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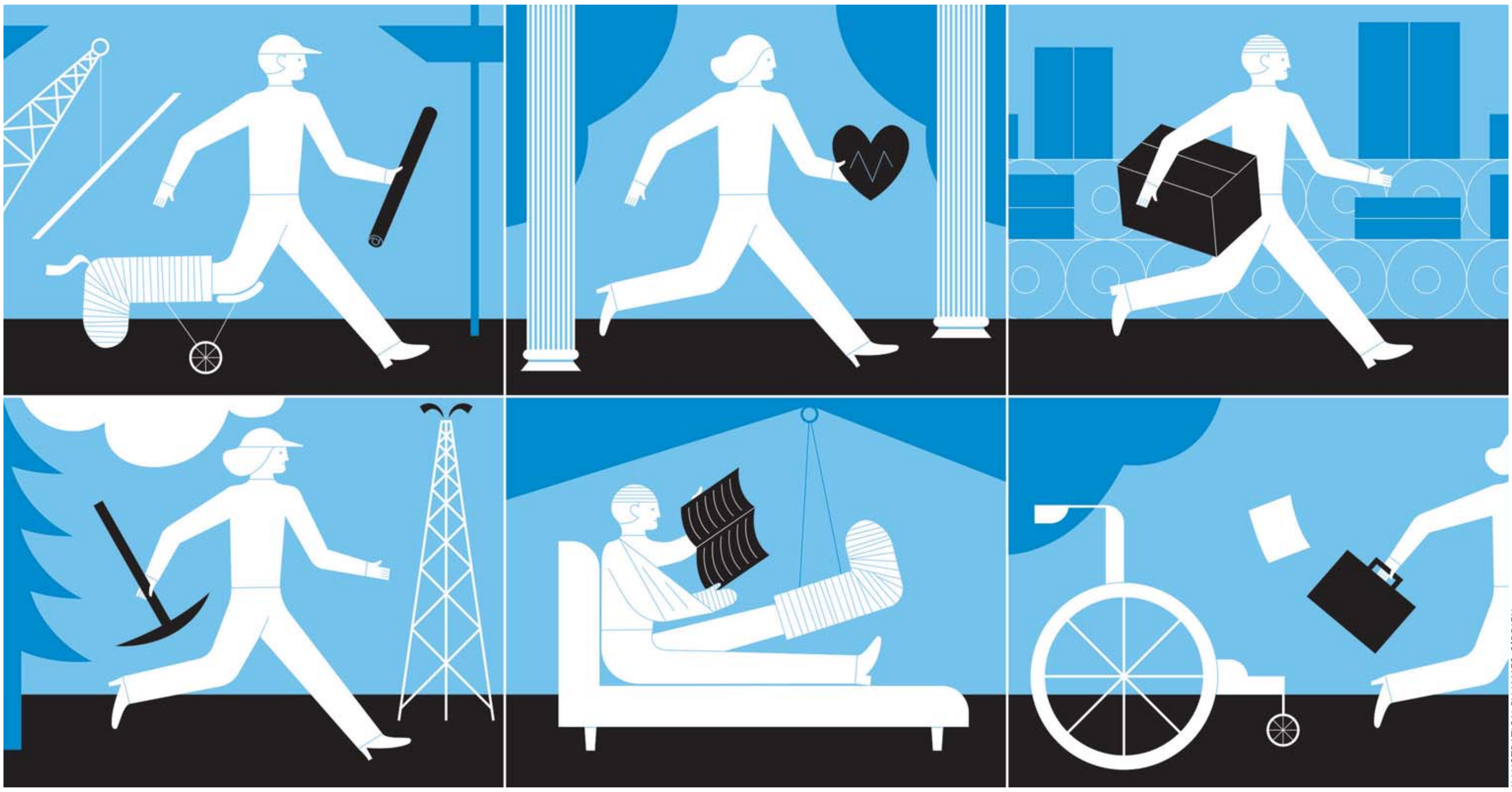

ILLUSTRATION BY JAMES O'BRIEN

More on job growth since the recession ...

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JOB GROWTH SINCE THE RECESSION:

A long, slow rehab

The slow pace of job growth masks wide variation in employment activity among industries, and tight, slow-growing labor markets may make faster job growth difficult

By RONALD A. WIRTZ
Editor

The maxim "slow and steady wins the race" applies to many facets of life, even the economy. But when do patience and steadfastness morph into something more akin to "Waiting for Godot"?

So it is with job growth in the Ninth District and across the country. While employment has grown since the end of the recession, and unemployment has come down considerably, total job figures in most Ninth District states have only recently recovered to prerecession levels; Wisconsin has yet to fully rebound.

So there is considerable angst over the slow … and … steady … pace of job growth since the recession. The job market might best be described as a patient recovering from a major trauma. The patient is much better, thank you, and appears to be on the road to recovery. But rehabilitation has been long and arduous, and the body is not at full strength. Some muscles and functions have returned to vigor; others not so much, and some parts appear unlikely to fully recover. The "jobs patient," if you will, is up and walking, even briskly some days. Yet despite some encouraging improvements, healing has not progressed far enough to allow the patient to break into a run.

The construction industry has a saying for this lingering malaise. Laid-off workers "lose their construction muscles, literally and figuratively," said Phil Raines, vice president of public affairs with Associated Builders and Contractors (ABC) of Minnesota and North Dakota. The industry lost many workers during the recession, including those not as young as they once were (the average age of a construction worker is over 50). When they were laid off, they might have landed another job that doesn't pay as well, "but it's steady work, and it's not out in the cold of Minnesota, and they say, 'My back just can't do that [construction] work anymore, even though the pay is better.'"

In a similar manner, the many components of the job market—whether gauged by industry sector or occupation, or by demographic or geographic variables—provide unique insights into the job market's overall health and pace of recovery, because they are all recovering at different rates. Since the recession ended, for example, government employment has grown much more slowly than jobs in the private sector. Among industry sectors, health care has recovered strongly, while manufacturing and construction have yet to regain their

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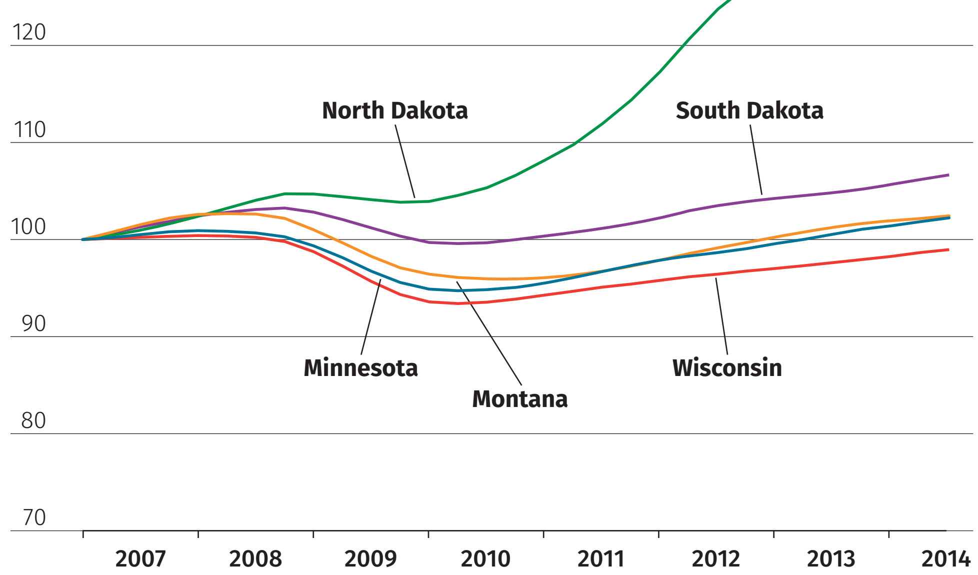
One of the Minneapolis Fed's congressionally mandated responsibilities is to gather information on the Ninth District economy. The *fedgazette* is published quarterly to share that information with the district, which includes Montana, North and South Dakota, Minnesota, northwestern Wisconsin and the Upper Peninsula of Michigan.

The Quick Take

Since the end of the recession, overall job growth has been fairly steady, but comparatively slow. This broad picture obscures the fact that various industry sectors have recovered at different paces in Ninth District states, reflecting both the steepness of their decline during the recession and their subsequent rate of job growth in recovery. Health care has witnessed surging employment, with robust job growth both during and after the recession, while the construction industry fell hard and is still working to return to prerecession levels. Sources in many fields suggest that jobs would grow faster were it not for persistent labor shortages, and a slow-growing labor force will likely supplant the recession and weak demand as the major obstacle to more rapid job growth.

Nonfarm employment index 1

4-quarter average, 2007 Q1 = 100



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW)

Job Growth from page 1

former employment levels. They may never, yet these sectors have reasons for optimism.

And a funny thing is also happening in job markets: Despite the impression of a sluggish job market, numerous sources like Raines said firms would hire more people if they could find them. Indeed, unemployment has steadily declined in most places in spite of low net job growth.

In the end, demographics may have the greatest effect on job growth going forward. Currently, the number of workers coming into the labor pool is simply too small to sustain large net increases in employment, especially with baby boomers starting to retire and creating new openings that need to be filled. So there might be little sense in expecting a big uptick in hiring when there simply isn't a big pool of workers waiting to be hired.

In slow motion

By now, the story of the Great Recession is familiar: Huge job losses followed by comparatively meager job growth in most states.

As of the third quarter of 2014, private employment in Ninth District states had barely poked its head over the high-water jobs mark set in 2007 (four-quarter average; see Chart 1). Indeed, Wisconsin had yet to cross that jobs threshold; the Upper Peninsula of Michigan is also still 4 percent below its average 2007 employment levels, short some 3,200 jobs.

[Editor's note: Job growth has continued into 2015. However, the most comprehensive data available—and the basis of this analysis—come from the Quarterly Census of Employment and Wages (QCEW), which lags other survey-based employment data. Also familiar to many is North Dakota's anomalous jobs status among most states, including those in the Ninth District. Thanks to the boom in the western Bakken oil shale region of the state, employment never dropped below 2007 levels and North Dakota jobs have since grown by 40 percent, an astronomical rate against the backdrop of the Great Recession. Because of North Dakota's outlier status, the focus of this jobs discussion will be mostly on other Ninth District states.]

But the slow and steady pace of the job market in most Ninth District states obscures much churning below the surface. In a given month, the number of hired workers is typically near the number losing or leaving their jobs; net job growth is a consequence of that narrow margin swinging in a positive direction.

In turn, that underlying job pulse is made up of many industry sectors. The QCEW tracks employment among nine broad-based private industries (not including an "other" category) as well as government. And just as body parts heal at different rates after injury, so too are jobs growing at different rates among these various industries.

For example, private industry employment has grown by about 6 percent in Minnesota, Montana, South Dakota and Wisconsin (combined) since the end of the recession. But government employment has declined by 1 percent over the same period, or almost 11,000 jobs (see Chart 2). Some of this is a quirk of timing; thousands of federal jobs were vacated at the start of this decade with the completion of the 2010 Census.

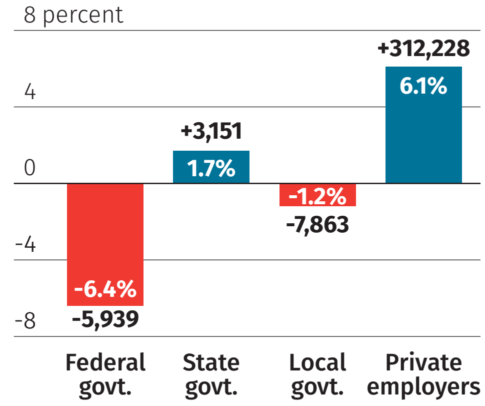
Among local governments, employment rose slightly during the recession, thanks in part to the American Recovery and Reinvestment Act that funneled billions of dollars to state and local governments to fill budget gaps, retain public employees and boost local spending in hopes of buttressing the economy.

But since 2009, when the federal stimulus was near its peak, Minnesota, Montana, South Dakota and Wisconsin have seen a net decline of almost 8,000 local government jobs.

In Minnesota's Blue Earth County, the federal stimulus "helped a little with keeping levies down and maybe avoided some staff reductions during the downturn," according to County Administrator Bob Meyer. But over the past five years, county employment has dropped about 5 percent due to tight budgets as

Employment change, private vs. government 2

2009 to Q3 2014*
MN, MT, SD, WI (cumulative)



* Both 2009 and 2014 measures are four-quarter averages.

Source: Bureau of Labor Statistics, QCEW a result of reductions in revenue from the state. Coping mechanisms included voluntary furloughs, hiring freezes and early retirement, Meyer said, with general government, the sheriff's office and public works "hit the hardest."

Wisconsin local governments have borne the biggest hit to employment, having lost some 6,600 jobs since 2009. The state Legislature tightly controls property taxes, and local levies can only grow at the previous year's rate of net new construction, according to Jerry Deschane, executive director of the League of Wisconsin Municipalities. That spending limit can be exceeded only by passing a referendum, Deschane said, and "to date, few referenda have been proposed."

He added that local governments in Wisconsin also rely on state shared revenues, and those dropped by 10 percent three years ago "and have not been increased since."

Much of the job loss among local governments appears to have come through attrition from a controversial state law passed in 2011. Widely referred to as Act 10, it requires greater contributions to health care and pension plans from state and local government employees. It also limits collective bargaining for public employee unions, which gives local governments more flexibility with budgets and human resource management.

In 2011, the Wisconsin Retirement System (which covers virtually all state and local employees, save for those in Milwaukee) saw retirements leap to 15,000, roughly double the annual rate of the preceding decade, and they remained elevated by 20 percent to 30 percent the following two years. Given the restrictions of shared revenue and property tax levies, many local governments have simply not refilled positions.

Less information, more health

Among private industry sectors, job growth has varied widely. Most of the major industries still had not returned to their prerecession levels by the third quarter of 2014, and two industries—financial activities and information—have lost jobs even since the end of the recession (see table at right and Chart 3 on pages 4 and 5).

The information industry is enmeshed in a long, downward trend, the result mostly of the rise of the Internet and the subsequent fall in demand for printed materials. In central Minnesota, "the closings of a few major publishing and printing companies are really putting a dent in the sector," said Luke Greiner, regional analyst for central and southwestern Minnesota for the Department of Employment and Economic Development (DEED). In 2008, for example, there were 75 publishing companies in the central Minnesota region, but only 62 by 2014, with jobs falling by 300 to 400, according to Greiner. One of those closures was in St. Cloud, where Quad/Graphics closed a St. Cloud printing operation that affected 280 workers.

ILLUSTRATION BY JAMES O'BRIEN

That was just one of several closures in the state in 2014. In January, the *Pioneer Press* closed its St. Paul printing facility and laid off nearly 170 employees; in November, Cenveo Corp. closed its commercial printing facility in Minneapolis and cut 112 jobs.

Conversely, some job sectors have witnessed robust hiring in the district. Jobs in natural resources and mining, for example, have risen 20 percent since 2009—and that doesn't include North Dakota, where such jobs have tripled over this period (see page 4). Gains have been driven by frac sand mining, as well as increased metals mining activity throughout the district, though both of those industries have seen layoffs more recently amid soft prices.

In terms of overall performance, the leader is the education and health care industry, which grew during and after the recession and created more jobs than any other sector (see page 5). Health care makes up about 90 percent of jobs in the industry; in Minnesota, health care added almost 60,000 jobs since 2007; education contributed about 7,000.

"The health care sector growth will show up across the board and in every region," said Laura Beeth, who is system director for talent acquisition for Fairview Health System, one of Minnesota's largest employers. Beeth is also chair of the Governor's Workforce Development Council and HealthForce Minnesota, a collaboration among education, industry and government interests hoping to increase the number and diversity of health care workers, among other things.

Across Fairview, Beeth estimated that the organization has grown by 3,000 jobs over the past five years and now stands at about 25,000 employees statewide (not including Ebenezer, a long-term care provider owned by Fairview). Growth, said Beeth, "is based just on plain demand and sheer demographics," especially an aging baby boom population. "The geriatric world is exploding."

Private, nonfarm employment change in Ninth District states
(not including North Dakota)

	Total 2014 employment	Since the start of the recession 2007 to 3rd Quarter 2014	Since the end of the recession 2009 to 3rd Quarter 2014
Natural resources & mining	74,507	20.4%	20.9%
Education & health services	1,011,436	13.6%	8.0%
Professional & business services	723,939	7.1%	15.0%
Leisure & hospitality	620,172	1.5%	5.2%
Trade, transportation & utilities	1,199,945	-3.0%	2.8%
Financial activities	371,323	-4.5%	-1.4%
Manufacturing	830,022	-8.2%	5.1%
Information	112,664	-8.4%	-3.6%
Construction	253,298	-15.8%	5.7%

All dates use four-quarter averages

Source: Bureau of Labor Statistics, QCEW

Laid-off workers "lose their construction muscles, literally and figuratively."

—PHIL RAINES,
ASSOCIATED BUILDERS AND CONTRACTORS OF MINNESOTA AND NORTH DAKOTA

Sanford Health, headquartered in Sioux Falls, S.D., has facilities in nine states, and job growth "is all across our system and in all areas of our workforce," including professional and technical positions, support staff and clinical staff" like physicians and nurses, according to Evan Burkett, Sanford's chief human capital officer.

Other than 2012, when patient volumes were steady, "our volumes have continued to increase year over year, which creates demand and need for all staff," Burkett said. Sanford is also seeing growth regardless of geography, according to Burkett. "Our more metropolitan locations are feeling a larger impact," but Sanford is also seeing growth at rural facilities.

I'm not dead yet

Other industries have taken a longer route to a jobs recovery. Both manufacturing and construction have seen employment rebound somewhat since the end of the recession—about 5 percent to 6 percent—which is middle-of-the-pack among major industries, but both are still well below their prerecession job peaks (see page 4).

Nonetheless, there are reasons for optimism. The modest employment rebound in manufacturing since the end of the recession, for example, contrasts with a previous 40-year trend of employment decline in the industry.

"Many people would equate lower employment [since 2007] with a struggling industry," said Scott Manley, vice president of government relations for Wisconsin Manufacturers & Commerce, the state's chamber of commerce. But since 2010, Wisconsin has produced the fifth-most manufacturing jobs of any state in the country, and output has increased by 18 percent to more than $54 billion, well above prerecession levels. Such growth in jobs and output, said Manley, "is not the hallmark of a struggling industry."

Continued on page 4

Job Growth from page 3

The job market might best be described as a patient recovering from a major trauma … … Some muscles and functions have returned to vigor; others not so much, and some parts appear unlikely to fully recover.

Nondurable manufacturing has already returned to full employment, according to Manley, with the food and beverage sector growing 31 percent from 2007 to 2012. He pointed to Link Snacks—maker of Jack Links beef jerky—as a "great example of a nondurable goods manufacturer that has seen continued growth." Located near Superior, Wis., Link Snacks produces a variety of meat snacks that are sold in over 40 countries. (The company declined comment for this story.)

Les Engel, owner of Engel Metallurgical Ltd. and president of the Central Minnesota Manufacturers Association, also sees a leaner, more productive industry. "I do not see the manufacturing segment as struggling. Companies that have survived the recession are probably in the most healthy condition that they have ever been in," said Engel. "It's all about output and productivity. These are critical to compete in a global economy."

At the same time, the emphasis on innovation and higher productivity is unlikely to return manufacturing employment to prerecession levels, according to Buckley Brinkman, executive director of the Wisconsin Manufacturing Extension Partnership.

"We can all be nostalgic for our '65 Chevy, but that's not coming back" and neither are a lot of manufacturing jobs, Brinkman said. "We're in a better position as a country [in manufacturing]. We're part of a world infrastructure, and our labor is competitive with anyone right now."

Brinkman characterized the industry as a bell-shaped curve. The top 15 percent are world class and "always questioning what they are doing," while the bottom 15 percent are the "walking dead." It's the middle tiers that are the most critical for the industry's long-term health in the state, walking the fine line between simply worrying about the day's orders and imagining what's necessary—new processes, new products, new clients—to attract orders five years down the road. For companies that do the latter, "the future is bright," said Brinkman. "Those that say they've gotten by for 30 years [doing the same thing]—sell those stocks short."

Under construction

Maybe no industry embodies the jobs trauma of the recession along with the promise and anxiety of recovery more than the construction industry. Across four district states, 16 percent of construction jobs—one in six positions—were lost in two short years. Construction employment has since rebounded, but by only about 6 percent from the end of the recession through the third quarter of 2014. Aside from North Dakota, every other district state was still below prerecession levels; Minnesota, Montana and Wisconsin were far below it.

The residential construction sector has been spotty. Housing construction in Montana and South Dakota looked to be near full recovery in 2013, but a softer 2014 followed, especially in Montana, where permits dropped by 30 percent. Housing starts in Minnesota and Wisconsin have rebounded somewhat from bare-bones levels during the recession, but are well behind the pace seen before the recession.

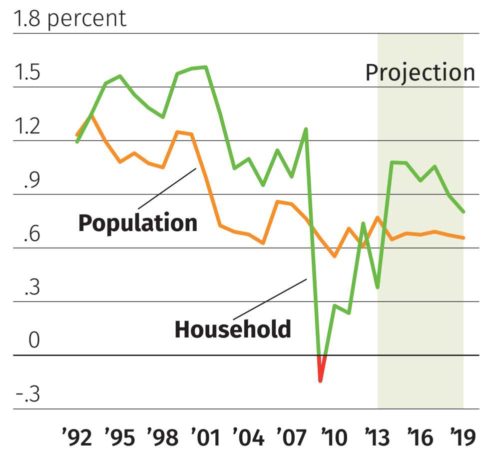
David Siegel, executive director of the Builders Association of the Twin Cities (BATC), said it has been a "slow housing recovery here." Twin Cities housing starts "are at half the levels that would be expected given the region's population growth" projected by the Metropolitan Council, a regional government and planning agency for the Twin Cities metro. The agency suggests that the region needs about 18,000 units per year to meet population growth, "and we are presently at about 9,000 or 10,000 units," said Siegel.

Sluggish residential construction growth is ultimately connected to slow household formations, according to Minnesota state economist Laura Kalambokodis. Since 1990, household formations in the state have been consistently above the rate of population growth (see Chart 4). That relationship flipped dramatically during the recession and only recently returned to its previous trend.

4

More household formation, except during Great Recession

Annual percent change in Minnesota



Source: Minnesota Management & Budget, February 2015 Forecast

Kalambokodis noted that multifamily apartment construction has been stronger than single-family, especially in the Twin Cities, but construction of these dwellings typically requires fewer workers per unit than single-family homes. Her office was expecting household formation to accelerate slightly this year and construction employment to follow, but she added, "We also think construction is being hindered on the supply side by materials costs and inadequate labor supply."

In commercial and industrial construction, most sources reported good to very good activity currently. David Oxley, executive director, American Council of Engineering Companies of Minnesota, said the recession was hard on his members (mostly engineering consulting

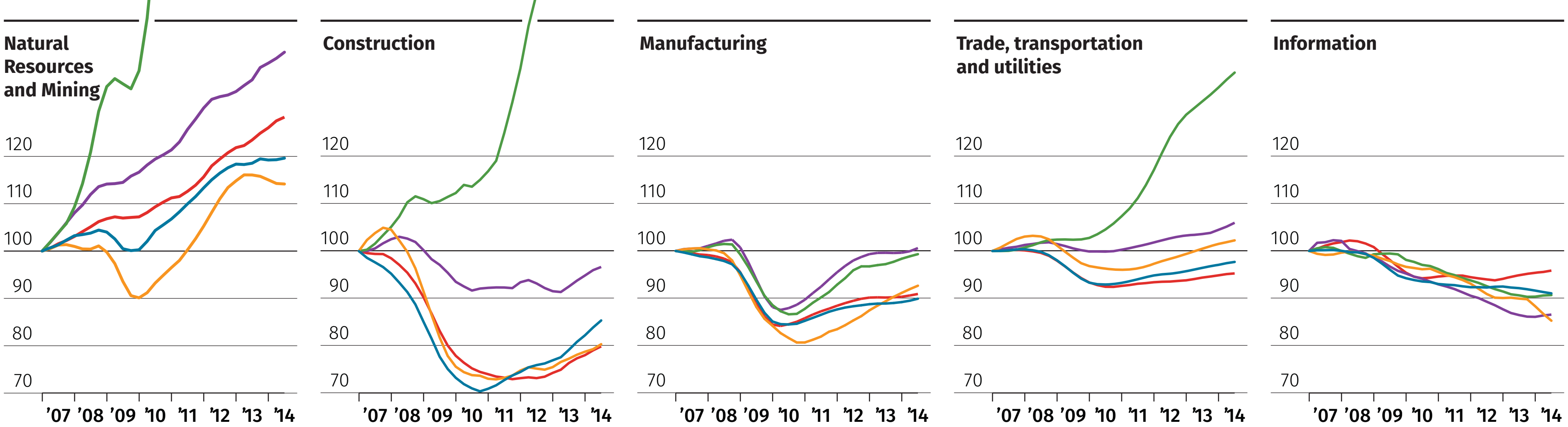
3

Job growth index

By industry sector, 4-quarter average, 2007 Q1 = 100

Source: Bureau of Labor Statistics, QCEW

Minnesota
Montana
North Dakota
South Dakota
Wisconsin



firms), who didn't start seeing an uptick in business until 2010 or 2011, and it took until 2013 "for things to really start to fly." But now, "practically every member is growing and has job openings. … When we're busy, that bodes well for construction firms," said Oxley.

But Oxley and others are quick to offer caveats. Oxley's members "are nervous as hell" about work continuing apace. Before the recession, it was not uncommon for a firm to have a year's worth of backlog in work. "Today, if you have six months, you're feeling pretty good," said Oxley. "This market responds quickly to changes in the economy … and business goes up and down more than it used to."

Raines, from ABC of Minnesota and North Dakota, described construction activity as good of late, but it "goes in fits and starts. You'll get really busy and sometimes you slow down." And that staggered momentum has the industry looking over its shoulder.

"There is always a certain amount of demand that is ongoing. But in the recession, you saw delays in that demand" as companies pushed off projects as long as they could, said Raines. During the recovery, that pent-up demand has been released in a trickle, not a flood. "We've never seen that wild move" that unleashed demand and demonstrated broad confidence in the future economy, and there isn't any expectation of that changing, said Raines.

But perhaps this trepidation on the part of the construction industry is uncalled for. Until recently, Minnesota's construction sector had not seen much job growth over the previous year, according to Steve Hine, director of the Labor Market Information Office at DEED. But April construction figures hit the cover off the job ball, growing by more than 6,000 jobs in just one month.

"A little paranoia is understandable because that sector really got it" during the recession, Hine said. But with recent job growth, "there's nothing to suggest much sign of weakness [in construction]. … Actions speak louder than words."

Wanted: Workers

The irony of slow job growth during the recovery is that many industries are complaining about a lack of labor—a complex matter that involves wages and demographics. Employers in many industries have long complained about an inability to attract skilled labor. But wages have not seen much movement, and as a result economists tend not to view such conditions as indicative of a broad labor shortage, especially when other indicators point to continued slack in the labor market. An additional wrinkle is that demographics are beginning to shift the framing of this debate.

This spring, the unemployment rate in the Twin Cities was 4 percent, one of the lowest metro rates in the country. "People are working," according to David Griggs, vice president of business investment for Greater MPS, a regional economic development partnership in the Twin Cities. The challenge, he said, "is getting the skills companies need for open positions, and that is a challenge we've had for the longest time." But aside from that matching problem, "what's looming is the retirement of the largest portion of that skilled workforce," and the numbers to backfill that gap aren't there. "And it runs across every sector. You name it, and those skill sets are in need."

In health care, Fairview has between 1,300 and 1,400 job vacancies, a figure that has grown by 400 or 500 since 2010. Along with job growth from higher demand, Fairview is seeing more retirements every week, according to Beeth. "There's growth and then there is catch-up. … We have more needs than we can possibly address," said Beeth. "It's been creeping up and this year has really escalated. And it's the same everywhere."

Numerous construction sources noted that industry activity is being held back by a lack of construction workers. In South Dakota, the outlook for construction "is very positive for the next two to three years," said Bryce Healy, executive director of AGC of South Dakota Building Chapters, which represents general contractors, suppliers and service firms. Nonetheless, he added, "if they could hire more workers, they would be doing more work. … They are down to hiring the unhirable." One member doing business in Rapid City told Healy, "I could use 30 more concrete workers today."

Many Minnesota firms "wish they could expand. … Labor is really the constricting thing," said Raines. "[Firms] are not bidding work because they don't have the workers." Many workers left the industry during the recession and are no longer available to work construction, Raines said. And the industry is struggling to attract new workers to the construction trades. "The new generation is not seeing these as good long-term jobs. They want to play on their phones all day."

Contractors are adapting to tight labor, planning and staging projects more efficiently and with "more of a focus on lean construction methods to reduce labor and material cost," said Dave Semerad, CEO of Associated General Contractors of Minnesota. "Contractors are doing more work with less labor. With the current labor shortage and experienced workers hard to come by, contractors are doing whatever they can to be efficient with the labor they do have."

Wages might be one reason construction firms are having trouble attracting labor. From 2009 to 2013 (the most recent QCEW data available by sector), average construction wages have increased only 2 percent in Minnesota, adjusted for inflation; in South Dakota, they were almost perfectly flat.

Flight of the worker bee

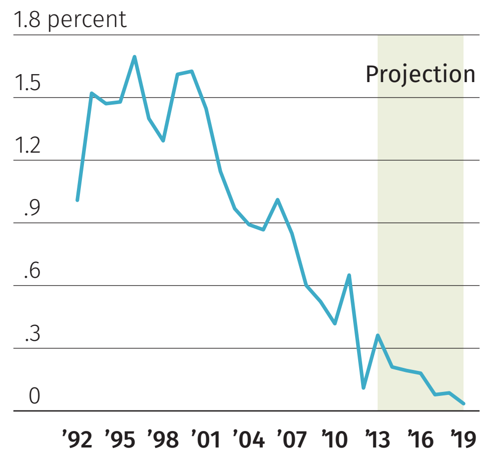
Going forward, however, demographics will likely play a much larger role in job growth than previously. On the housing side, according to Siegel from BATC, there is demand for framers, roofers, landscapers, siders and finish carpenters. "All of these positions have an aging workforce and not enough young people entering the market." In talking with other construction associations, "I hear the same refrain—labor is a huge issue, and demographics are not in our favor. This will be an ongoing challenge for many years to come," assuming the recovery continues, Siegel said.

In the coming years, a huge cohort of baby boomers will be retiring, replaced by a comparatively smaller group of young people coming in—Generation Z, the kids of Generation Xers. The result: The labor force is simply not growing like it used to.

Where'd all the workers go?

5

Change in Minnesota population age 16 to 64

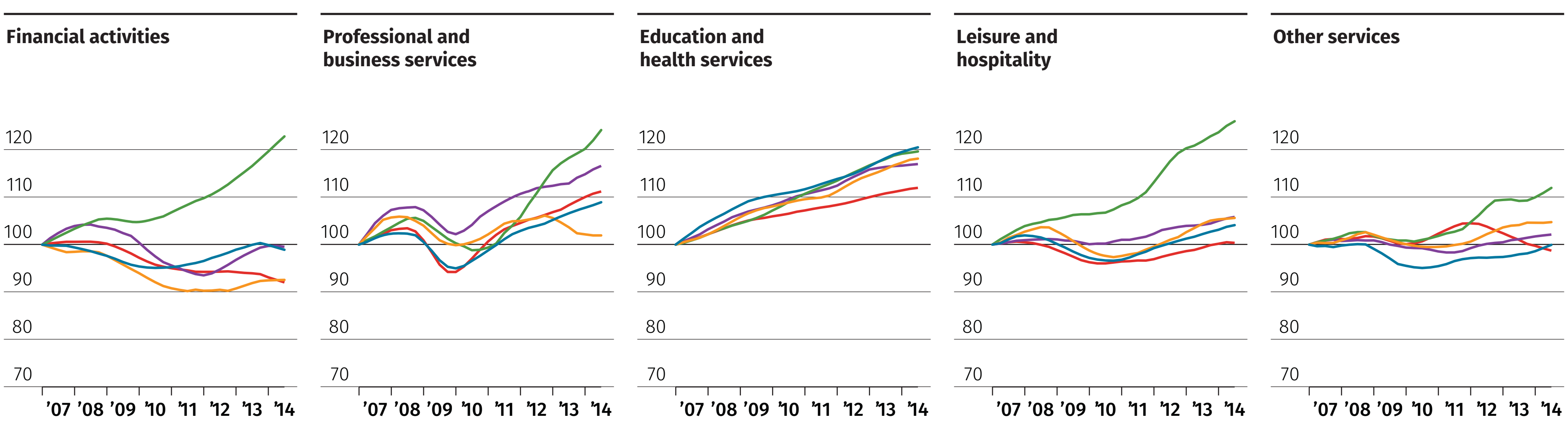


Source: Minnesota Management & Budget, February 2015 Forecast

In the 1990s and 2000s, Minnesota's population aged 16 to 64 years old was growing by 30,000 to 50,000 people a year, according to figures from the state's budget office. Those numbers started plummeting, somewhat ironically, in 2008, and now the working-age population is growing an average of less than 10,000 a year—on top of the fact that labor force participation rates are also lower than prerecession levels (see Chart 5).

Put it all together, said Hine, from DEED, and "we're just not going to ac-

Continued on page 6



Job Growth from page 5

complish [a higher growth rate]. … There's not a lot of slack where we can grow jobs as fast as we could in the past."

For some industries, returning to prerecession job levels is not necessarily a desirable goal. Hine cautioned that "we don't really want to get back to where we were" before the recession in terms of now-obvious job imbalances in the housing market and financial and real estate services.

At the same time, Hine believes that tight labor markets might eventually benefit workers by putting upward pressure on wages, another "Waiting for Godot" matter that has garnered considerable attention from workers and policymakers worried about persistently slow wage growth.

"It's been so many years since employers have had to really compete for workers," Hine said. "There's been this business mantra on limiting costs and wage growth" to stay competitive, and doing something different is difficult for firms, especially early adopters.

"But there have been anecdotes of wage pressure starting to build," Hine added, pointing to Wal-Mart's decision to push up its minimum company wage across the board. "Maybe it's a sign that [employers] are going to have to raise wages to attract labor … much as was recognized by employers in North Dakota," a state that went from one of the lowest median incomes to the second highest in the country in the span of a decade in response to the huge demand for workers in the oil patch.

"It will become an economic necessity over the course of the next 15 years. There is such limited labor force growth; employers are competing almost for a fixed pool of job candidates. And that is sort of new territory," said Hine.

Though wage pressure is not yet showing up much in the data, there is talk of it. In manufacturing, for example, there are 5,000 job openings in Minnesota, according to Bob Kill, president and CEO of Enterprise Minnesota, a nonprofit consulting organization to manufacturers. Many of these openings go unfilled because of skill shortages among available workers.

As a group, Kill said, manufacturers "are optimistic because they feel they can compete with anyone … and the challenge they have [in attracting labor] is under their control." In focus groups and polls over the past two years, manufacturing employers "say wages are going up, and they expect them to continue," said Kill. "More employers are getting more proactive" on wages to attract employees. "They have to think of careers for their employees." f

Down the rabbit hole of occupational job growth

Occupational Employment Statistics offer cautious insights

ILLUSTRATION BY JAMES O'BRIEN

By RONALD A. WIRTZ
Editor

All data have limitations. They can tell a story, maybe even a good one, but they often offer only a partial perspective.

For example, job growth among major industries is useful for seeing trends and activity among different and important parts of the economy (see cover article). Yet despite this seeming breadth, industry-based data have limited insights because the data do not allow for any differentiation among workers in an industry.

For example, all employees at health care organizations have the same worker-bee label, despite the fact that certain health care organizations, like large hospitals, are often their own self-contained economies, with workers of virtually every stripe under one industry roof—doctors and nurses, of course, but also cooks, janitors, real estate professionals, helicopter pilots, executives, administrative assistants, technology professionals, graphic designers, communications specialists, heating and cooling engineers, plumbers, accountants—you get the idea.

Each of these jobs is a separate occupation, with its own pay scale and education requirements. And although health care employment might be growing, it might not be growing across the board in terms of these many occupations within a health care organization.

So looking at occupations offers another useful perspective on job growth. According to data from the Occupational Employment Statistics (OES) from the U.S. Bureau of Labor Statistics (BLS), Minnesota saw strong job growth from 2007 to 2014 in lower-paying fields like personal care and service. But jobs also grew in computer/math and management, which are high-paying fields. Most occupations that saw a decline in jobs over this period were in the middle of the occupational wage distribution. Since the end of the recession, wages in most occupational groups have risen very little. This is generally true for all segments of earners within each occupational group—wages have been slow to rise for low, median and higher earners.

Just one (huge) caveat: OES data have considerable limitations in any occupational analysis that focuses on change over time. Think of the OES as the flashing yellow light of job databases. You may proceed, but there are risks, so use caution.

Some background: The OES is a database of more than 800 occupations, grouped conveniently into 22 major categories (the latter of which is the basis of this analysis). These data on jobs at nonfarm establishments are compiled every six months via survey by the BLS. Annual occupation figures are a rolling tabulation of three years' worth of surveys (six in all). Among many uses, this information feeds estimates of current and future employment needs and job opportunities used to develop many education and workforce development plans.

On its website, the BLS calls the OES program "the only comprehensive source of regularly produced occupational employment and wage rate information" for national and state economies. Remember that little tidbit, because from here the analysis goes down the methodological rabbit hole to identify the source of caution.

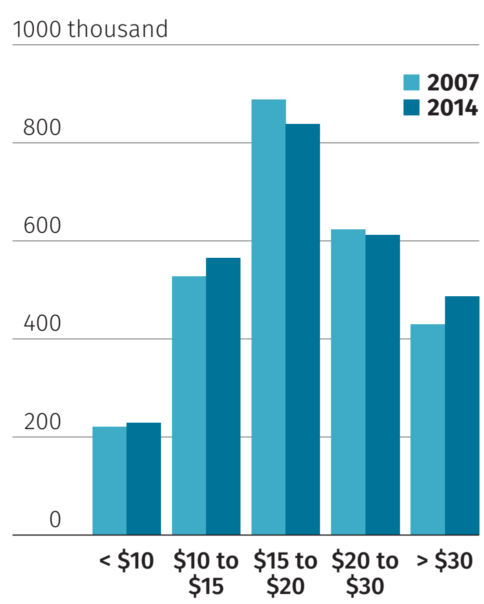
The BLS notes that although the OES is designed to create detailed annual employment and wage estimates, "it is less useful for comparisons of two or more points in time" because of a variety of changes over the years—in methodology, survey execution, data definitions—that can affect survey results in a given year. For example, there have been periodic alterations to occupational and industrial classification systems that are the backbone of the OES. Considerable effort is made to harmonize classifications systems in any update, but perfect matches are elusive.

But a bigger issue is the survey methodology itself. Because OES data are the product of three years' worth of rolling surveys—six surveys with various amounts of sample overlap—the BLS strongly advises against the use of OES data for time-series comparisons that attempt to track annual changes over time.

However, OES data do allow for comparing two points in time, provided they are three or more years apart (the BLS itself has published research doing so). But because of these methodological matters, this is only a comparison of two

Employment change by occupational median wage 1

Minnesota



Source: Bureau of Labor Statistics, Occupational Employment Statistics

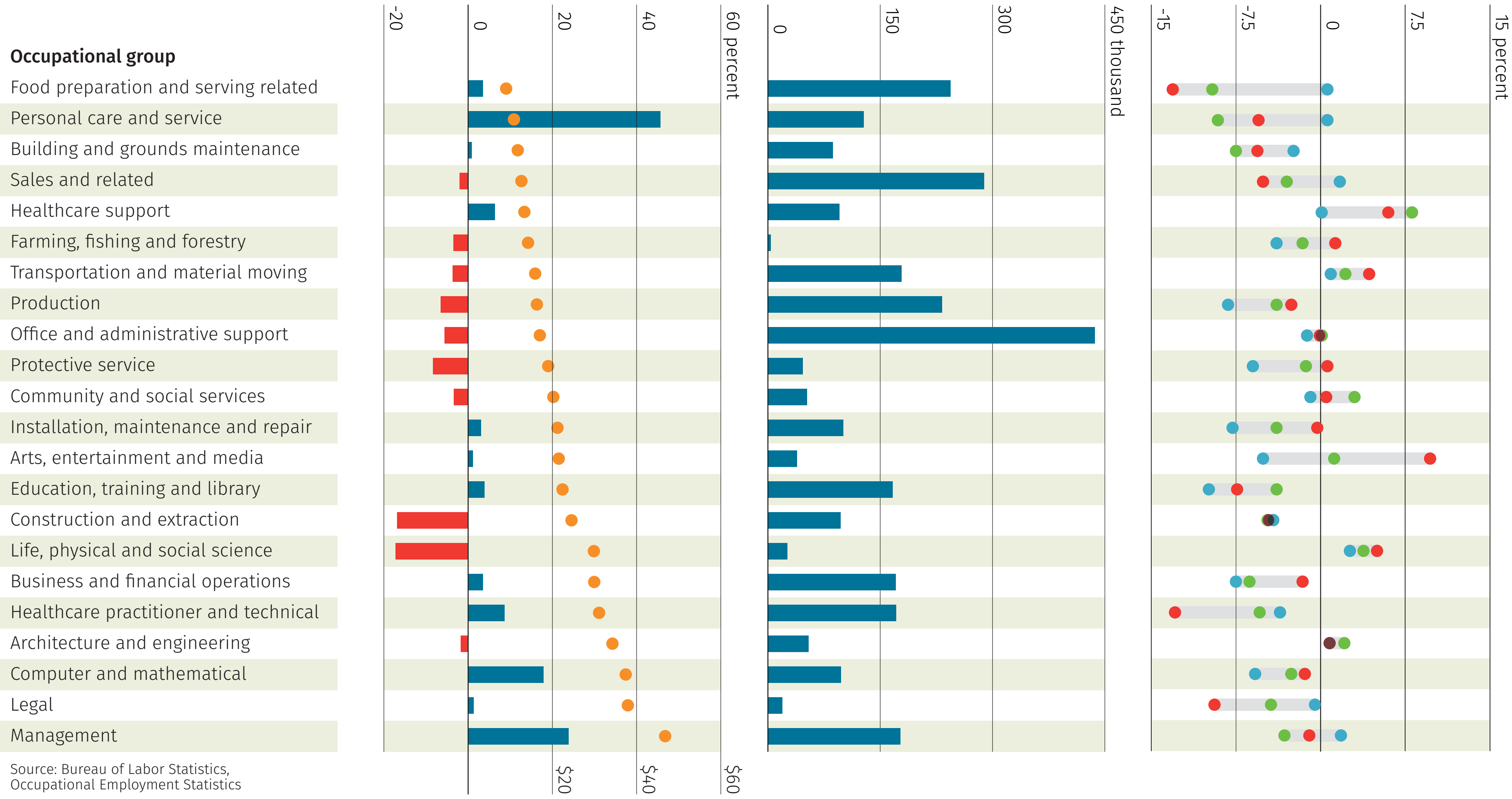
Minnesota employment change and median wage by occupational group 2

Employment change, 2007 to 2014 (top axis)
Median wage, 2014 (bottom axis)

Minnesota employment by occupational group, 2014 3

Change in Minnesota hourly wages, 2009 to 2014, PCE adjusted 4

90th percentile of wages (high)
Median hourly wages
10th percentile of wages (low)



Source: Bureau of Labor Statistics, Occupational Employment Statistics

data snapshots. Think of taking a photo of a nature scene and then returning several years later to document the change. You might go back to the same field, and you might notice and capture a lot of change. But you also might not be standing in exactly the same spot as the one where the first picture was taken, and as a result the camera angle might a bit different. You also don't know exactly when or how any change happened.

On its website, the BLS says it is considering methodological changes to the OES "that would make data useful for time-series comparisons, at least at more aggregated levels, but these are only in early stages of discussion."

Still, given these concerns, why use the OES data at all to look at occupational change?

"Because that's the best data we have. There is nothing else," said Oriane Casale, assistant director of the Labor Market Information Office of the Minnesota Department of Employment and Economic Development.

With these notable caveats, the *fedgazette* analyzed OES data on Minnesota to gain insights into occupational job and wage changes since the Great Recession. Overall employment in the state grew by 1.6 percent from 2007 to 2014. But OES data suggest that only half of the 22 major occupational groups were above their 2007 employment levels (see Charts 1-3). The largest job increases, in terms of both absolute number and growth rates, were mostly in lower- and higher-paying occupations. Personal care and service occupations (which include jobs in home care, child daycare, funeral homes and other service industries) saw employment growth leap by 38,000 jobs (or 46 percent) over the seven-year period, easily the largest increase among all occupational groups. This set of occupations has the second-lowest median income among major occupational groups.

At the same time, two of the largest occupational job gainers—computer/math and management occupations—are among the top-paying occupations (by median wage); both groups are also in or very near the top half of occupations in total employment. Broadly speaking, occupational growth was stronger (more positive) among both lower-paying and (especially) higher-paying occupations; those occupations still below prerecession employment levels—like construction—were most often in the comparative middle of median wages.

The OES also offers an opportunity to look more closely at wage behavior. Commonly referenced wage data—from the Quarterly Census of Employment and Wages, or the Current Employment Statistics—track wages at the industry level, which encompasses a stew of occupations. These databases also tabulate average wages, which are surely useful but gauge wage behavior only in the middle; they offer no insight into wage behavior over the whole distribution of workers, and particularly at the high and low end, where much of the public's attention currently is focused.

The OES does offer insights into wage behavior across the whole distribution of workers—albeit with all of the resident caveats that apply to occupational job counts, and then some. Ideally, any wage analysis should follow the same firms over time "or at least firms with the same characteristics," according to Casale. But OES-based comparisons that should be at least three years apart give you a "fairly random draw" of firms with the exception of very large firms and government, she said.

With those provisos, OES wage data for 2009 and 2014 were gathered for 22 major occupation groups in Minnesota at the 10th (low), median and 90th (high) percentiles of wages. This allows for insights into how wages changed among and within occupational groups since the end of the recession.

These data suggest that, after adjusting for inflation, wages have been flat—or worse—throughout much of the wage distribution (see Chart 4). Among 22 occupations, there were nine occupational groups where inflation-adjusted wages fell at all three wage levels (10th/50th/90th percentile). Only four occupations saw inflation-adjusted wages rise over this period at all three levels. No wage level saw consistent wage growth among the 22 occupational groups.

PHOTOS BY KAREN MELVIN PHOTOGRAPHY

(Left to right) Verna Olson, Grace Neumann and Patricia Lysen socialize at Minnehaha Senior Living in Minneapolis.

Assistance with independence

Assisted living is an increasingly popular long-term care option in the district

By PHIL DAVIES
Senior Writer

The waiting list for an apartment just got shorter at Elm Crest Manor & Assisted Living in New Salem, N.D. In July, Elm Crest was planning to open nine assisted living apartments for elderly people who can no longer stay in their homes but don't require around-the-clock nursing care.

Founded as a nursing home by the Peace Church of New Salem in the 1960s, Elm Crest first branched out into assisted living in 2001, building 10 small apartments adjacent to the nursing home. Over the past decade, demand for the apartments was high in the small town 30 miles west of Bismarck; seniors were typically waiting three to four years for an apartment to open up.

The expansion helps to meet that pent-up demand, said Elm Crest Administrator Janessa Vogel. The new apartments were already spoken for by seniors—many of them women in their 80s living alone—seeking the security and social support that assisted living offers.

"Obviously, there's that need out there; I'll easily fill them all up," Vogel said. "These apartments are giving the community more choices. There isn't a need in the area for more nursing home beds because we're so close to Bismarck-Mandan, and a lot of surrounding communities have nursing homes. But there are not a lot of communities in our area that have assisted living."

"Assisted living kind of bubbled out of the fact that people wanted a care setting that looked more homelike, that allowed for transitions, where as their needs increase they can pay for more services."

—PATTI CULLEN, CARE PROVIDERS OF MINNESOTA

Bette Hammel in her apartment at Folkestone in Wayzata, Minn.

Assisted living is an expanding segment of the Ninth District's long-term care industry, catering to elderly and disabled people who want to maintain an independent lifestyle while having ready access to medical care and help with daily activities. Assisted living options range from small facilities such as Elm Crest in rural communities and city neighborhoods to large urban complexes with swimming pools, wellness centers and other amenities. Some assisted living providers cater to residents with dementia and other severe disabilities.

Across the country and in many parts of the district, assisted living is displacing nursing homes, for decades the model of care for those who cannot safely live on their own. In Minnesota and Wisconsin, assisted living facilities have proliferated, while nursing homes have declined.

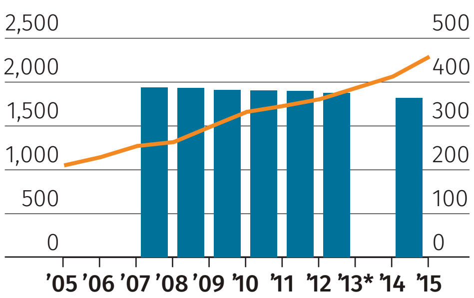
The shift is "part of our picture of aging that we want to be independent as long as possible, and if we can't be independent, we want the setting where we live to be as normal as possible, a setting that we associate with other aspects of our life," said Gayle Kvenvold, president of LeadingAge Minnesota, an umbrella group for organizations serving Minnesota seniors.

Assisted living is also attractive financially; on average, the cost of room and board in an assisted living facility is roughly half that of nursing home care. However, costs still are a barrier for seniors and the disabled with low or moderate incomes; some assisted living providers turn away

Assisted living on the rise

In Minnesota... 1

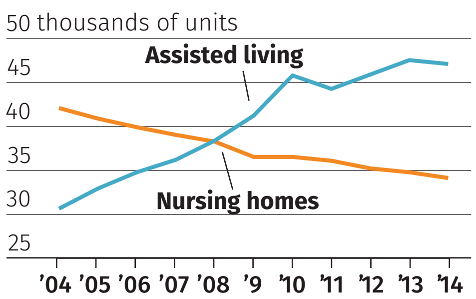
Housing with services providers and nursing homes



* Data not available for nursing homes
Source: Minnesota Department of Health, U.S. Department of Health and Human Services

...and in Wisconsin 2

Capacity of assisted living and nursing home facilities



Source: Wisconsin Department of Health Services, Bureau of Assisted Living

Many assisted living facilities, such as Folkestone, are part of campuses offering a continuum of long-term care and amenities that include fitness centers, restaurants and shopping.

Shirley Keller (left) and Ed Keller at Folkestone.

The shift is "part of our picture of aging that we want to be independent as long as possible, and if we can't be independent, we want the setting where we live to be as normal as possible, a setting that we associate with other aspects of our life."

—GAYLE KVENVOLD, PRESIDENT OF LEADINGAGE MINNESOTA

prospective tenants on Medicaid because of low government reimbursement rates.

Like nursing homes, assisted living facilities have struggled to hire and hold onto workers. "That is challenge number one in many respects for us, today," Kvenvold said. An economy on the upswing after the Great Recession has made matters worse, increasing job vacancies and turnover at assisted living facilities.

A little assistance, please

For much of the 20th century, nursing homes were the institutions that took care of those unable to take care of themselves or be cared for by relatives or friends. Medicaid for low-income people fueled the growth of facilities with large medical staffs providing 24-hour care to residents in private or semi-private rooms. In many rural communities today, the local nursing home is the biggest and most stable employer in the area. (A 2013 economic analysis found that in Wisconsin, nursing homes employed more than 52,000 workers—more full-time equivalent jobs than in each of the paper, printing and lodging industries in the state.)

The ground started to shift under the long-term care industry in the 1980s, with growing interest in alternatives to nursing homes that reduced health care expenditures and gave the elderly and disabled more flexibility and choice.

"The market responded to consumers' interests, wants and needs," said Patti Cullen, CEO of Care Providers of Minnesota, an organization representing nursing homes and senior housing providers in the state. "Assisted living kind of bubbled out of the fact that people wanted a care setting that looked more homelike, that allowed for transitions, where as their needs increase they can pay for more services. That model was not available in nursing homes; it is available in assisted living."

National data are scant on trends in assisted living, but a 2012 report by AARP, the association for people aged 50 and over, found that the number of assisted living and other community-based residential units increased 17 percent from 2007 to 2010, to 1.2 million. Meanwhile, nursing home use has declined; according to data from the U.S. Department of Health and Human Services, the number of occupied nursing home beds fell about 5 percent from 2003 to 2012.

Among district states, these trends are evident in Minnesota and Wisconsin, which have the most comprehensive data on changes in the number and capacity of long-term care facilities over the past two decades (see Charts 1 and 2).

In Minnesota, the number of housing-with-services providers—a category of senior housing that includes assisted living—has more than doubled since 2005, according to the state Department of Health. Meanwhile, the number of nursing homes has continued a decline that began in the late 1990s. In Wisconsin, state figures show that the capacity of assisted living facilities increased 48 percent between 2004 and 2014, while that of nursing homes fell 17 percent.

In a recent analysis co-sponsored by AARP, Minnesota and Wisconsin ranked first and second, respectively, among U.S. states in the number of assisted living and residential care units per 1,000 people aged 65 and over. Minnesota had over 91,000 units, a 70 percent increase since 2010.

Data for other district states on long-term care trends are incomplete, but nonetheless show growth in assisted living. In Montana, according to the state Department of Public Health and Human Services and AARP figures, the number of assisted living units has risen 30 percent over the past eight years, to over 5,600.

In North and South Dakota, assisted living has grown without significant reductions in nursing home capacity. In North Dakota, for example, the number of licensed assisted living units has risen by 48 percent to about 2,600 since 2006, but nursing home beds have fallen only slightly.

Government policy has facilitated the rise of assisted living, home care and other "consumer-centered" care models. Alarmed by the high costs of nursing home care, many states restricted the expansion of nursing homes. Minnesota enacted a statewide moratorium on the construction of new nursing homes and the licensing of additional nursing home beds in 1981. South Dakota has banned new nursing homes and beds since 1988, and North Dakota imposed its own moratorium on additional nursing home capacity in 1995.

Nursing homes in some parts of the district have shifted their focus to serve the very old or the sick—people who are bedridden after surgery or suffering from end-stage dementia, for example. In Minnesota, annual nursing home admissions have risen by about a third over the past decade, despite a drop in the number of licensed beds. Beds are turning over faster to accommodate convalescents admitted for short-term care after hospital stays.

State governments have also contributed to the growth of assisted living by developing Home and Community-Based Services (HCBS) programs to make community-based, long-term care accessible to the poor. In Minnesota, the Elderly Waiver program covers assisted living for people aged 65 and over who are eligible for Medicaid. Similarly, Wisconsin's Family Care program provides support for Medicaid beneficiaries in a variety of long-term care settings.

Continued on page 10


Resident Tess O'Hara tends to the plantings at Minnehaha Senior Living.

For the most part, assisted living is funded privately, out of residents' pockets or through long-term care insurance. This is in sharp contrast to nursing homes, in which Medicaid and Medicare cover over half the total cost of resident care in most states.

Assistance from page 9

A place for mom, with extras

Comparing assisted living development among states can be tricky because there is no single definition of assisted living. Unlike nursing homes, which are regulated by both the federal and state governments, assisted living is entirely state regulated. Rules in each state describe the scope of assisted living and set standards for accommodation and services offered to residents.

Many of these state rules determine how ill or infirm residents can become before they must be discharged to a nursing home or hospice. In Minnesota and Wisconsin, assisted living staff can help residents get in and out of bed and use the toilet, and provide other services almost on a par with nursing homes. This broad scope is one reason these states have seen so much growth in assisted living; providers can maximize revenues by providing more advanced services to residents as they age and their health declines.

Other states set the bar higher for residents' capabilities (although in South Dakota recent legislation gives assisted living providers more latitude in caring for residents who need help with daily activities).

Assisted living providers—many of which are nonprofits such as churches and social service organizations—offer a range of options geared to their customers' income level, tastes and state of health. "What I tell people about assisted living is that when you've seen one assisted living facility in Minnesota, you've seen one, because they're all different," said Cullen, of Care Providers of Minnesota.

As a rule, assisted living providers charge a monthly fee for room and board, which includes basic services such as laundry, housekeeping and one or two prepared meals each day. Additional services such as medication management, transportation to appointments and assistance with dressing and hygiene can add hundreds of dollars a month to the prices.

Housing styles range from elegant apartment complexes with lots of amenities to modest apartments or single rooms with access to communal dining and recreational areas. Upscale developments are more likely to be found in metro areas with higher average incomes. Folkestone, a year-old development on Lake Minnetonka in suburban Minneapolis owned by Presbyterian Homes & Services, features tastefully decorated apartments starting at $3,100 a month, ranging up to $4,200 a month for a two-bedroom apartment. Amenities geared to an affluent clientele include lap and therapy pools, a bistro, a movie theater and a beauty salon.


Folkestone features lap and therapy pools for residents.

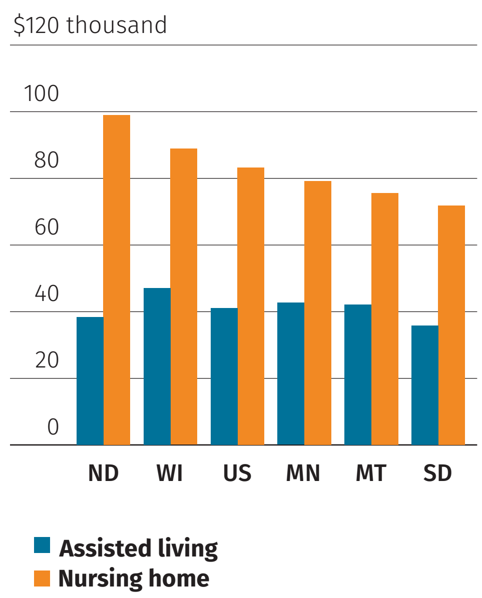
At the lower end of the price scale are small facilities, often extensions of nursing homes or converted private homes, in low-cost rural areas; in New Salem, Elm Crest charges about $1,450 a month for a one-bedroom apartment, a daily lunch and other basic services such as housekeeping, cable TV and garbage pickup.

Where state regulations allow, many assisted living facilities—sometimes separate units within large senior living campuses—specialize in caring for people with Alzheimer's disease and other forms of dementia. This is the most expensive type of assisted living, comparable to or even exceeding the cost of nursing homes because of the intensity of around-the-clock care.

Prairie Senior Cottages operates six assisted living facilities in Minnesota for people with memory loss. Groups of no more than 10 people live in residential units with traditional floor plans and furnishings, sharing a kitchen and other communal areas to encourage social interaction. "Our niche is our small size and our true homelike feel," said Chief Operating Officer Dustin Lee. The firm is planning to open a new location in Owatonna, Minn., this fall.

Assisted living isn't just for the elderly; younger people with physical and mental disabilities are also gravitating toward this type of long-term care. In Wisconsin, adult family homes—small facilities licensed to house up to four residents—care for people of all ages with developmental disabilities and other debilitating conditions such as multiple sclerosis, traumatic brain injury, mental illness and drug addiction. The number of adult family homes in the state has doubled over the past decade.

Assisted living's cost advantage 3
Median annual costs* in 2015



* Rates for one bedroom, single occupancy in assisted living facility and semi-private room in nursing home
Source: Genworth 2015 Cost of Care Survey

A lower-cost model

On the continuum of long-term care costs, assisted living is a relative bargain; on average, assisted living residents pay considerably less for their accommodations and care than people in nursing homes.

A 2015 national survey sponsored by Genworth, a long-term care insurance firm, found that the U.S. median annual rate for assisted living in 2015 was slightly more than half the cost of nursing home care (see Chart 3). The cost differential between assisted living and nursing homes was even greater for some district states such as North Dakota and Wisconsin.

This cost gulf is to be expected, given the differences between the two models. In general, assisted living residents are younger and healthier and require less medical attention than people in nursing homes. This cuts labor expense, the biggest cost driver in long-term care; fewer nurses, nursing assistants and other staff are needed to care for residents of assisted living facilities.

Chris Krebsbach, vice president of operations for Tealwood Care Centers, a long-term care provider based in the Twin Cities, estimates that staffing levels at the firm's 27 assisted living facilities in Minnesota and South Dakota are about 20 percent lower than those at its nursing homes.

At Elm Crest, one nursing assistant provides care to apartment residents, with Vogel (she's trained as a nursing assistant) pitching in as needed. Other workers, such as cooks and housekeepers, are shared with the nursing home.

For the most part, assisted living is funded privately, out of residents' pockets or through long-term care insurance. This is in sharp contrast to nursing homes, in which Medicaid and Medicare cover over half the total cost of resident care in most states. In North Dakota, 94 percent of assisted living revenue comes from private sources, according to the North Dakota Long-Term Care Association (about 20 percent of that is paid by insurers). However, anecdotal evidence suggests that districtwide, public funds make up a larger share of assisted living coverage in rural areas with lower median incomes.

Although only a small share of assisted living residents depends on public funding, the lower per capita care cost of assisted living provides relief for taxpayers footing the bill for long-term care by keeping low-income people who don't require 24-hour care out of nursing homes.

But limited Medicaid funding restricts access to assisted living for the poor. As in nursing homes, compensation for the care of low-income residents often falls short of costs. A recent survey of Minnesota assisted living providers sponsored by Care Providers and LeadingAge of Minnesota found that on average, Elderly Waiver payments covered only 70 percent of the cost of services for residents' assessed needs.

Some assisted living providers have no choice but to turn away HCBS-sponsored Medicaid recipients. In the past year, Prairie Senior Cottages has stopped accepting people on Elderly Waiver at some of its locations, limiting the program to current residents who have exhausted their private funds.

In South Dakota, which has comparatively low Medicaid reimbursement rates, assisted living providers accept few residents on HCBS, said Mark Deak, executive director of the South Dakota Health Care Association. "To be frank, it's very difficult for assisted living facilities to even operate unless there is a fairly high ratio of private pay folks."

This year, lawmakers in some district states increased Medicaid funding for assisted living, nursing homes and other types of long-term care. In Minnesota, legislation that created a new reimbursement system based on actual care costs included a one-time 5 percent budget increase for Medicaid waiver programs, making up for cuts in past years. The South Dakota Legislature granted a 3 percent funding increase for nursing homes and assisted living facilities.

Competing for caregivers

Nursing homes have long grappled with workforce problems because of low Medicaid reimbursement, which reduces revenues and wage levels, and the sometimes onerous nature of tending to the ill or the very old. Hiring and retention problems generally aren't as dire in assisted living because staffing requirements are lighter, and higher levels of private funding let providers offer more generous wages. In addition, many workers find assisted living jobs more appealing than those in nursing homes.

But it's still a tough labor market for assisted living facilities competing with hospitals and clinics for nurses, nursing assistants, housekeepers and other workers. Sources said other health care employers pay higher wages and often offer better working conditions and prospects for advancement.

Recovery from the Great Recession has worsened matters, said Kvenvold of LeadingAge. "We are countercyclical in terms of our workforce trends. When the economy is doing poorly, we find it easier to recruit and retain qualified employees. When the economy improves and there are options for better paying jobs with better benefits, unfortunately we don't do as well."

Job openings and turnover in assisted living facilities have increased in district states since the recession. A recent Minnesota survey sponsored by LeadingAge and Care Providers of Minnesota found that health care employee vacancy rates in senior housing (assisted living plus senior condominiums and apartments) increased from 2013 to 2014 (see Chart 4). Worker turnover also increased in the survey; annual turnover of registered nurses increased nine percentage points, to 25 percent.

At Tealwood, annual turnover was running about 35 percent at the firm's two South Dakota locations near Sioux Falls and Aberdeen, and well over 50 percent at some facilities in Minnesota. "We really struggle in the rural areas because we have fewer people to draw from," Krebsbach said. He added that Tealwood has opted not to expand in a few rural communities where a workforce analysis showed that health care workers were in short supply.

Assisted living providers like Minnehaha Senior Living strive for a homelike atmosphere.

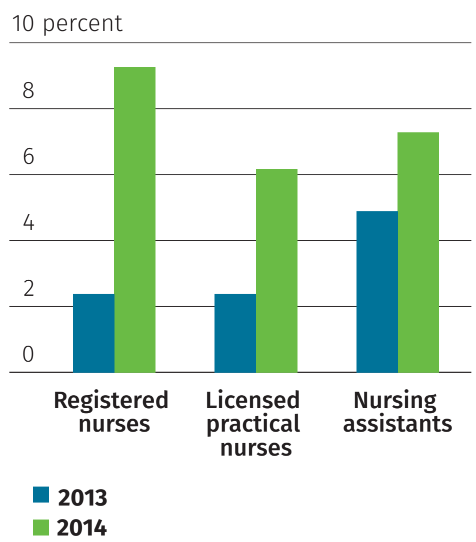
"We are countercyclical in terms of our workforce trends. When the economy is doing poorly, we find it easier to recruit and retain qualified employees. When the economy improves and there are options for better paying jobs with better benefits, unfortunately we don't do as well."

—GAYLE KVENVOLD, PRESIDENT OF LEADINGAGE MINNESOTA

Senior housing workforce outage

4

Health care worker vacancy rates in Minnesota



Source: Long Term Care Imperative 2015 Legislative Survey

The firm's recruiting and retention tactics include reimbursing the tuition of employees studying for nursing degrees and offering $500 to $1,500 sign-on and referral bonuses. Prairie Senior Cottages has taken a similar approach to hiring in a tight post-recession job market; this year, the firm started paying bonuses to workers who refer employees who stay at least three months, Lee said.

Despite its workforce challenges, assisted living is destined to remain a growth industry in the district by virtue of demographics. In Minnesota, the number of people over 65 is projected to increase by about 80 percent over the next 15 years, according to the State Demographer's Office. The population of Minnesotans aged 85 and over is forecast to more than double by 2040. A similar age wave is expected to roll through other district states. The U.S. Department of Health and Human Services estimates that at least 70 percent of these aging baby boomers and their parents ultimately will need some form of long-term care.

For millions of people planning the final chapter of their lives, or coping with disability, assisted living has become the preferred model of long-term care. They are voting with their feet and their pocketbooks to remain independent for as long as possible, with a little help from others.

But the popularity of assisted living doesn't mean that nursing homes will become extinct. Even with all the services that assisted living offers, skilled, around-the-clock nursing care is still necessary for those too frail and sick to lead a semi-independent lifestyle. "Assisted living is much less expensive than a nursing home," said Jim Murphy, executive director of the Wisconsin Assisted Living Association. "But I don't believe nursing homes should go away. There's a need for that level of care, and there always will be. … We can't care for somebody that we can't care for." f

ACA, Act II: Enroll!

Enrollments growing from the new health care law, but district states seeing different outcomes

By RONALD A. WIRTZ
Editor

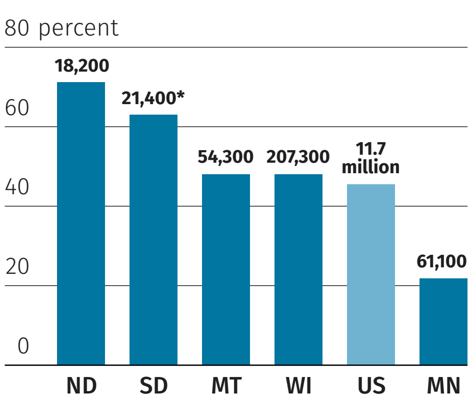
The Affordable Care Act has come under much scrutiny since its passage in 2010. The program recently concluded its second annual sign-up period, and while the ACA continues to see enrollments increase, there are a lot of nuances that make the rollout and impact of this law a bit different in every district state.

The most recent open enrollment period ended Feb. 15, and national enrollment surged by 45 percent (see Chart 1) over April 2014 levels, according to data from the U.S. Department of Health and Human Services (DHHS). Four district states saw their enrollments grow even faster, topped by North Dakota's 72 percent increase over this period. Minnesota saw more modest growth, with enrollments climbing a comparatively modest 22 percent. Minnesota also happens to be the only district state using its own state-run marketplace of insurance plans, rather than the federal marketplace, which 35 states currently use.

Minnesota's marketplace—known as MNsure—experienced significant obstacles in its initial rollout in 2013. A state auditor's report this past February noted that the program "implemented its enrollment website in 2013 with serious technical problems," did not adequately test the site and withheld information from the MNsure board and other officials before the site was launched.

Percent change in marketplace enrollment 1

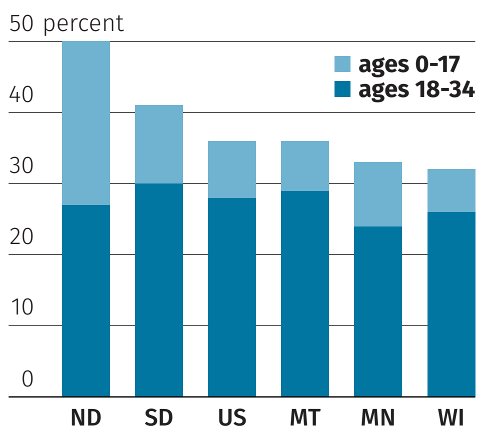
April 2014 to Feburary 2015



*Total enrollment in February 2015
Source: U.S. Department of Health and Human Services

Share of marketplace enrollees 2

Between ages 0 and 34 years old



Source: U.S. Department of Health and Human Services

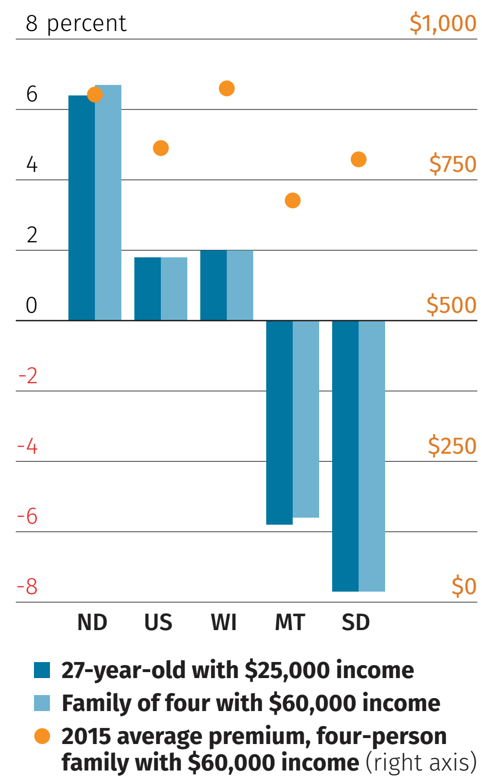
While the state met its own benchmark that first year, the auditor's report noted that "the target was seriously flawed," containing an error that "resulted in an unrealistically low estimate." Things didn't improve much in year two for Minnesota, at least by enrollment standards. By comparison, enrollment in Wisconsin—which is roughly of equal size and similar demographically to Minnesota—enrollment grew almost 50 percent during the second sign-up period. The increase in the Badger State was 207,000, or more than three times that of its westerly neighbor.

One of the early concerns about the program's long-term viability was its ability to convince younger (and statistically healthier) individuals to seek coverage, which would help keep all plans actuarially affordable for those buying health care insurance. The original hope was that 18-to-34-year-olds would make up 35 percent to 40 percent of all enrollees. After the first year, state and national rates settled between 24 percent and 30 percent. Those rates remained mostly unchanged in the last enrollment period, with only Montana and North Dakota seeing increases of at least one percentage point (see Chart 2).

Nonetheless, plans got cheaper on the whole this year, according to a February DHHS report on plan premiums. Premiums for two average households (a 27-year-old and a family of four) rose by less than 2 percent nationwide (see Chart 3). In the Ninth District, there was a similar increase in Wisconsin, while Montana and South Dakota saw sizable decreases in plan costs. Only North Dakota saw significant premium hikes (more than 6 percent), the possible result of strong population growth and rising cost of living as a result of the oil boom in the western part of the state. (Comparable data for Minnesota plans were not available, but MNsure officials said late last year that overall plan costs would rise by 4.5 percent.)

Percent change in average monthly premium 3

For second-lowest cost silver plans, 2014 to 2015, before tax credit and average premium



Source: U.S. Department of Health and Human Services

But in no area is the ACA more differentiated at the state level than its effect on Medicaid enrollment. One of the key pieces of the ACA—and its goal to cover more uninsured people—was the expansion of Medicaid, a federal-state health insurance program for the poor, and the Children's Health Insurance Program (CHIP).

Originally Medicaid/CHIP eligibility was to expand to cover nearly all adults with incomes below 139 percent of the federal poverty level (FPL, about $32,500 for a family of four in 2013). This expansion was to be administered by states, but fully financed by the federal government for the first three years, with states assuming a 10 percent cost share thereafter.

One of the early concerns about the program's long-term viability was its ability to convince younger (and statistically healthier) individuals to seek coverage, which would help keep all plans actuarially affordable for those buying health care insurance.

However, the U.S. Supreme Court ruled in 2012 that mandated expansion of state Medicaid was unconstitutional and allowed states to expand at their own discretion. The District of Columbia and 28 states, including Minnesota, North Dakota and Michigan (the Upper Peninsula lies within the Ninth District) have chosen to implement the expansion. At the same time, 22 states so far have opted out of the Medicaid expansion—including Montana, South Dakota and Wisconsin (though Montana has been reconsidering; more below).

The effect of this decision on Medicaid enrollments is significant. District states choosing to expand Medicaid in conjunction with ACA saw enrollment growth of 17 percent to 23 percent. In contrast, South Dakota and Wisconsin saw much smaller growth in rolls, and Montana's Medicaid enrollment actually went down (see Chart 4).

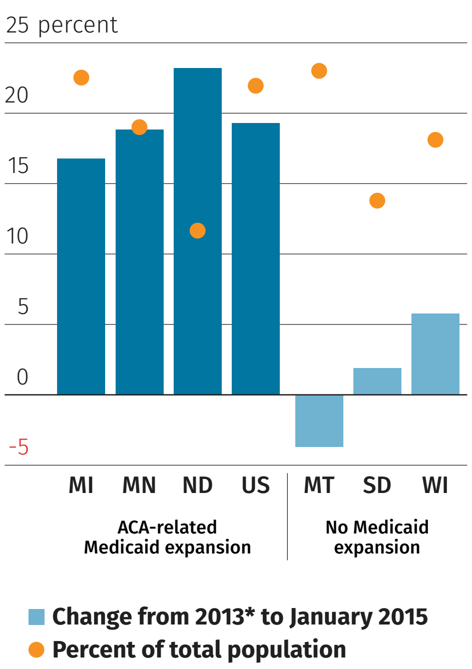
As a result, many low-income, uninsured adults in states that did not expand Medicaid will likely either not obtain health coverage or will do so at high cost. This is because of the so-called coverage gap—some households earn too much money to be eligible for Medicaid in their home state, but not enough to qualify for subsidized marketplace health insurance (which starts at 139 percent of FPL).

North Dakota saw the highest growth in Medicaid rolls since 2013, but enrollment represents just 13 percent of the state's population—the smallest share of any Ninth District state and

Medicaid rolls surging for some states

4

Medicaid and CHIP enrollment



* Average enrollment from July 2013 to September 2013

Source: U.S. Department of Health and Human Services

well below the national average of 22 percent. On the other hand, in Montana—the district state with the highest share of its population on Medicaid, at 23 percent—enrollment in the program fell over the same period.

Montana lawmakers have reconsidered the Medicaid decision—several times, in fact—but had rejected all proposals until this spring, when a Republican-sponsored bill authorizing an expansion of Medicaid, but including a small premium on participants (2 percent of income), was approved by the Legislature and signed by Gov. Steve Bullock. The move is expected to provide health insurance coverage for 70,000 additional people in the state.

To date, the ACA has markedly lowered the number of people without health insurance. State figures on the uninsured are unavailable for the current enrollment period, but DHHS has compared nationwide enrollment in the first quarter of 2015 with average enrollment in 2012 and 2013. Over that period, the share of uninsured fell by one-third, from 20 percent to 13 percent of the U.S. population.

In addition, the Congressional Budget Office projects that another 8 million uninsured people in the country will gain health coverage over the next two years, roughly halving the number of uninsured people in the country that would be expected without the new health care law. f

Professional services firms expect growth to continue

Going forward, services companies predict another good year. More respondents than not anticipate increased sales revenue and profits over the next four quarters.

By JOE MAHON
Economic Anylyst

"Economy is looking good, business has picked up," commented a small South Dakota accounting firm. This comment reflects the sentiments of architects, engineers, graphic designers, market researchers, management consultants and other professional services firms that were surveyed by the Federal Reserve Bank of Minneapolis and the Minnesota Department of Employment and Economic Development. The overall results indicate that services firms grew over the past year and that those firms expect growth to continue for both their firms and their state economies.

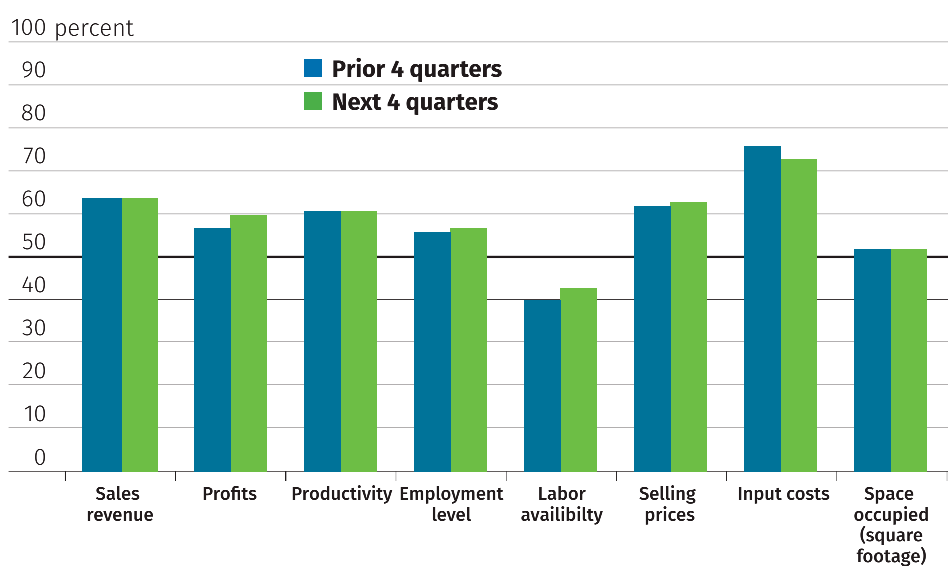
Firms' financial results were positive over the past year. More service firms reported growth in sales and profits over the last four quarters than those reporting a decline (see chart). Employment and productivity also expanded over the past year, but, as a small Wisconsin marketing company commented, "Good and qualified help is hard to find and retain." Twenty-seven percent responded that labor was less available, while only 7 percent noted increased labor availability. However, wages increased by only 2.1 percent on average and benefits increased just 2.5 percent. Most reported that credit conditions were not much of a factor in hiring or capital expenditure decisions.

Going forward, services companies predict another good year. More respondents than not anticipate increased sales revenue and profits over the next four quarters. Productivity and employment are also expected to increase. About a third plan to increase their selling prices, while only 5 percent expect to decrease prices. In addition, 47 percent expect increased input costs, while only 1 percent foresee reduced costs. Wages are expected to rise by an average of 2.3 percent, and benefits are expected to rise by 1.7 percent over the next four quarters.

Looking outside their businesses, more professional services firms expect total employment and consumer spending in their states to increase than to decrease over the next four quarters. Corporate profits are expected to increase across the district. Finally, about half of respondents also expect higher inflation, with only 1 percent believing that inflation will decrease. f

Professional services firms expect to expand

(Above 50 indicates expansion; below 50 indicates contraction.*)



* Percent of respondents indicating increase plus half indicating no change

Sources: Federal Reserve Bank of Minneapolis; Minnesota Department of Employment and Economic Development

District manufactured exports inch higher in 2014

By ROB GRUNEWALD
Economist

LI-PIN JUAN
Research Analyst

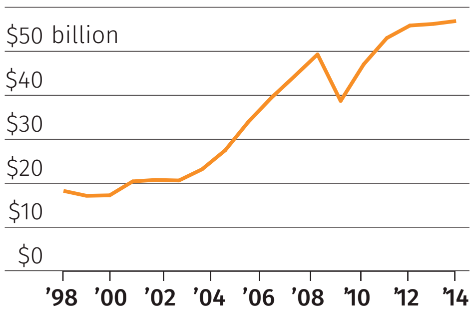
Manufactured exports in the Ninth District in 2014 continued a recent trend of low growth.

Last year, manufactured exports rose to an all-time high of $46.5 billion; however, this was an increase of only 1 percent over 2013. The 2014 increase follows a 0.5 percent gain in 2013, as district export growth has flattened after strong gains following the recession (see Chart 1). Minnesota posted the largest gain among district states at 2.2 percent, while exports decreased in Montana and the Dakotas. Meanwhile, U.S. exports grew 1.5 percent in 2014.

Relatively slow economic growth in some trading partners and an increase in the value of the dollar relative to other currencies contributed to slower demand for district exports in some areas.

Growth in Ninth District manufactured exports flattening

1



Source: WISERTrade International Trade Database

Exports to Canada, the district's largest trading partner (receiving almost one-third of the district's exports), decreased 1.2 percent in 2014 (see Chart 2). Wisconsin and South Dakota were the only district states to post an increase in exports to Canada. Losses largely came from a 12 percent reduction in machinery exports to Canada, primarily due to reductions in agricultural machinery. While the Canadian economy grew moderately in 2014, the value of the U.S. dollar relative to the Canadian dollar increased in value by 7 percent, making district exports more expensive in Canada.

District exports to Europe, the district's second-largest trading partner receiving 19 percent of district exports), increased less than 2 percent in 2014. That's not bad, considering that economic growth in Europe was less than 1 percent. Exports to Europe from South Dakota and Wisconsin increased 18 percent and 8 percent, respectively, while exports to Europe decreased in other district states. Machinery, the district industry with the most exports to Europe, increased 5 percent, while computer and electronic exports, the second-largest industry, decreased 7 percent.

Slowness in district exports to Canada and Europe was counterbalanced somewhat by a 19 percent increase in exports to Mexico, the district's third-largest destination with 11 percent of exports. This strong growth occurred despite the U.S. dollar appreciating modestly against the Mexican peso. Montana and Minnesota exports to Mexico increased 48 percent and 42 percent, respectively. However, exports from South Dakota to Mexico decreased 11 percent, primarily due to a drop in exports of food and beverage products.

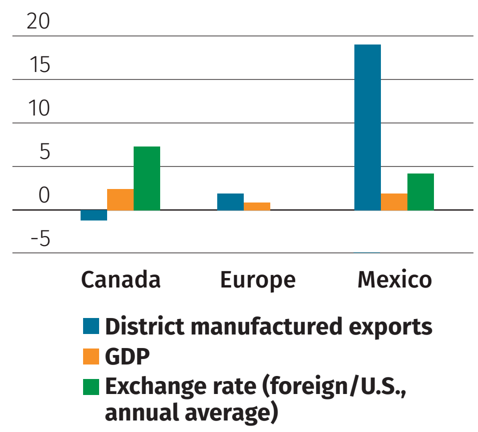
Transportation leaped ahead of machinery as the district's top manufactured export product to Mexico with a 51 percent increase in 2014, while machinery exports decreased 1 percent. Transportation exports to Mexico made substantial gains in all district states, as car assembly work has picked up in the country—motor vehicle parts increased from $474 million in 2013 to $709 million in 2014, and motor vehicle bodies and trailers increased from $99 million to $130 million.

The four Asian newly industrialized economies (NIEs) of Hong Kong, Singapore, South Korea and Taiwan moved ahead of China as the district's fourth-largest export destination in 2014, as exports to these economies increased 4 percent, while exports to China decreased 2 percent. The pace of economic growth in China slowed to 7.4 percent in 2014 and has been on a decline since 2010. Among the Asian NIEs, district manufactured exports to South Korea have seen the strongest growth since 1997, the year when data became available, and now represent 38 percent of exports to the Asian NIEs.

Slow going to Canada and Europe, Mexico strong

2

2014, percent change from a year earlier



Sources: WISERTrade International Trade Database and Haver Analytics

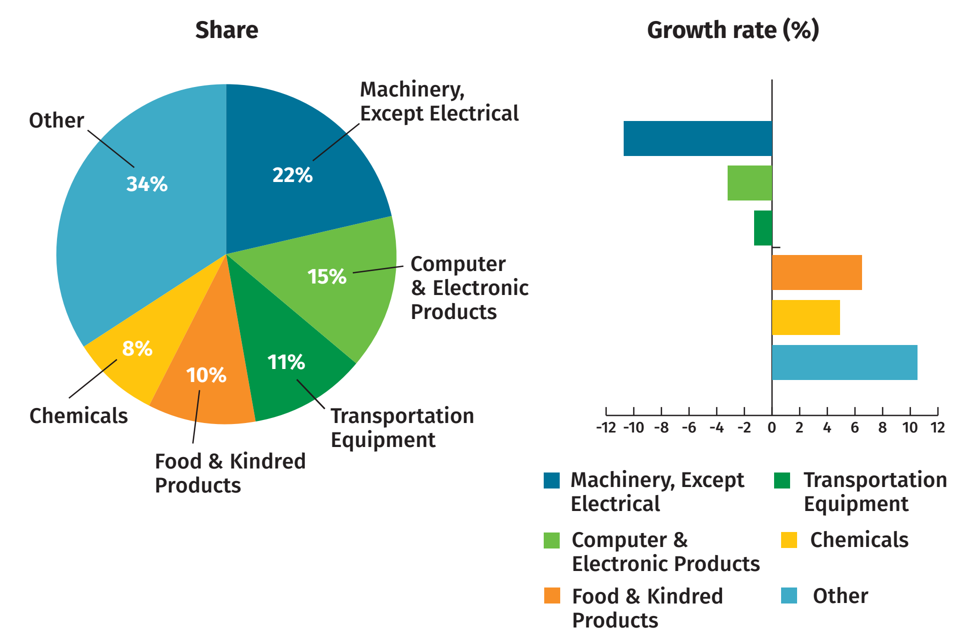
Top export industries show losses

Among major export categories, machinery, computer and electronic products, and transportation equipment all decreased in 2014 (see Chart 3). These three categories make up almost 50 percent of the district's manufactured exports.

The decrease in machinery was led by an almost 20 percent decline in exports of agricultural and construction machinery, which make up more than a third of this category. The slowing demand for

Five largest manufactured export industries

3

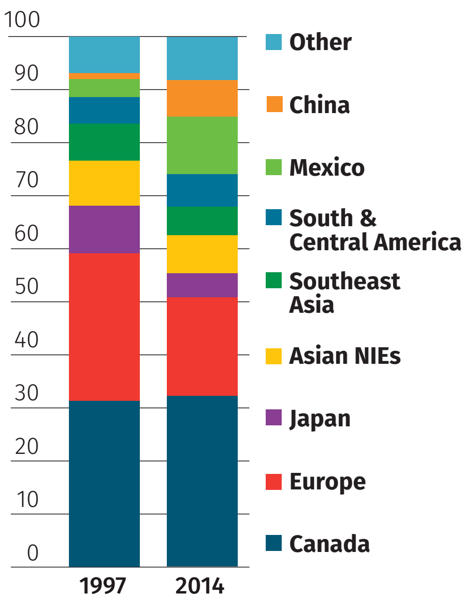


Source: WISERTrade International Trade Database

China and Mexico comprise a larger share of district exports than in 1997

4

Destination as a percent of total district manufactured exports



Source: WISERTrade International Trade Database and Haver Analytics

agricultural machinery coincided with soft global crop prices in 2014. Weakness in the computer and electronic products category was led by a 20 percent decline in computer equipment exports.

Offsetting these declines were increases in food and kindred products and chemicals, as well as several industries in the "other" category; electronic equipment, appliances and components, and plastics and rubber products posted the strongest increases with gains over 20 percent.

How export destinations have changed over time

Over time, district exports have become more globally balanced. In 1997, the district's top export destinations—Canada, Europe and Japan—accounted for 68 percent of district exports. These destinations were also the most developed economies among the district's trading partners. In 2014, that share dropped to about 55 percent, with all of the decline coming from the share going to Europe and Japan. Exports to Europe and Japan grew over this time period, but not as fast as growth to other export destinations (see Chart 4).

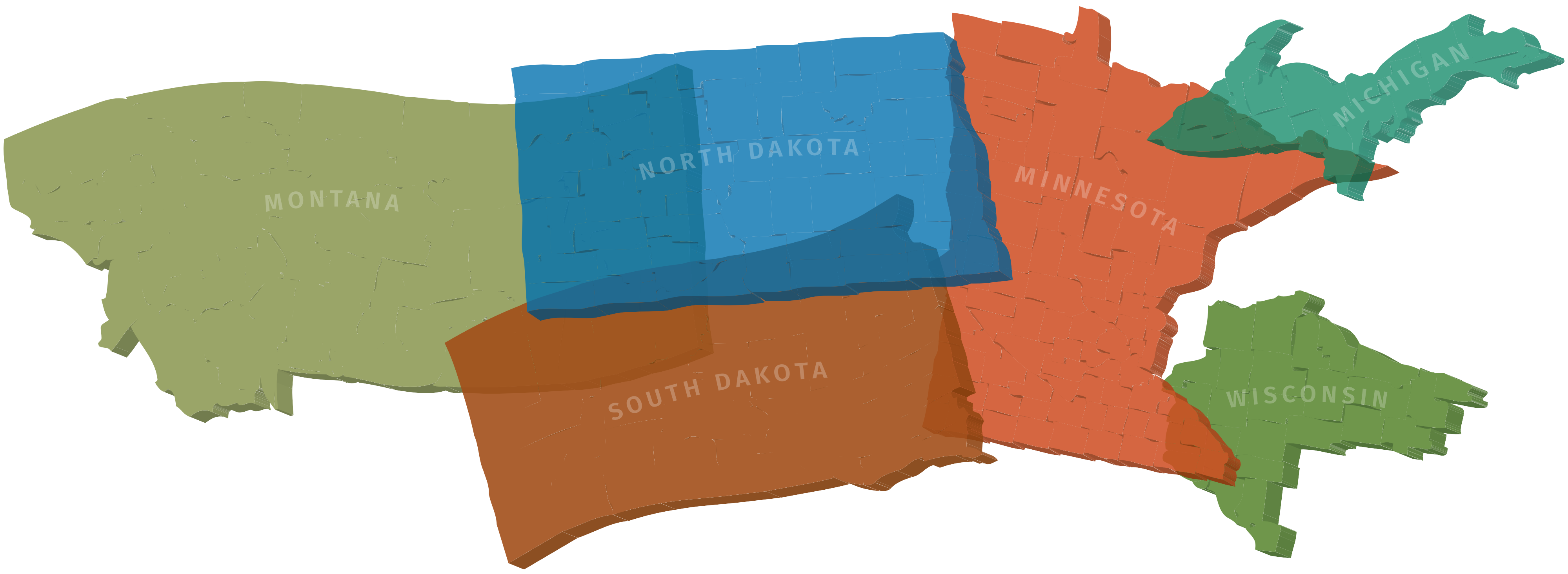
The biggest gainers in export market share over this period were China and Mexico. The share of district exports to China and Mexico in 1997 were only 1.1 percent and 3.5 percent, respectively. But district exports have grown by an annual average of 18 percent to China and 13 percent to Mexico; by 2014, these destinations received 7 percent and 11 percent of district exports, respectively. f

Five largest manufactured export destinations

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Minnesota		
Canada	4,867.7	-7.5
Europe	4,357.3	-2.5
Asian NIEs	2,034.9	3.5
Mexico	1,893.0	42.1
China	1,654.0	-1.4
Total	**19,737.5**	**2.2**
Montana		
Canada	452.6	-13.3
Asian NIEs	153.1	9.7
Europe	136.7	-11.6
China	78.2	16.1
Japan	50.8	19.3
Total	**1,012.8**	**-3.1**
North Dakota		
Canada	1,567.7	-5.7
Europe	182.5	15.6
Mexico	162.1	4.8
Pacific Islands	87.6	4.8
South America	45.7	-2.2
Total	**2,240.6**	**-5.0**
South Dakota		
Canada	666.5	0.6
Mexico	302.9	-11.3
Europe	119.4	18.7
Middle East	75.6	-17.1
Asian NIEs	64.7	36.9
Total	**1,465.5**	**-0.9**
Wisconsin		
Canada	7,344.9	5.5
Europe	3,909.4	8.4
Mexico	2,649.9	11.7
China	1,485.1	-3.8
South America	1,431.5	11.1
Total	**22,009.5**	**1.0**

Five largest manufactured export industries

	Total Exports 2014 (millions)	Annual Percent Change 2013-2014
Minnesota		
Machinery, Except Electrical	3,786.6	-6.1
Computer and Electronic Products	3,155.2	-4.9
Transportation Equipment	2,554.1	0.1
Food and Kindred Products	2,119.0	8.0
Chemicals	1,767.2	6.3
Total	**19,737.5**	**2.2**
Montana		
Chemicals	313.4	12.5
Machinery, Except Electrical	120.5	-24.7
Nonmetallic Mineral Products	84.9	20.3
Petroleum and Coal Products	69.6	-24.1
Transportation Equipment	65.6	-37.4
Total	**1,012.8**	**-3.1**
North Dakota		
Machinery, Except Electrical	956.5	-9.1
Petroleum and Coal Products	302.1	49.0
Chemicals	301.0	-20.4
Food and Kindred Products	197.7	-18.7
Transportation Equipment	150.3	-3.3
Total	**2,240.6**	**-5.0**
South Dakota		
Food and Kindred Products	551.5	3.1
Machinery, Except Electrical	330.5	15.6
Transportation Equipment	163.2	-5.1
Computer and Electronic Products	139.0	-1.7
Beverages and Tobacco Products	63.8	-35.1
Total	**1,465.5**	**-0.9**
Wisconsin		
Machinery, Except Electrical	5,425.5	-14.9
Computer and Electronic Products	2,905.9	0.3
Food and Kindred Products	2,167.3	11.4
Transportation Equipment	2,158.3	-0.7
Chemicals	2,006.5	19.8
Total	**22,009.5**	**1.0**



A modest economic outlook for the Ninth District

By ROB GRUNEWALD
Economic Analyst

JOE MAHON
Economic Analyst

The district economy saw modest progress so far in 2015, with a number of industries posting employment gains alongside a slowdown in the natural resources sector. The outlook is also slightly positive as respondents to the professional business services survey are optimistic for the upcoming year, while the results of the Minneapolis Fed's forecasting models point to slowing in employment growth through 2016. In the agriculture sector, crop prices are expected to remain low, providing a strain on farm income.

District employment growing slower than the nation's

Employment levels increased in a number of district industries, but fell short of growth at the national level. Total district nonfarm employment increased 1.2 percent in May from a year earlier, while U.S. employment grew 2.2 percent (see Chart 1). The district's strongest employment gains were posted by construction (2.7 percent), manufacturing (1.8 percent) and information and financial services (1.6 percent). Meanwhile, natural resources and mining decreased 2.1 percent compared with a year ago.

Over the past year, employment growth in the United States has exceeded that of the district (See Chart 2). A couple of factors come into play. First, employment growth was stronger in the district than nationally following the Great Recession, as economic activity continued to languish in other areas of the country from 2010 to 2013. Since then employment has been catching up in those other areas as they experience a later recovery.

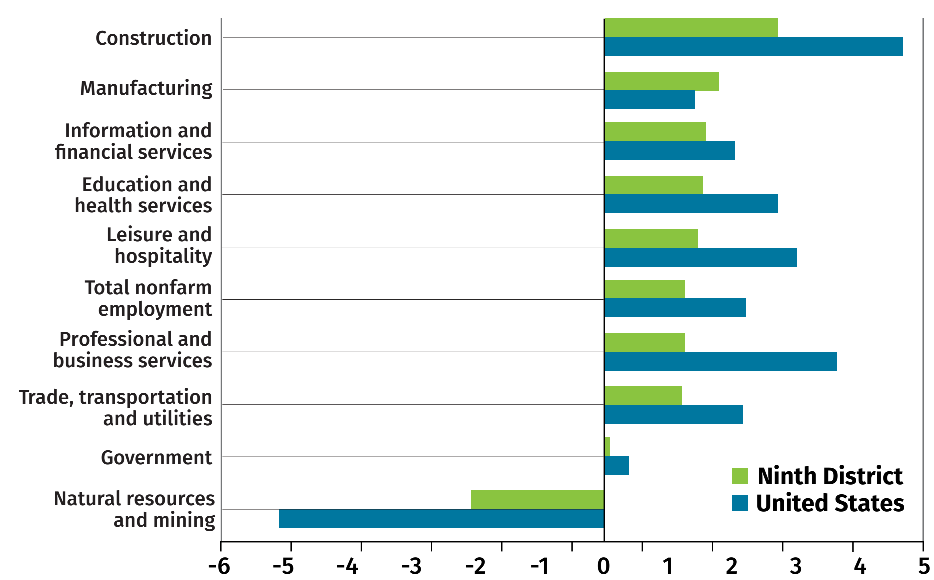
Second, strong employment gains from the expansion in energy production in North Dakota contributed to district employment growth during 2010 to 2013. However, with the drop in oil prices and decreased drilling activity in the western part of North Dakota since the end of 2014, North Dakota has posted job losses over the first five months of 2015 due to layoffs of oilfield workers.

At the end of September 2014, when oil prices were above $90 per barrel, 197 drilling rigs were active in the region (189 in North Dakota, eight in Montana). Then, oil prices around the world collapsed. For example, the West Texas Intermediate crude oil price dropped, holding at around $50 from January to April, and since then has been closer to $60 per barrel. By the beginning of July there were 76 drilling rigs active in North Dakota and one drilling rig working in Montana. Oil production also slowed in the region, dropping about 5 percent from its peak in December.

Despite the slowdown in oil drilling, unemployment rates in the region have risen only a little, and from very

Employment gains in most district industries, but slower than U.S. **1**

Nonfarm employment, percent change from a year earlier, May 2015



Source: Bureau of Labor Statistics

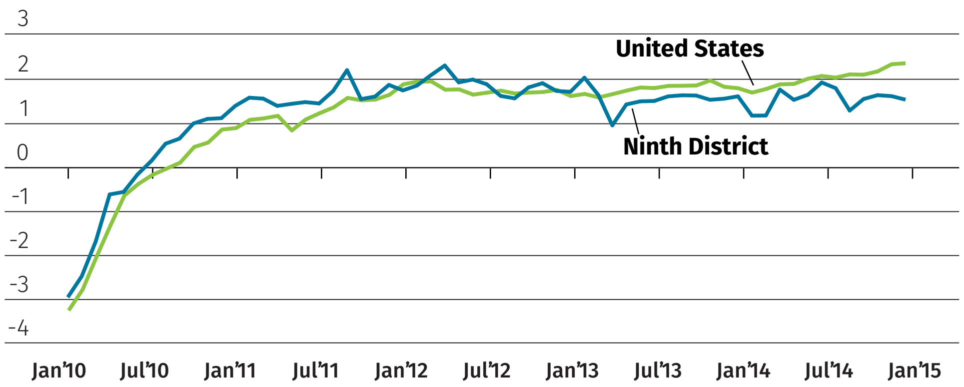
low levels as demand for construction workers remained strong to build public and energy sector infrastructure. When the pace of drilling was still rapid earlier in 2014, infrastructure was far behind needs.

While the slowdown in the oil patch has had an impact on the district's employment tally, the overall impact is likely contained in and around that region. As reported earlier in "How Wide is the Ripple Effect?" (see July 2013 *fedgazette* online) the impact of activity in the Bakken doesn't seem to register in aggregate statistics much beyond 100 miles and at most 200 miles away. Furthermore, an analysis by the Minnesota Department of Employment and Economic Development released in April using a range of assumptions for future oil prices, shows that the energy-producing areas in North Dakota are expected to have a modest 0.1 percent to 0.3 percent overall net impact on Minnesota's economic

Employment growth in U.S. pulling ahead of the district

2

Percent change in nonfarm employment compared with a year earlier



Source: Bureau of Labor Statistics

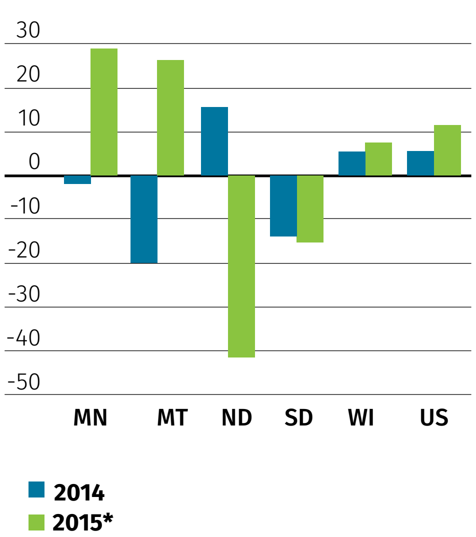
output by 2019 and 0.2 percent or less impact by 2030.

The outlook for district employment growth is slightly positive. According to the professional business services survey, the outlook for hiring is positive, with 21 percent of firms expecting to increase full-time staff while 7 percent expect decreases (see related story on page 13). However, the Minneapolis Fed's forecasting models predict a slowing in employment, with slight decreases in Minnesota and Wisconsin during 2016, slight increases in Montana, South Dakota, and the Upper Peninsula, and a rebound in employment growth in North Dakota (see page 18). Meanwhile, stronger growth is predicted for national labor markets relative to the district in 2016. Unemployment rates in the district are expected to increase slightly by 2016, but remain at relatively low levels, while the U.S. unemployment rate is predicted to drop below 5 percent.

Mixed home building growth

3

Housing units authorized
Percent change from a year earlier



* Percent change from May 2014 year-to-date to May 2015 year-to-date
Source: U.S. Census Bureau

Homebuilding mixed, manufacturing slowing

Several large commercial building projects underway in the district have helped boost construction activity. However, housing units authorized, a signal of future residential building, has varied across the district (see Chart 3). During the first five months of 2015, housing units authorized posted strong gains in Minnesota and Montana, but dropped substantially in North and South Dakota, compared with the same period a year earlier. District homebuilding has picked up from the depths of the Great Recession, but is still far from the annual peak reached in 2004. One reason for this is that population growth and household formation are generally slower than a decade ago (with the exception of North Dakota); therefore, a return to annual home building levels in the district prior to the Great Recession is not to be expected.

Meanwhile, manufacturing activity has slowed somewhat in the district, despite year-over-year employment gains. According to a June survey of purchasing managers released by Creighton University, results indicated moderate expansion in manufacturing in Minnesota and South Dakota, and a contraction in North Dakota. The manufacturing sector has struggled from slower exports, in part due to the stronger dollar relative to currencies of trading partners (see related story on page 14).

Consumer spending and tourism are optimistic

Nationally, retail sales increased a solid 1.2 percent in May from the previous month and were 2.7 percent higher than a year ago (not adjusted for inflation). In the district, a number of retailers have reported gains in sales during the past few months, although retail activity has slowed in the energy producing areas of North Dakota and Montana.

Tourism officials and district business owners associated with tourism are optimistic for a strong season. Gasoline prices have increased since earlier in the year, but remain much lower than they were going into last year's summer, which will help to keep travel costs down. According to a survey of Minnesota lodging businesses conducted by the state's tourism office, 53 percent of businesses expect summer revenue to increase from a year ago, while 11 percent expect decreases.

Overall personal income gains during the first quarter compared with a year earlier were positive. But growth was depressed by decreases in farm income, which fell more than 25 percent in district states, except for Montana where farm income was higher than last year. The Minneapolis Fed's forecasting model predicts slow income growth in 2015, likely influenced by the first quarter drop in farm income, but predicts growth rates will pick up in 2016.

In addition to relatively low gasoline prices, consumer prices overall have stayed in check. In May, the U.S. personal consumption expenditures price index was only 0.2 percent higher than a year earlier, while the core rate of inflation, which doesn't include relatively volatile food and energy prices, increased 1.2 percent.

For farmers, better weather but falling prices

After two years marked by long winters, farmers finally got a reprieve in 2015 from late spring planting and were able to get crops in the ground on a more typical schedule. Planting progress and emergence rates for corn, soybeans and spring wheat as of late-June were slightly ahead of their five-year averages throughout most of the district. The majority of those crops were rated in good or excellent condition over the same period. Solid rainfall has also left much of the district free of drought, with the exception of parts of Montana. But the biggest news so far this year has been the massive avian influenza outbreak that has led to the deaths of an estimated 48 million chickens and turkeys in 15 states. The bird flu has been especially concentrated in Minnesota, which is the nation's largest producer of turkeys, and in Iowa.

Unfortunately for farmers, crop prices, which were already at low levels as of last year's harvest, have retreated further. The U.S. Department of Agriculture forecasts corn, wheat and soybeans prices to decrease this year and into 2016 (see Chart 4). For livestock producers, the outlook is a little better. Prices for cattle are historically high and expected to remain stable. Meanwhile, hog prices, which have also been strong, have retreated slightly. Dairy producers have seen milk prices drop dramatically to margin-squeezing levels, though they, and other animal product producers, benefit from lower crop prices that bring down feed costs.

Due to lower crop prices, district agricultural producers began the year in worse financial shape than in recent years. According to the Minneapolis Fed's first-quarter (April 2015) agricultural credit conditions survey, 79 percent of respondents reported lower farm income compared to the previous three months, while only 8 percent noted increases. Agricultural lenders mostly expected farm profits to fall further in the second quarter of 2015, with 78 percent expecting decreased income and just 4 percent expecting increases. On balance, the outlook for farm household and capital spending was also for decreases. f

Most agricultural commodity prices expected to decrease

4

Average farm prices

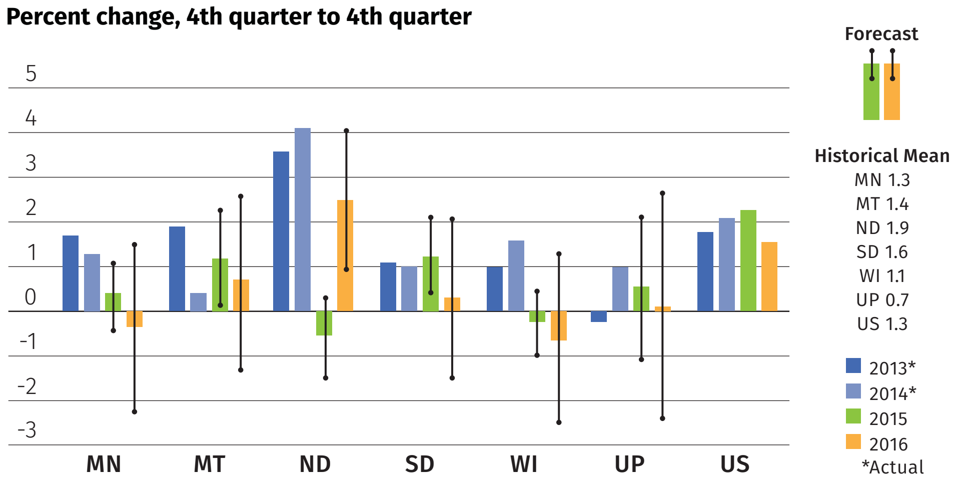
	2012/2013	2013/2014	Estimated 2014/2015	Projected 2015/2016
(CURRENT $ PER BUSHEL)				
Corn	6.89	4.46	3.55-3.75	3.20-3.80
Soybean	14.40	13.00	10.05	8.25-9.75
Wheat	7.77	6.87	6.00	4.40-5.40
	2013	**2014**	**Estimated 2015**	**Projected 2016**
(CURRENT $ PER CWT)				
All Milk	20.05	23.97	17.15-17.55	17.45-18.45
Steers	125.89	154.56	159.00-165.00	155.00-168.00
Hogs	64.05	76.03	49.00-51.00	44.00-48.00

Source: U.S. Department of Agriculture, estimates as of June 2015

Nonfarm employment

1

Percent change, 4th quarter to 4th quarter

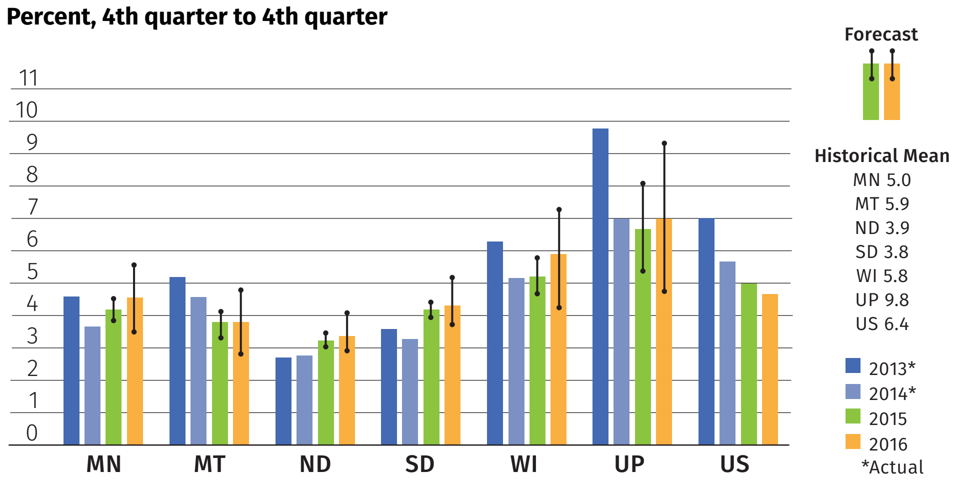


Employment growth is expected to slow. For the remainder of this year, overall job growth is predicted to slow from solid growth rates in 2014 and be below historical averages, with a slight decrease in North Dakota and Wisconsin, slight increases in Minnesota and the Upper Peninsula of Michigan and stronger growth of more than 1 percent in Montana and South Dakota. In 2016, employment growth is expected to slow further, with slight decreases predicted for Minnesota and Wisconsin and gains of less than 1 percent in Montana, South Dakota and the Upper Peninsula of Michigan. The exception is North Dakota, where employment growth is predicted to pick up to 2.5 percent, above the state's historical average.

Unemployment rate

2

Percent, 4th quarter to 4th quarter

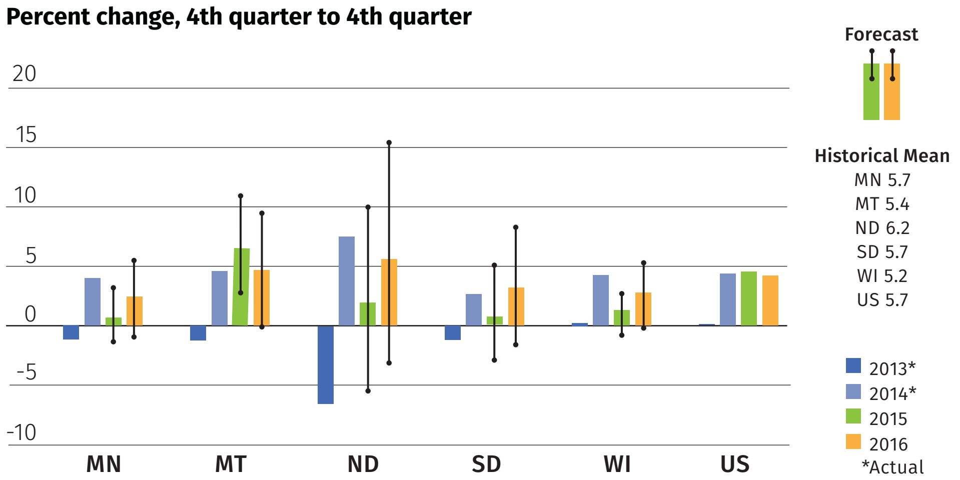


Unemployment rates are predicted to increase slightly. Overall, unemployment rates are expected to increase this year in Minnesota, the Dakotas and Wisconsin, while rates are predicted to decrease in Montana and the Upper Peninsula of Michigan. In 2016, unemployment rates are predicted to increase in all areas, except in Montana, where the unemployment rate is forecast to remain level. By 2016, unemployment rates are expected to remain below historical averages, except in South Dakota and Wisconsin, where rates are predicted to rise above their states' historical averages.

Personal income

3

Percent change, 4th quarter to 4th quarter

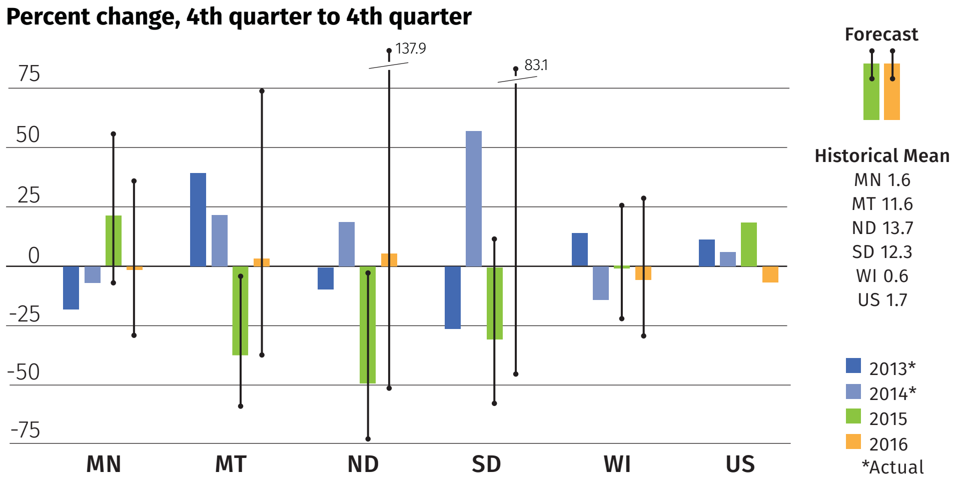


Personal income is predicted to grow modestly. After a rebound last year, in 2015, personal income growth is expected to slow in Minnesota, the Dakotas and Wisconsin but remain positive, while the pace of growth is predicted to increase in Montana. In 2016, personal income growth is expected to increase in all areas, except in Montana, where growth is expected to slow somewhat.

Housing units authorized

4

Percent change, 4th quarter to 4th quarter



Housing units authorized are expected to slow. In 2015, authorizations are predicted to decrease in all district states following mixed results in 2014, except in Minnesota, where solid growth is expected. In 2016, housing units authorized are predicted to increase in Montana and North Dakota, remain level in South Dakota and decrease in Minnesota and Wisconsin. However, the confidence intervals for home building predictions span a relatively wide range, indicating a much higher degree of uncertainty compared with forecasts for employment, unemployment rate and personal income.

fedgazetteRoundup

Highlights from the fedgazette blog of business and economic activity from around the Ninth District

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Part-time work falling since recession

There has been a fair amount of angst over the uptick in part-time jobs during and immediately after the recession, according to data from the Current Population Survey (see Chart 1). This was particularly the case because all of the increase came from people holding part-time jobs for economic reasons, a category described by the CPS as "involuntary."

Although these are a small minority of all part-time jobs (most people working part-time prefer to do so), the share of part-time jobs for economic reasons doubled from 2007 to 2010, to almost 6 percent of the total labor force, and 20 percent of part-time labor.

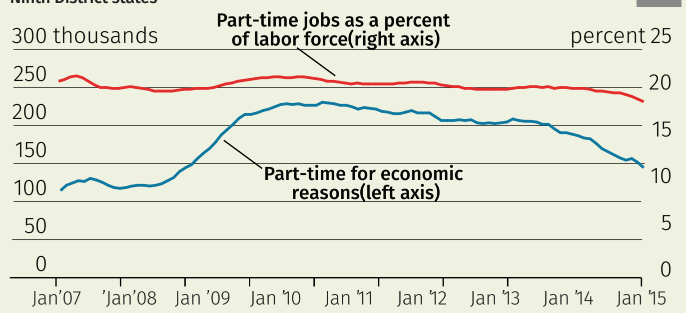
But over the past five years or so, the total number of part-time jobs has been dropping. So too have part-time jobs as a share of total jobs and the share of part-time jobs for economic reasons, though the latter measure remains elevated compared with precrisis levels.

The same trends are broadly applicable by race in Ninth District states, but their paths have been considerably different. CPS data show that until about 2010, black workers had fairly low rates of part time, but those rates spiked well above the rates of whites and other minority groups. (Because of sample sizes and comparatively small minority populations through much of the Ninth District, all other minority groups had to be combined.) Virtually all of this increase came from those working part time for economic reasons, which also rose more for other minority groups than for whites (see Chart 2).

The good news is that part-time work, especially for economic reasons, has been in retreat, including a steep decline for black workers since mid-2013, though this measure also remains elevated compared with prerecession levels.

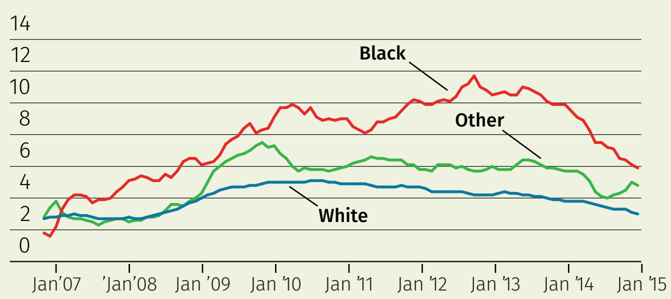
—Ronald A. Wirtz

Part-time job trends 1
Ninth District states*



* MN, MT, ND, SD, WI
Source: Current Population Survey, U.S. Census Bureau

Part-time for economic reasons as a percent of labor force, by race 2
Ninth District states*



* MN, MT, ND, SD, WI
Source: Current Population Survey, U.S. Census Bureau

More recharging personal batteries at national parks

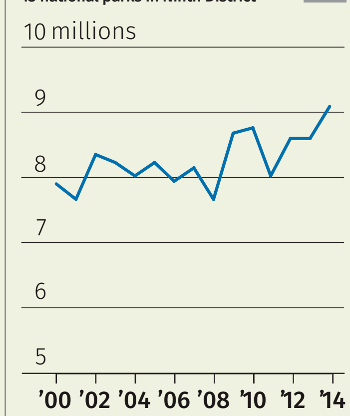
Even in the digital age—or maybe because of it—the great outdoors continues to be a tourism draw, as evidenced by growing visits to the country's national parks, according to data from the National Park Service (NPS). And those visits are translating to the Ninth District economy.

Attendance has been trending upward at many parks, especially since the recession. Last year, attendance grew 6 percent among the 13 national parks in the Ninth District with annual attendance of at least 100,000, and is up almost 20 percent since 2008 (see Chart 1). In 2014, attendance at these district parks hit 9 million for the first time.

Among these large national parks in the district, two of them—Mount Rushmore in South Dakota and Glacier National in Montana—are responsible for half of all visitors. Those visitors are spending money and creating jobs, according to a separate NPS database. Visitor spending hit nearly $1.2 billion last year, supporting more than 20,000 jobs (see Chart 2) in district states.

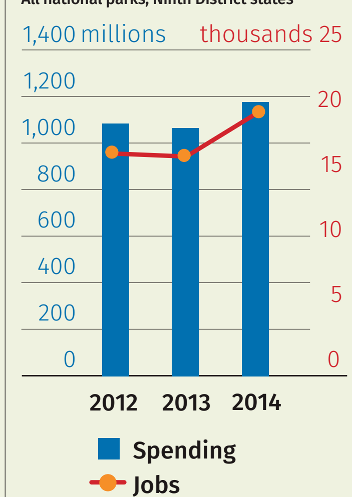
—Ronald A. Wirtz

Total visits trending up 1
13 national parks in Ninth District*



*With more than 100,000 annual visitors
Source: National Park Service

Related spending, jobs higher 2
All national parks, Ninth District states*



*MN, MT, ND, SD, WI
Source: National Park Service

Is there a doctor in the house (who accepts my insurance)?

When you are sick, you sort of assume that you will be able to see a doctor. But according to a survey by the National Center for Health Statistics, not all doctors are accepting new patients. That's especially the case if you are on Medicaid, the federal health program that serves the poor. The good news for the sick and injured is that doctors in the Ninth District are more willing and able to see new patients than doctors elsewhere.

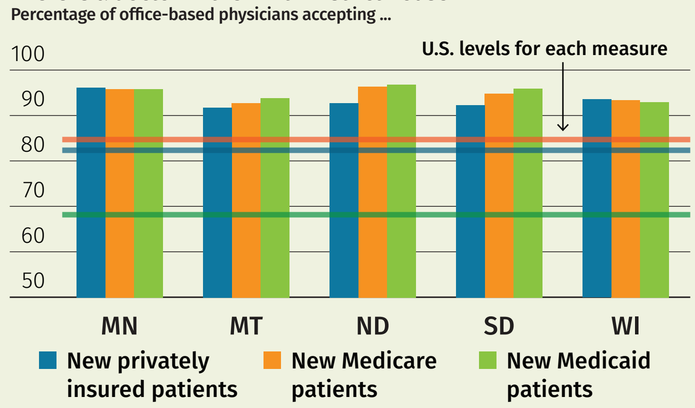
The survey looked at access for new patients with three types of insurance coverage: private, Medicare and Medicaid (the survey did not ask about the uninsured). Overall, about 95 percent of office-based physicians across the country accepted some new patients.

But apparently not all patients are created equal, because access differed by type of insurance. Patients with both private insurance and Medicare had about an 85 percent chance of being able to find a doctor taking these types of new patients. But only 69 percent of doctors said they were accepting new patients on Medicaid, which typically reimburses doctors at a lower rate than other health insurance coverage.

But new-patient rates among doctors in the Ninth District were universally higher (see chart). Doctors in Minnesota accepted new patients at a rate of about 94 percent, regardless of insurance type. The Dakotas and Montana went completely against the trend; doctors in each of those states were more open to accepting new Medicaid patients than those with either private or Medicare insurance.

—Ronald A. Wirtz

There *is* a doctor in the Ninth District house
Percentage of office-based physicians accepting ...



Source: National Center for Health Statistics, U.S. Department of Health and Human Services

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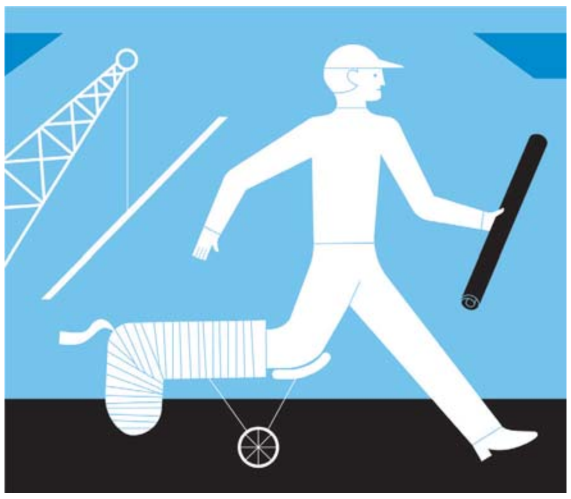

ILLUSTRATION BY JAMES O'BRIEN

Job Growth
July 2015

Percent change in employment

Third quarter 2009 to third quarter 2014

- **-0.1 to 3.9**
- **4.0 to 5.9**
- **6.0 to 7.9**
- **8.0 to 28.4**

United States: 10.3

Source: Bureau of Labor Statistics