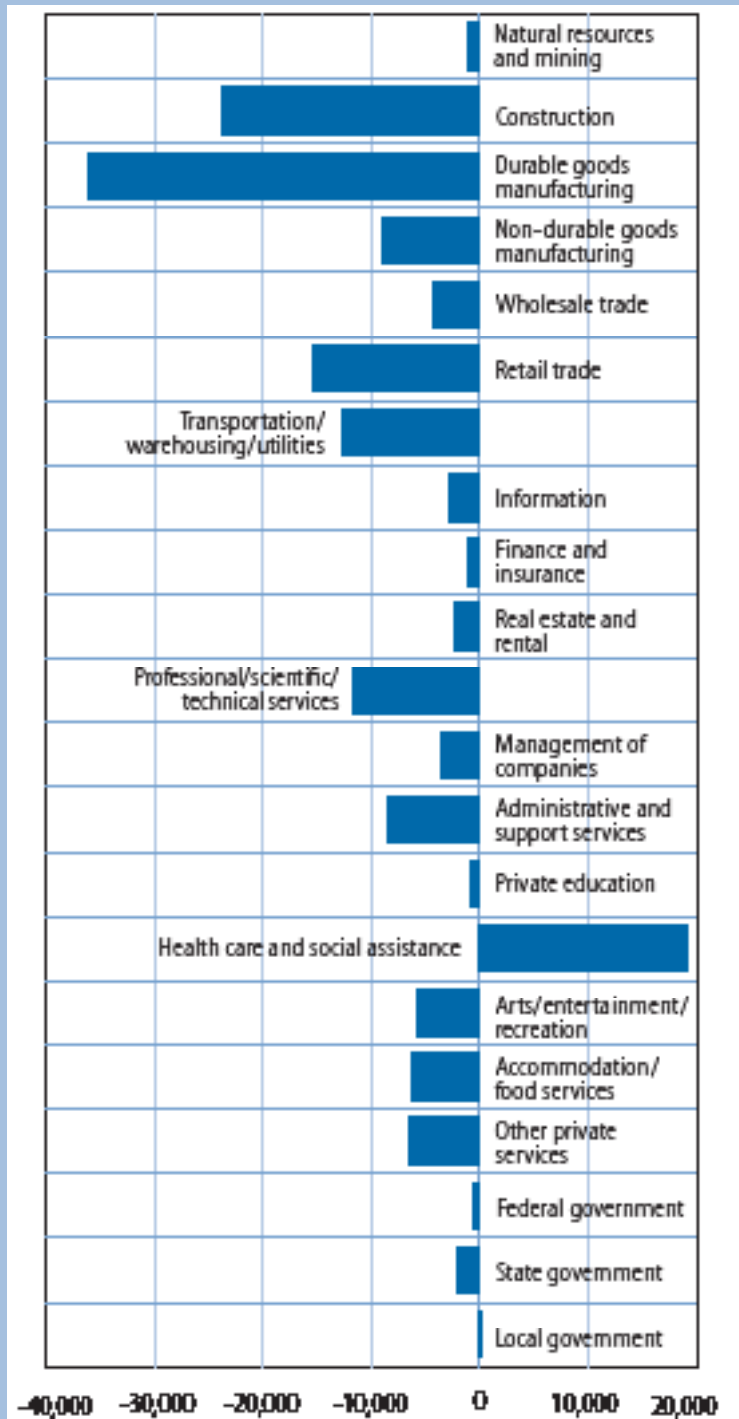
is to look at which industries trimmed their workforces during the last two years (see Figure 2).

As in most recessions, the heaviest job declines occurred in durable goods manufacturing and construction. These industries are highly cyclical, tending to closely follow the ups and downs of the economy. Health care and social assistance employment, on the other hand, aren’t affected by business swings, climbing steadily during good and bad times. Health care and social assistance payrolls continued to expand during the last two years despite the deepest recession in six decades.

During other recent recessions, some other industries also managed to add positions during downturns, but not this time. Job losses were

### Minnesota’s Job Losses

February 2008 – December 2009

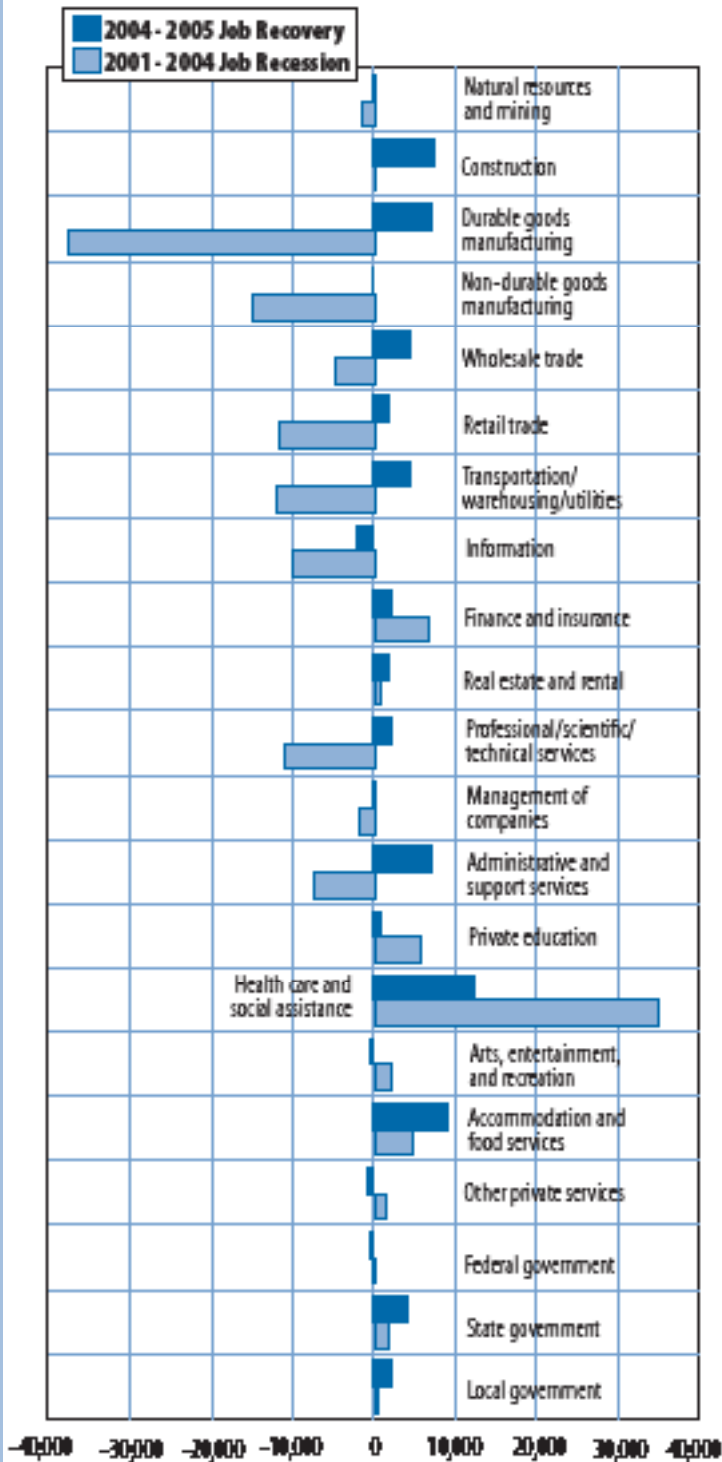


Source: Seasonally adjusted Current Employment Statistics (CES), Minnesota Department of Employment and Economic Development

FIGURE 2

### Minnesota's Job Recession and Job Recovery

2001 - 2005\*



\* Job recession period February 2001 to January 2004 and job recovery period from January 2004 to April 2005  
 Source: Seasonally adjusted Current Employment Statistics (CES), Minnesota Department of Employment and Economic Development

FIGURE 3

widespread as consumers cut spending across the board, layoffs mounted and unemployment spiked to a 26-year high. Job cutbacks were unusually high in service industries, including arts, entertainment and recreation, as well as accommodation and food services. Almost all the job declines occurred in the private sector, with modest workforce reductions in state and federal government.

The distribution of job growth after the last recession — from March to November 2001 — offers additional clues as to where hiring might accelerate in the recovery. Minnesota suffered through its first jobless recovery after the 2001 recession, with job losses continuing on and off for two years after the recession.

The state's economy finally gained some momentum in late 2003, with hiring picking up in early 2004. Minnesota regained its pre-recession employment peak in April 2005, with payroll expansions occurring across most of the economy.

Industries that increased employment during the job recovery six years ago are the best bets to add workers during the next few years (see Figure 3). The pattern of job decline and then growth between 2001 and 2005 offers some insight into the cyclical (temporary) versus structural (permanent) cause of job decline in each industry over the 2007-09 recession.

For some industries, such as administrative and support services, job declines were temporary, with employment numbers eventually rebounding as the economy improved. Other industries, however, lost jobs during the recession and continued to shed employees after hiring resumed in most other industries.

Employment in information industries, such as newspaper publishing, was hit by both cyclical and structural forces between 2001 and 2005. The technological changes that have permanently reduced the number of newspaper jobs continued to be felt right through the latest recession. **T**