



2009

Labor Market Report for South Dakota

Table of Contents

	Page
I. The Recession	1
II. Industry Trends from the Quarterly Census of Employment & Wages	4
A. Overview	4
B. Natural Resources & Mining Industry Group	6
1. Agriculture, Forestry, Fishing and Hunting Industry	6
2. Mining	8
C. Construction Industry Group	9
D. Manufacturing Industry Group	11
E. Trade, Transportation & Utilities Industry Group	13
1. Wholesale Trade	14
2. Retail Trade	15
3. Transportation and Warehousing	15
4. Utilities	16
F. Information Industry Group	16
G. Financial Activities Industry Group	17
1. Finance and Insurance	18
2. Real Estate & Rental & Leasing Sector	19
H. Professional & Business Services Industry Group	19
1. Professional, Scientific and Technical Services Industry	20
2. Management of Companies and Enterprises	21
3. Administrative & Support & Waste Management & Remediation Services Industry	21
I. Education & Health Services Industry Group	22
1. Educational Services Industry	22
2. Health Care and Social Assistance	23
J. Leisure & Hospitality Industry Group	23
K. Arts, Entertainment and Recreation	24
L. Accommodation and Food Services	25
III. Other Services Industry Group	25
IV. Government Industry Group	26
A. Federal Government	27
B. State Government	27
C. Local Government	28
V. Bureau of Economic Analysis (BEA) Indicators (Employment, Personal Income, Gross Domestic Product)	28
A. Employment	28
B. Personal Income Statistics	30
C. Gross Domestic Product	31
VI. Labor Force Trends in South Dakota	33
VII. Economic Recovery	34

2009 Labor Market Report for South Dakota

The Recession

A downturn in the economy affects nearly everyone in a society. Layoffs. Foreclosed homes. Wage cuts. Price hikes. Collapsed banks. Deflated retirement plans. Business closures. They are all symptoms of a fatigued economy, which we in the United States have come to know as another recession.

An economy naturally cycles through a series of expansions and contractions. However, a recession is basically an extreme economic contraction. It begins at the last high point, or peak, of economic activity and ends when at its lowest point, or trough. Interestingly, the start and end points of a recession can only be identified in retrospect.

The National Bureau of Economic Research (NBER) is the entity that officially declares recessions in the United States. They define a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real gross domestic product (GDP), real income, employment, industrial production, and wholesale-retail sales." In other words, it is the weakening of multiple economic factors that determines a recession.

Having the largest GDP in the world, the United States stands out as an economic powerhouse. As a result, recessions in the United States and other key countries tend to spill over to other nations as well. In fact, the unwelcome effects of many recessions can be felt worldwide.

The United States is no stranger to recessions. We were first struck in the late 1700s and have been consistently revisited by recessions ever since. In fact, we have suffered through more than a dozen recessions since the notorious Great Depression of the 1930s. The table on the following page details the occurrences of recessions from the Great Depression to the present.

(continued on next page)

Commonly Known As	Start	End	Duration (in Months)	Number of Months since previous recession
The Great Depression	August 1929	March 1933	43	21
Recession of 1937	May 1937	June 1938	13	50
Recession of 1945	February 1945	October 1945	8	80
Recession of 1948	November 1948	October 1949	11	37
Recession of 1953	July 1953	May 1954	10	45
Recession of 1958	August 1957	April 1958	8	39
Recession of 1960-61	April 1960	February 1961	10	24
Recession of 1969-70	December 1969	November 1970	11	106
1970s Oil Crisis	November 1973	March 1975	16	36
1980 recession	January 1980	July 1980	6	58
Early 1980s recession	July 1981	November 1982	16	12
Early 1990s recession	July 1990	March 1991	8	92
Early 2000s recession	March 2001	November 2001	8	120
Late 2000s recession (ongoing)	December 2007			73
<i>Source: National Bureau of Economic Research</i>				

The National Bureau of Economic Research officially declares recessions for the nation as a whole but not for individual states, regions, industries or other economic entities. In contrast, these smaller-scale economies may not suffer the same impact or follow at the same pace as the rest of the nation as a whole. For example, at the beginning of the current recession, it seemed South Dakota was immune to the seriousness of the economic woes of much of the rest of the country. Inevitably though, we have come to feel delayed effects of the recession as well.

It is customary to use seasonally adjusted data when determining the start and end dates of a recession. Therefore, the following analysis is based on seasonally adjusted data, including nonfarm employment estimates available through the Current Employment Statistic (CES) program and labor force estimates available through the Local Area Unemployment Statistics (LAUS) program. Both of these programs are administered by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor.

When the National Bureau of Economic Research (NBER) officially announced the current national recession started in December 2007, one of the key indicators used by NBER to make this determination was a decline in employment. The national level of nonfarm employment (based on the BLS survey of employers) peaked in December 2007 and has declined consistently since. Since the start of the recession through July 2009, the national worker level has decreased by 6.6 million workers (4.8 percent). For the comparative time period, South Dakota had a net loss of 6,300 workers (1.5 percent). The nonfarm employment in South Dakota peaked in October of 2008, several months after the start of the national recession.

Although South Dakota's economy withstood the effects of the recession through the first three quarters of 2008, employment declines in the last quarter of 2008 offset the overall growth for that year. Since South Dakota exports a high level of goods and services, our state was inevitably impacted by the national

recession. As customers from other areas of the nation drastically decreased their demand for goods and services produced by South Dakota, employment needs to produce those goods and services began to drop.

South Dakota businesses reacted to this decreased demand through several cost-cutting measures, including reduced hours, temporary layoffs and permanent layoffs. Some businesses had to close. Thus far, the industries impacted the most in South Dakota include manufacturing; mining, logging and construction; the professional and business industry sectors; and financial services.

A large majority of workers impacted by the recession were employed within the manufacturing industry sector. For July 2009, South Dakota manufacturing showed an over-the-year decline of 5,300 workers (or 12.4 percent).

For the same time period, the professional and business services sector's over-the-year decline of 1,500 workers (or 5.4 percent) was a direct result of recession-affected businesses hiring fewer workers through temporary help agencies, and from businesses that reduced output. Reduced output led to no longer needing the prior level of services provided by this sector. When the state and the nation ease out of the recession, the level of workers in professional and business services is expected to rebound.

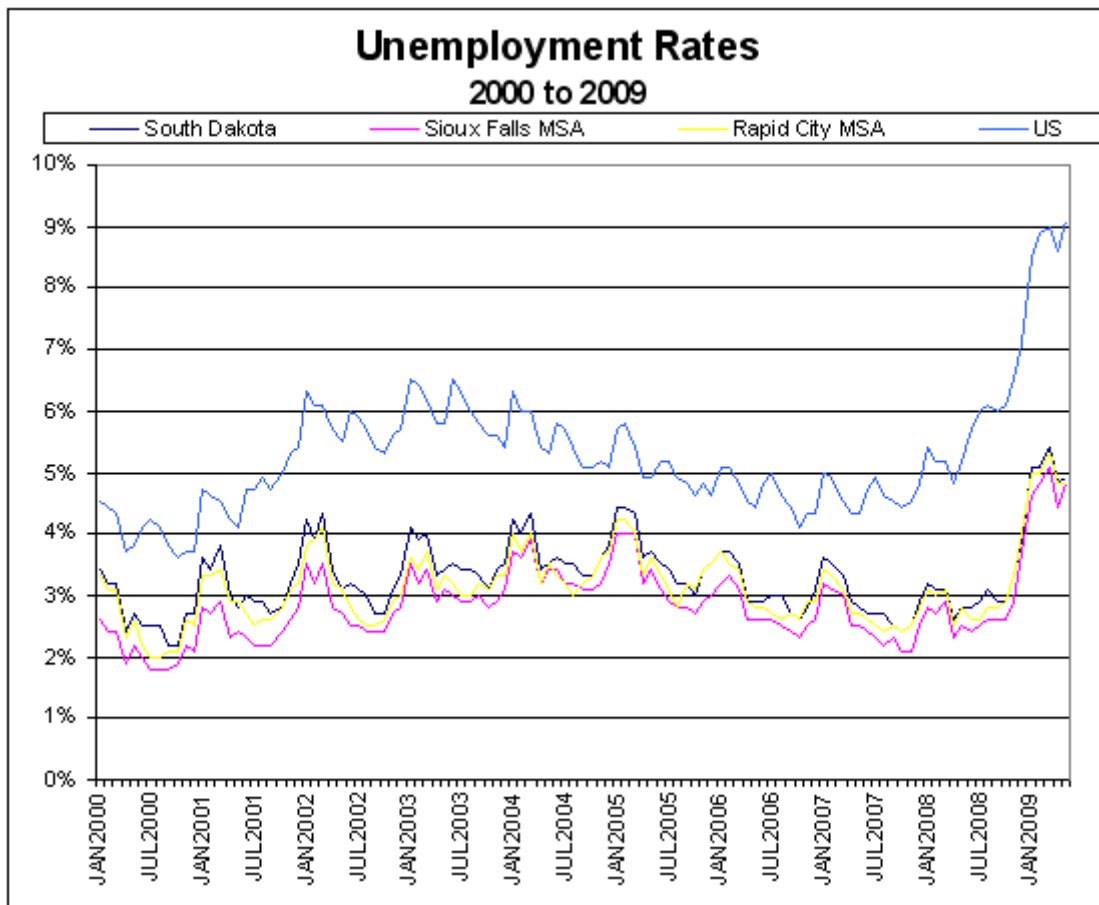
The mining, logging and construction sector was also impacted by the recession, showing a 900 worker (or 3.9 percent) over-the-year loss in July of 2009. The highest over-the-year loss occurred during the first quarter of 2009, when record low temperatures and spring blizzards combined with the downturn in the economy, causing a 1,300 worker (or 5.5 percent) over-the-year loss for this industry sector.

In May 2009, financial services showed its largest over-the-year loss of 1,500 workers (or 4.8 percent). Current preliminary estimates for July 2009 show an over-the-year loss of 300 workers (1.0 percent).

Corresponding to the loss of jobs across the nation, the level of employment (as measured by the BLS household survey) decreased. This decrease corresponded with an increase in the level of unemployed, resulting in elevated unemployment rates. Nationally, the level of employed reached its peak in November 2007 and has steadily declined since. South Dakota's level of employed was resilient for most of 2008, but started to decline in September of 2008. The steadily increasing national unemployment rate is currently 9.7 percent for August 2009. Reflective of recessionary impacts, South Dakota's unemployment rate has been steadily increasing for several months. However, the unemployment rate in the state, currently 4.9 percent for August 2009, continues to be significantly lower than the national rate.

Although the unemployment rate in South Dakota has been climbing, the state still continues to experience a rate consistently lower than the national rate. South Dakota has also maintained one of the lowest foreclosure rates in the nation, and according to the Bureau of Economic Analysis, South Dakota ranks third in the nation in real GDP (adjusted for inflation) growth from 2007 to 2008.

(continued on next page)



Many economists and forecasters expect this recession to end soon, maybe even this year. Others predict a much longer recovery period. Despite the differing recovery predictions, recovery will come eventually.

"As sure as the spring will follow the winter, prosperity and economic growth will follow recession." -- Bo Bennett

Industry Trends of Covered Workers (from the Quarterly Census of Employment and Wages)

Examination of employment levels shows South Dakota recorded worker growth from 2007 to 2008, despite the onset of the recession.

The South Dakota Quarterly Census of Employment and Wages data provides information about workers covered by South Dakota Unemployment Insurance law and the Unemployment Compensation for Federal Employees (UCFE) program. Covered workers include employees who are paid a wage or salary during the year. Employees working at privately owned businesses and federal, state and local government agencies are all included. Covered workers are counted at their place of work, rather than their place of residence. Also, a person who works for more than one covered employer is counted at each job.

Overview

There were 397,111 workers covered by unemployment insurance in 2008. This represents an increase of 1.3 percent from 2007. The table below indicates nine industries showed worker growth while two industries declined during 2008. In 2008, the number of covered wage and salaried workers equaled 95.4 percent of South Dakota's wage and salaried workers.

Please note the tables and graphs below showing data on Covered Workers and Wages contain data which is subject to revision. The data were produced by the Labor Market Information Center, South Dakota Department of Labor, in cooperation with the U.S. Bureau of Labor Statistics.

Average Number of Covered Workers by Ownership & Industry Group 2007-2008 Change			
	2007	2008	Percent Change
Natural Resources and Mining	4,364	4,677	7.2%
Construction	22,197	22,256	0.3%
Manufacturing	41,932	42,693	1.8%
Trade, Transportation and Utilities	80,313	81,058	0.9%
Information	7,154	6,959	-2.7%
Financial Activities	30,489	30,625	0.4%
Professional and Business Services	27,581	28,055	1.7%
Education and Health Services	55,061	57,002	3.5%
Leisure and Hospitality Services	43,070	43,217	0.3%
Other Services	10,504	10,486	-0.2%
Total Private Ownership	322,665	327,028	1.4%
Federal Government	11,079	11,233	1.4%
State Government	14,018	14,211	1.4%
Local Government	44,307	44,638	0.7%
Total Government	69,403	70,082	1.0%
State Total	392,068	397,110	1.3%

With impacts of the recession at the forefront of national, state and local news as this annual summary is published, it may seem surprising the information 2008 annual data shows so many South Dakota industries fared as well as they did from 2007 to 2008. It is important to remember the big role timing played when reviewing this annual analysis of the South Dakota labor market. While our state's economy was insulated from the effects of the national recession for much of 2008 as reflected by an analysis of 2007 to 2008 trends in covered worker and pay data, the story to be told when 2009 annual data becomes available will almost certainly be less positive.

Annual pay reflects total compensation paid to covered workers in the form of wages, salaries, bonuses, commission and overtime pay during the year. Annual pay is calculated by dividing total payroll by the average number of workers. The statewide annual pay for workers covered by unemployment insurance for 2008 was \$32,821. This represents an increase of 3.7 percent from 2007.

Annual pay is affected by the number of hours worked and the rate of pay. Full-time workers normally have higher annual pay than part-time workers do. Many of the industries with the lowest annual pay have a large percentage of part-time jobs. Industry specific annual pay is determined by the mix of full-time and part-time workers and high-paying and low-paying jobs. The leisure and hospitality industry group has the lowest

industry annual pay of \$12,522 because these types of businesses typically hire many part-time workers. Federal government workers have the highest annual pay at \$53,374.

Annual Pay of Covered Workers by Ownership and Industry Group 2007-2008 Change			
	2007	2008	Percent Change
Private Ownership			
Natural Resources and Mining	\$31,378	\$33,100	5.5%
Construction	\$35,857	\$36,862	2.8%
Manufacturing	\$37,089	\$37,769	1.8%
Trade, Transportation and Utilities	\$29,074	\$30,147	3.7%
Information	\$38,527	\$39,259	1.9%
Financial Activities	\$40,256	\$41,453	3.0%
Professional and Business Services	\$36,966	\$38,388	3.8%
Education and Health Services	\$36,187	\$37,894	4.7%
Leisure and Hospitality Services	\$11,958	\$12,522	4.7%
Other Services	\$22,701	\$24,189	6.6%
Total Private Ownership	\$31,276	\$32,431	3.7%
Government			
Federal Government	\$52,555	\$53,374	1.6%
State Government	\$38,566	\$40,161	4.1%
Local Government	\$26,997	\$28,167	4.3%
Total Government	\$33,414	\$34,639	3.7%
Statewide Total	\$31,654	\$32,821	3.7%

Detailed Industry Summaries

Natural Resources and Mining Industry Group

The natural resources and mining industry group is made up of the agriculture, forestry, fishing and hunting industry and the mining industry.

Agriculture, Forestry, Fishing and Hunting Industry NAICS Sector 11

The Agriculture, Forestry, Fishing and Hunting industry experienced a worker gain from 2007 to 2008, adding 235 workers (6.7 percent) for an annual average employment level of 3,750 workers. The annual pay of workers also increased, rising by \$1,076 (3.9 percent) to \$28,703. The percentage growth in worker levels

was an improvement over the previous year (6.1 percent in 2007 to 6.7 percent in 2008). However, annual pay growth was down from 8.0 percent in 2007 to 3.9 percent in 2008.

Industries in the Animal Production subsector (NAICS 112) comprised most of the worker increase in this industry by adding 200 jobs over the year, an increase of 8.8 percent. The majority of the growth came from the expansion of larger operations and their need to hire additional workers, especially in the cattle ranching and farming areas.

Three other subsectors showed reportable gains in workers. Crop Production (NAICS 111) increased worker levels by 28 (4.1 percent). The crop production subsector increase was more than double the increase in 2007, showing drought conditions have improved and employment is growing in crop production areas. Industries in the crop production subsector grow crops mainly for food, fiber and, most recently, for fuel.

The only two other subsectors to show an increase in worker levels were Support Activities (NAICS 115), with an increase of 11 individuals (2.9 percent), and Fishing, Hunting and Trapping, with a modest increase of four workers but a large percentage increase of 14.3 percent because of the small size of the subsector. Industries in the support subsector are primarily engaged in providing support services that are an essential part of agricultural and forestry production, while industries in the Fishing, Hunting, and Trapping subsector harvest fish and other wild animal from their natural habitats and are dependent upon a continued supply of natural resources.

The only subsector to lose workers was Forestry and Logging (NAICS 113) with the loss of eight workers (-5.6 percent). This might be because the growing and harvesting of timber is on a long production cycle which can involve many variables.

All subsectors in the industry showed increases in annual pay, with Forestry and Logging leading the way with a \$1,646 (5.7 percent) increase for a total of \$30,415 in 2008. Support activities still leads the industry in highest annual pay at \$39,097.

(continued on next page)

South Dakota Covered Workers and Pay Natural Resources & Mining Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Natural Resources and Mining	644	4,677	\$33,100
Agriculture, Forestry, Fishing and Hunting	574	3,750	\$28,703
Crop Production	144	719	\$27,467
Animal Production	298	2,472	\$27,508
Forestry and Logging	30	135	\$30,415
Fishing, Hunting and Trapping	7	32	\$14,199
Agriculture and Forestry Support Activities	95	392	\$39,097
Mining	70	927	\$50,892
Oil and Gas Extraction	4	31	\$76,275
Mining, except Oil and Gas	49	828	\$49,205
Support Activities for Mining	17	68	\$59,856

Mining, Quarrying and Oil & Gas Extraction NAICS Sector 21

For only the third time in the last 14 years the number of workers in this industry increased from 2007 to 2008. The average number of workers grew by 79 individuals (or 9.3 percent) for an overall total of 927 workers in this sector. The worker increase this past year indicates a brighter outlook than in past years when some of South Dakota's gold mines were shut down. Despite variability among the subsectors, there was a net increase of one new establishment in this industry sector.

The average annual pay for this industry sector increased by \$3,927 (8.4 percent) for an average of \$50,892 in 2008. This industry was the third highest paying among the major 19 private industry sectors over the year, following Management of Companies and Enterprises sector and the Utilities sector.

The Mining (except Oil and Gas) subsector (NAICS 212) accounted for the greatest number of worker increases in the industry. Three new establishments were added, increasing worker levels by 58 individuals. Even with the loss of two establishments, the Support Activities for Mining subsector (NAICS 213) had an increase of 22 workers (48 percent). Industries in this subsector provide support services, on a contract or fee basis, required for mining and quarrying of minerals and for the extraction of oil and gas. Establishments performing exploration (except geophysical surveying and mapping) for minerals, on a contract or fee basis, are included in this subsector. Exploration includes traditional prospecting methods, such as taking core samples and making geological observations at prospective sites. The assumption can be made this growth in support activities in preparation for extraction is related to the continuing rise in fuel prices.

Oil and Gas Extraction lost one worker (-3.1 percent) in 2008. This subsector constitutes the smallest number of workers in the industry. Apparently the oil shortages worldwide have not impacted growth in this actual extraction subsector in South Dakota. This industry comprises establishments primarily engaged in operating

and/or developing oil and gas field properties and establishments primarily engaged in recovering liquid hydrocarbons from oil and gas field gasses.

Construction Industry Group

Businesses within the construction industry group erect buildings and other structures, perform alterations, installations, maintenance and repairs.

Construction

NAICS Sector 23

The Construction industry is comprised of three subsectors: Construction of Buildings (NAICS 236); Heavy and Civil Engineering Construction (NAICS 237); and Specialty Trade Construction (NAICS 238).

The work performed within the Construction of Buildings subsector may include new work, additions, alterations, or maintenance and repairs. The Heavy and Civil Engineering Construction subsector comprises establishments whose primary activity is the construction of entire engineering projects (e.g., highways and dams), and specialty trade contractors, whose primary activity is the production of a specific component for such projects. Specialty trade contractors provide such construction services as pouring concrete, preparing work sites, plumbing, painting and electrical work involved in construction, but are not responsible for the entire project. The work performed may include new work, additions, alterations, maintenance and repairs.

The entire Construction industry showed modest positive numbers for 2008. Worker levels for construction grew to 22,256, an increase of only 59 workers (0.3 percent) from the previous year. Although neither the absolute nor percent growth was as large as in previous years, a positive percent increase is good compared to other parts of the nation where the recession took a bigger toll on this particular industry. Annual pay for workers in the Construction industry rose 2.8 percent in 2008, an increase of \$1,005 from 2007 for an annual average of \$36,862.

Only two of the three subsectors showed increased worker levels in 2008. After showing the only loss of workers in 2007, Heavy and Civil Engineering Construction rebounded in 2008 with the largest increase in the Construction industry. It noted a small increase of 87 workers (2.6 percent). The average number of workers employed in Heavy and Civil Engineering in 2008 was 3,485. Specialty Trade Construction had the only other increase, up 45 workers (0.4 percent). The average number of workers employed in special trades during 2008 was 12,745. The only subsector in the construction industry to show a decline was the Construction of Buildings subsector, down 74 workers (1.2 percent); this brought the average number of workers to 6,026.

Percentage-wise, annual pay increased in heavy construction at a greater rate than in building construction and special trades. The annual pay for heavy and civil engineering construction increased by \$3,749 (8.8 percent), while Special Trade Construction increased by \$483 (1.4 percent), and Construction of Buildings increased by \$433 (1.2 percent).

(continued on next page)

South Dakota Covered Workers and Pay Construction Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Construction	3,993	22,256	\$36,862
Construction of Buildings	1,332	6,026	\$35,483
Heavy and Civil Engineering Construction	393	3,485	\$46,204
Specialty Trade Contractors	2,268	12,745	\$34,959

(continued on next page)

Manufacturing Industry Group

Businesses within the manufacturing group transform materials, substances or components into new products.

South Dakota Covered Workers and Pay Manufacturing Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Manufacturing	1,166	42,693	\$37,769
Food Manufacturing	146	7,474	\$35,359
Beverage and Tobacco Product Manufacturing	10	240	\$38,818
Textile Mills	*	*	*
Textile Product Mills	24	437	\$28,113
Apparel Manufacturing	8	155	\$25,334
Leather and Allied Product Manufacturing	*	*	*
Wood Product Manufacturing	65	2,195	\$36,937
Paper Manufacturing	10	804	\$42,447
Printing and Related Support Activities	107	1,545	\$34,587
Petroleum and Coal Products Manufacturing	5	12	\$43,527
Chemical Manufacturing	51	1,224	\$55,551
Plastics and Rubber Products Manufacturing	41	1,536	\$34,546
Nonmetallic Mineral Product Manufacturing	91	1,619	\$44,890
Primary Metal Manufacturing	7	594	\$38,578
Fabricated Metal Product Manufacturing	178	4,003	\$37,186
Machinery Manufacturing	121	6,468	\$39,211
Computer and Electronic Product Manufacturing	35	3,150	\$39,460
Electrical Equipment and Appliance Manufacturing	14	420	\$39,411
Transportation Equipment Manufacturing	67	2,623	\$38,452
Furniture and Related Product Manufacturing	82	2,619	\$30,673
Miscellaneous Manufacturing	101	5,556	\$38,168

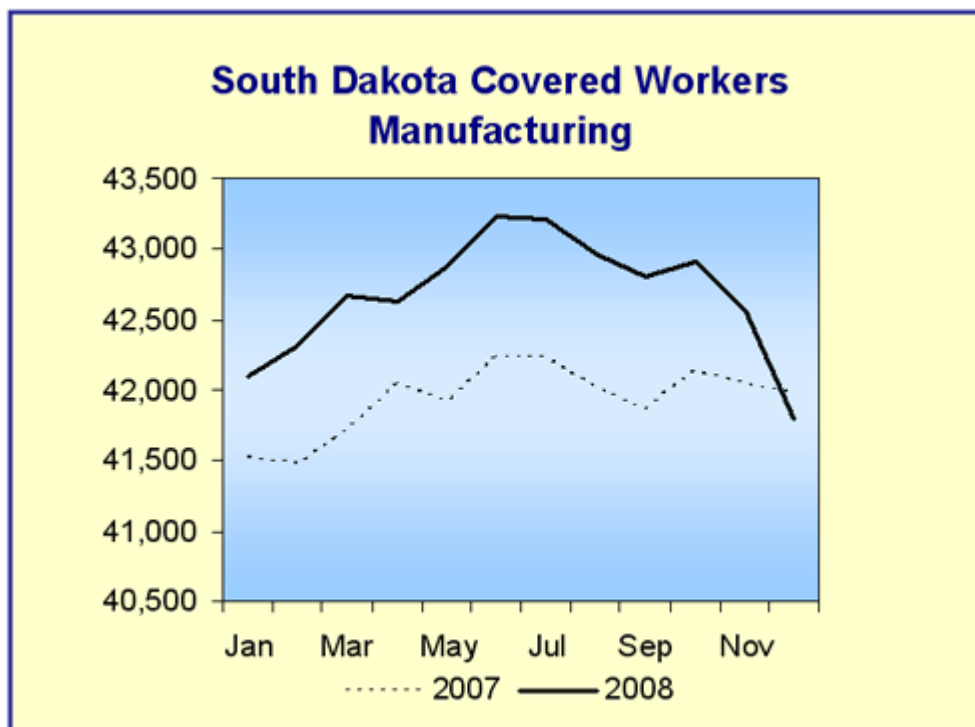
Manufacturing Sector

NAICS Sectors 31-33

In 2008, the Manufacturing Industry increased its employment level by 761 workers (1.8 percent) for an average of 42,693 workers in 2008. The number of establishments grew as well, with 15 establishments added for a total of 1,166 statewide. This industry sector is comprised of both durable and non-durable goods manufacturing. Establishments included in durable goods manufacturing are engaged in manufacturing goods with a normal life expectancy of three or more years. These items typically consist of higher dollar products such as machinery, furniture, building materials and electronic equipment. Non-durable goods typically consist of food and beverage products, clothing and paper products.

Despite overall growth for this industry, 12 of the 21 manufacturing industry subsectors experienced decreased worker levels, which was likely related to the impact of the recession. Worker growth which occurred within the nine growing subsectors was mainly centered within the following industries:

- Machinery Manufacturing (NAICS 333): 523 added workers (8.8 percent)
- Fabricated Metal Product Manufacturing (NAICS 332): 246 workers (6.5 percent)
- Chemical Manufacturing (NAICS 325) 174 workers (16.6 percent)
- Food Manufacturing (NAICS 311) 76 workers (1.0 percent)



The 2008 annual pay for the Manufacturing sector was \$37,769, an increase of 1.8 percent compared to the 2007 level of \$37,089. This was a slow rate of growth for this industry when compared to the statewide average of 3.7 percent. However, most subsectors did increase their annual pay levels, with two subsectors in particular exhibiting phenomenal growth. The Petroleum and Coal Products Manufacturing subsector (NAICS 324) increased its annual pay by 26.7 percent to \$43,527. This increase in pay could have been influenced by the addition of two new establishments to this subsector. The Leather and Allied Product Manufacturing subsector (NAICS 316) boosted their annual pay by 22.3 percent to \$12,677. Although this subsector had a big jump in pay, the annual average remains rather low. This perhaps indicates a large number of part-time workers in this industry.

The Chemical Manufacturing subsector had the most significant decrease in pay, dropping by \$15,604 (21.9 percent) during 2008. This drop is likely associated with recessionary impacts. However, this subsector did have an overall increase in workers during 2008, adding 174 workers (16.6 percent).

Although the Electrical Equipment, Appliance and Component Manufacturing (NAICS 335) was the only subsector to have decreased levels of establishments, workers and pay, the 2008 annual pay for this industry of \$39,411 was still higher than the statewide average of \$32,431.

Overall, the manufacturing sector maintained steady worker growth and increased annual pay. In fact, manufacturing worker levels have been steadily increasing in South Dakota since 1994, while national levels have not shown annualized worker growth since 1998.

Trade, Transportation & Utilities Industry Group

The Trade, Transportation and Utilities industry group is comprised of the Wholesale Trade industry, the Retail Trade industry, the Transportation and Warehousing industry, and the Utilities industry. Businesses within this industry group sell or arrange the sale of goods and supplies and retail merchandise to the public, provide transportation of passengers or cargo or generate and/or distribute electricity, gas or water.

South Dakota Covered Workers and Pay Trade, Transportation & Utilities Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Trade, Transportation and Utilities	8,156	81,058	\$30,147
Wholesale Trade	2,508	18,717	\$45,115
Merchant Wholesalers, Durable Goods	808	7,791	\$48,346
Merchant Wholesalers, Nondurable Goods	873	8,927	\$38,153
Electronic Markets and Agents and Broker	827	1,999	\$63,609
Retail Trade	4,193	50,162	\$21,935
Motor Vehicle and Parts Dealers	600	6,577	\$35,775
Furniture and Home Furnishings Stores	195	1,477	\$27,062
Electronics and Appliance Stores	204	1,619	\$31,269
Building Material and Garden Supply Store	440	5,085	\$27,123
Food and Beverage Stores	369	8,566	\$15,282
Health and Personal Care Stores	238	2,032	\$26,570
Gasoline Stations	650	5,847	\$15,335
Clothing and Clothing Accessories Stores	366	2,619	\$13,788
Sporting Goods, Hobby, Book and Music Stores	220	2,141	\$17,347
General Merchandise Stores	194	9,910	\$18,804
Miscellaneous Store Retailers	538	2,967	\$19,465
Nonstore Retailers	179	1,322	\$33,722

South Dakota Covered Workers and Pay			
Trade, Transportation & Utilities Industry Group, continued			
2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Transportation and Warehousing	1,271	9,855	\$34,813
Air Transportation	34	205	\$29,637
Truck Transportation	885	5,506	\$38,638
Transit and Ground Passenger Transportation	93	1,216	\$16,568
Pipeline Transportation	9	61	\$70,524
Scenic and Sightseeing Transportation	11	75	\$13,957
Support Activities for Transportation	111	828	\$36,391
Postal Service	14	30	\$11,918
Couriers and Messengers	79	1,287	\$37,128
Warehousing and Storage	34	647	\$31,087
Utilities	184	2,324	\$67,048

Wholesale Trade

NAICS Sector 42

The Wholesale Trade sector comprises establishments engaged in wholesaling merchandise, generally without transformation, and rendering services incidental to the sale of merchandise. Employment in the Wholesale Trade industry sector grew by 2.0 percent in 2008, raising the level by 365 employees. This employment gain was the 4th largest percent increase of all the industry sectors in 2008. Annual pay for the industry also rose in 2008 by 4.4 percent (\$1,910) which was also the 4th highest percent change throughout all NAICS sectors. The number of establishments in the Wholesale Trade sector decreased by six, primarily due to the Electronic Markets and Agents and Brokers (NAICS 425) subsector decreasing by 31 establishments.

The Wholesale Trade sector is made up of three subsectors: Merchant Wholesale of Durable Goods (NAICS 423), Merchant Wholesale of Nondurable Goods (NAICS 424), and Electronic Markets and Agents and Brokers (NAICS 425). The Merchant Wholesale of Durable Goods out-performed the other subsectors by far in 2008. It was the only subsector with an increase of units, employment and annual pay. Twenty-seven units were added to this subsector along with 255 employees, a worker increase of 3.4 percent, and an increase in annual pay of \$1,858 (4.0 percent).

The Merchant Wholesale of Nondurable Goods remained fairly stable in 2008, increasing employment by a modest 0.5 percent despite the loss of a few establishments. Annual pay, however, increased by an impressive 5.1 percent, or \$1,853, from 2007 to 2008.

The Electronic Markets and Agents and Brokers subsector had a substandard year in 2008. This subsector decreased by 31 units and only increased annual pay by 2.4 percent, or \$1,478. Annual pay in this industry can be unpredictable due to the fact agents and brokers are often paid on a commission basis. Although the number of units for this subsector decreased, employment increased by 3.3 percent, or 64 workers.

Retail Trade

NAICS Sector 44-45

The Retail Trade sector had modest gains throughout 2008 in all categories despite the onset of an economic downturn in the 4th quarter. The number of employers increased by 47, bringing the total to 4,193 retail establishments in South Dakota. Employment rose 0.4 percent for an increase of 207 employees, and annual pay increased by 2.1 percent (\$455).

The Electronics and Appliance Stores (NAICS 443) subsector had the largest percent worker increase at 5.5 percent (84 workers), along with the highest percent annual pay increase of 14.2 percent. Industries in the Electronics and Appliance Stores subsector retail new electronics and appliance merchandise from point-of-sale locations.

The Health and Personal Care Stores (NAICS 446) and General Merchandise Stores (NAICS 452) subsectors also performed well in 2008. Both subsectors exhibited growth in all areas. Health and Personal Care Stores grew by 17 establishments, 64 workers (3.3 percent) and \$625 in annual pay, which is slightly above the Retail Trade sector's increase as a whole. General Merchandise Stores increased by 31 establishments, 91 workers and \$512 (2.8 percent) in annual pay. Discount stores, dollar stores and warehouse clubs all fall under the General Merchandise subsector. Growth in this industry could be linked to the weakening economy and households looking to save money.

Transportation and Warehousing

NAICS Sectors 48-49

Despite the rising cost of fuel, the Transportation and Warehousing sector has grown for the third consecutive year in establishments, employment and annual pay. The number of establishments increased by 18. Employment for this sector had a gain of 80 employees (0.8 percent). Annual pay increased by \$892 (2.6 percent), bringing average annual pay to \$34,813.

The Transportation and Warehousing sector distinguishes three basic types of activities:

- Subsectors for each mode of transportation (i.e., air, rail, water, etc).
- A subsector for warehousing and storage.
- A subsector for establishments providing support activities for transportation.

In addition, there are subsectors for establishments that provide passenger transportation for scenic and sightseeing purposes, postal services and courier services.

The subsector designated as Air Transportation (NAICS 481) was the hardest hit, with an employment loss of 29 workers. This may seem like a small number, but because this is a fairly small subsector, the loss amounted to a 12.4 percent decrease in employment. The number of establishments also decreased for this subsector by four. This industry continues to slow nationwide, due mainly to the high costs of fuel and operating expenses.

While the Air Transportation subsector is slowing down, the Transit and Ground Passenger Transportation (NAICS 485) subsector continues to grow each year. This subsector increased its workforce by 52 workers (4.5 percent) and annual pay by \$594 (3.7 percent). Activities in this subsector include a variety of passenger transportation options, such as urban transit systems, chartered bus, school bus, interurban bus transportation and taxis.

Utilities

NAICS Sector 22

The Utilities sector is comprised of establishments engaged in the provision of the following utility services: electric power, natural gas, steam supply, water supply and sewage removal.

Over the year, the Utilities sector increased establishments by three units and added 97 workers. All growth was basically in two subsectors of the industry: Electric Power Generation, Transmission and Distribution (NAICS 2211), and Water, Sewage and Other Systems (NAICS 2213). These increases can be attributed to the heightened interest in wind power generation systems. Another contributing factor is cities and towns across the state which have upgraded or replaced outdated and deteriorating water and sewer systems.

Historically, the utilities industry has shown a very small percentage annual increase or no change; it is a very stable industry. High annual salaries and low turnover in the utilities industry contribute to that stability. Most of the turnover in this industry is due to retirement.

The Utilities sector ranks second to last among South Dakota's major industries in the number of workers employed (2,324 workers in 2008). The majority of the workers in this sector (approximately 81 percent) are employed in the Electric Power Generation, Transmission and Distribution subsector. The other two subsectors of Natural Gas Distribution (NAICS 2212) and Water, Sewage and Other Systems account for the balance of the employment in the Utilities industry.

In contrast, this sector ranks second from the top for annual pay. Among the 19 private industries in this annual summary, the Utilities sector sits firmly in second place. Annual pay rose \$5,320 (8.6 percent) to \$67,048 for 2008. All subsectors in the industry showed increases in annual pay with the exception of Water, Sewage and other Systems, which showed a slight decrease.

Information Industry Group

Businesses within the information industry group distribute information and cultural products or process data.

South Dakota Covered Workers and Pay Information Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Information	527	6,959	\$39,259
Publishing Industries, except Internet	145	1,940	\$29,643
Motion Picture and Sound Recording Industry	82	556	\$13,495
Broadcasting, except Internet	71	1,160	\$33,267
Telecommunications	186	3,194	\$51,295
Data Processing, Hosting and Related Services	25	61	\$65,568
Other Information Services (Internet Publishing)	18	47	\$37,572

Information Sector

NAICS Sector 51

The Information industry sector lost 195 workers (2.7 percent) during 2008. This loss resulted with a 2008 average number of workers of 6,959. The average annual pay did increase at a rate of 1.9 percent, but this was much lower than the 4.7 percent increase which occurred in 2007. The 2008 annual pay for this sector was \$39,259, which remained higher than the statewide average of \$32,431. Of the 19 private industry sectors, the information sector ranked 7th in annual pay.

The Information industry is composed of establishments engaged in publishing, Internet publishing, motion picture and sound recording, broadcasting, telecommunications, Internet service providers, data processing and all other information services. The 'information economy' of our world today includes both the concept of industries primarily producing, processing and distributing information, as well as the trend of industries using available information and information technology to increase productivity.

The Other Information Services (NAICS 519) subsector was the only one to have worker growth, adding 11 workers (30.6 percent) for a total of 47 workers. Annual pay increased in this subsector by 2.3 percent for a 2008 average of \$37,572.

The Publishing industries (except Internet) (NAICS 511) decreased by five establishments and 49 workers during 2008. There has been much controversy lately regarding print media versus electronic media, with the Internet proving to be highly used news source in addition to, and for some, in lieu of traditional print media. This cultural turn of events has led to a steady decline in newspaper circulations across the country, which in turn impacts worker levels in this industry. The annual pay in this industry did increase by 3.4 percent for a 2008 average of \$29,643.

The Motion Picture and Sound Recording Industries (NAICS 512) also suffered worker losses, with eight establishments closing and a loss of 123 workers. Annual pay for this industry increased by 5.2 percent for a 2008 annual average of \$13,495. This low pay is indicative of a large number of part-time workers.

The Telecommunications (NAICS 517) subsector had a decrease of nine workers and decreased annual pay. The 2008 average pay was \$51,295, which decreased 1.3 percent compared to the 2007 pay of \$51,956. Total average employment in this subsector was 3,194 for the year 2008.

The Data Processing, Hosting and Related Services (NAICS 518) subsector remained relatively stable, with a decline of only two workers (3.2 percent), for a total annual average employment of 61 workers. The average annual pay for this subsector increased 7.8 percent for a 2008 average of \$65,568.

The remaining subsector of Broadcasting (except Internet) (NAICS 515) had a loss of 25 workers (2.1 percent), but did increase annual pay by 2.9 percent for an 2008 average of \$33,267. This subsector includes radio, television, cable and other subscription programming.

Financial Activities Industry Group

The financial activities industry group is comprised of the finance and insurance industry and the real estate and rental and leasing industry. Businesses within this industry group are involved in financial transactions or renting or leasing tangible or intangible assets.

(continued on next page)

South Dakota Covered Workers and Pay Financial Activities Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Financial Activities	3,142	30,625	\$41,453
Finance and Insurance	2,136	26,911	\$43,696
Credit Intermediation and Related Activities	844	19,390	\$42,167
Securities, Commodity Contracts and Investments	282	753	\$87,332
Insurance Carriers and Related Activities	981	6,733	\$43,130
Funds, Trusts and Other Financial Vehicles	29	35	\$60,886
Real Estate and Rental and Leasing	1,006	3,714	\$25,200
Real Estate	797	2,586	\$24,960
Rental and Leasing Services	203	1,089	\$24,893
Lessors of Nonfinancial Intangible Assets	6	38	\$51,018

Finance and Insurance

NAICS 52

The Finance and Insurance industry had a net gain of 118 workers (0.4 percent) for an annual average employment level of 26,911 in 2008. The annual pay for this industry also increased, at a rate of 3.0 percent (\$1,282) for a 2008 annual average pay of \$43,696.

The Credit Intermediation and Related Activities (NAICS 522) industry subsector experienced worker losses from 2007 to 2008, with a drop of 42 workers. The average annual worker total was 19,390 workers. This subsector includes establishments primarily engaged in accepting deposits (or share deposits) and in lending funds from these deposits. Although this industry in South Dakota was impacted by the recession, the impact was much more severe on the national level.

The number of workers in the Insurance Carriers and Related Activities (NAICS 524) subsector increased by 137 (or 2.1 percent) in 2008. This subsector includes establishments involved in selling annuities and insurance policies, and providing employee benefits such as claims adjusting and third party administration. Insurance companies continue to grow and hire workers as they expand the services provided.

The Securities, Commodity Contracts, Other Financial Investments and Related Activities (NAICS 523) subsector noted a small increase in workers during 2008, adding 21 workers. However, the annual pay had just a slight increase of \$177, or 0.2 percent. Regardless of the minimal increase in pay, the 2008 annual pay for this subsector remained quite high at \$87,332. This industry subsector includes security brokerages and investment banking establishments which act as agents or brokers between buyers and sellers of securities and commodities. Investment advice and portfolio management activities are also included in this subsector.

Real Estate & Rental & Leasing Sector

NAICS Sector 53

Establishments within the Real Estate and Rental and Leasing industry experienced a worker gain from 2007 to 2008, increasing by 17 workers (or 0.5 percent) for a total of 3,714 workers. The industry also showed positive growth in annual pay over the same time period, increasing by \$600 (or 2.4 percent) for a new level of \$25,200.

This industry sector is comprised of three subsectors: Real Estate (NAICS 531); Rental and Leasing Services (NAICS 532); and Lessors of Nonfinancial Intangible Assets (NAICS 533). The majority of workers in this industry work in the real estate subsector.

The Real Estate subsector had a positive worker change from 2007 to 2008. Additional jobs totaled 71 workers, which equates to a 2.8 percent increase. Establishments classified in this subsector are primarily involved in renting or leasing real estate to others, managing real estate for others, selling or buying real estate for others, or providing other services such as appraisal services.

The housing market remained stable for the majority of the year despite the national downturn. South Dakota consumers took advantage of lower mortgage rates and refinancing opportunities. These opportunities require re-evaluation and additional appraisal services. Some consumers are still looking to become home buyers, while other homeowners are upgrading. Existing establishments expanded, adding workers to provide services for the real estate market.

The majority of worker losses in this industry sector occurred in the Rental and Leasing Services industry subsector, with a decrease of 55 workers (4.8 percent) in 2008. Annual pay, however, showed growth, increasing by \$2,212 (9.8 percent). Consumer goods rental businesses are classified in this subsector and generally provide short-term rental, although in some instances, the goods may be leased for longer periods of time. These establishments often operate from retail-like or store-front facilities.

Worker levels in the Lessors of Nonfinancial Intangible Assets subsector remained relatively stable, with the gain of only one worker during 2008. Establishments classified in this subsector assign rights to assets, like patents, trademarks, brand names or franchise agreements. Businesses in this subsector own patents, trademarks and franchise agreements which they allow others to use or reproduce for a fee; they may or may not have created those assets. Brand name licensing, oil royalty leasing, patent buying, and licensing and trademark licensing establishments belong in this industry.

Professional & Business Services Industry Group

The Professional and Business Services industry group is comprised of the Professional, Scientific and Technical Services industry; the Management of Companies industry; and the Administrative and Support and Waste Management and Remediation Services industry. Businesses within this industry group perform professional services, hold securities of companies or perform routine support activities for the day-to-day operations of other businesses.

(continued on next page)

South Dakota Covered Workers and Pay Professional and Business Services Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Professional and Business Services	4,278	28,055	\$38,388
Professional, Scientific and Technical Services	2,545	10,977	\$45,304
Management of Companies and Enterprises	181	3,316	\$75,705
Adm. & Support & Waste Mgmt. & Remediation Services	1,552	13,762	\$23,881
Administrative and Support Services	1,414	12,978	\$23,355
Waste Management and Remediation Services	138	785	\$32,539

Professional, Scientific and Technical Services Industry
NAICS Sector 54

Establishments within the Professional, Scientific and Technical Services industry experienced an increase of 538 workers (5.2 percent) from 2007 to 2008 for a total of 10,977. This industry also enjoyed an increase in annual pay of \$1,799 (4.1 percent) for a new average of \$45,304.

The Professional, Scientific and Technical Services industry includes a variety of establishments engaged in performing activities for others. These activities normally require a high degree of expertise and training. Human capital is a major input in the delivery of services. Establishments make available the knowledge and skills of their employees working on individual assignments or as teams assembled to deliver service to customers.

Businesses throughout the entire Professional, Scientific and Technical Services industry subsector (NAICS 541) experienced worker growth during 2008. The majority of worker increases were shared within the following industries:

- Management, Scientific, and Technical Consulting Services (NAICS 5416)
- Architectural, Engineering and Related Services (NAICS 5413)
- Computer Systems Design and Related Services (NAICS 5415)

Establishments categorized within the Professional, Scientific and Technical Services industry subsector continue to gain a significant number of workers. Some of the gains in worker levels for Management, Scientific and Technical Consulting Services can be attributed to the advances in areas of wind and green energy technologies. Architectural, Engineering and Related Services added workers during 2008 as various residential and commercial buildings continue as these services continue to be in demand. Computer Systems Design Services also looks strong as businesses update and expand their computer operating systems.

The primary value in services is expertise which is provided to clients in a range of diverse industries. Other activities requiring such expertise include:

- Legal Services (NAICS 5411)
- Accounting, Tax Preparation, Bookkeeping and Payroll Services (NAICS 5412)
- Specialized Design Services (NAICS 5414)
- Scientific Research and Development Services (NAICS 5417)
- Advertising, Public Relations and Related Services (NAICS 5418)
- Other Professional, Scientific and Technical Services (NAICS 5419)

Worker increases in this sector correlate to the continued consumer demand for the specialized services offered by these types of businesses.

Management of Companies and Enterprises NAICS Sector 55

The Management of Companies and Enterprises had another good year in 2008, with increases in establishments, employment and annual pay. This sector is comprised of establishments that hold securities of companies for the purpose of owning a controlling interest or influencing management decisions and establishments of a company that normally undertake the strategic or organizational planning and decision-making role of the company.

The Management of Companies and Enterprises is South Dakota's highest paying industry sector, with an average annual pay of \$75,705, an increase of 5.0 percent from the previous year. Annual pay for this sector tends to be substantially higher than that of other sectors due mostly to the highly skilled occupations needed for establishments in this category. A majority of the occupations in these establishments are upper level management positions.

In 2008 this industry sector added 275 workers, increasing employment numbers by 9.0 percent. The majority of the employment increase for this sector came from existing companies reorganizing and placing upper management positions into new accounts. This is the third consecutive year of employment increases in this sector.

Administrative and Support and Waste Management & Remediation Services Industry NAICS Sector 56

The average number of workers in the Administrative and Support, and Waste Management and Remediation Services industry decreased 2.4 percent from 2007 to 2008. Employment losses of 338 dropped the worker level to an annual average of 13,762. The annual pay for this sector decreased \$681 (2.8 percent) for an average of \$23,881 in 2008.

Establishments in the Administration and Support Services (NAICS 561) subsector comprise the largest portion of this industry and experienced all of the worker decreases. Reduction of workers totaled 376 (2.8 percent) in 2008. This loss of workers was identified in businesses providing employment services, mainly temporary help services (NAICS 5613) and manpower pools. Other losses were felt among theatrical, motion picture or video casting bureaus and diverse registries such as maid, model or nurse registries. There were a couple of bright spots within this subsector to offset the worker losses. The average number of workers increased for establishments engaged in Services to Buildings and Dwellings (NAICS 5617). Janitorial, landscaping, carpet and upholstery cleaning and other services to buildings and dwellings, such as exterior building cleaning, all had positive worker growth. Additional workers were needed in facility support services. Establishments in this category typically provide a combination of services, such as janitorial, maintenance, trash disposal, guard and security, mail routing, laundry and related services to support operations within

facilities. Correctional facility operations and government- based facility operations are the types of firms performing these services.

The number of workers in the Waste Management and Remediation Services (NAICS 562) subsector was up by 39 (5.2 percent), bringing the annual average number of workers to 785 in 2008. Annual pay increased as well, rising by \$1,103 (3.5 percent) to \$32,539. Establishments included in this subsector collect, treat and dispose of waste materials. In addition, they also provide remediation and reclamation services to contaminated buildings and mine sites.

Education & Health Services Industry Group

The education and health services industry group is comprised of the education services industry, and the health services and social assistance industry. Businesses within this industry group provide instruction and training or provide health care and social assistance to individuals.

South Dakota Covered Workers and Pay Education & Health Services Industry 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Education and Health Services	2,536	57,002	\$37,894
Educational Services	221	3,055	\$28,038
Health Care and Social Assistance	2,315	53,946	\$38,453
Ambulatory Health Care Services	1,310	14,138	\$57,514
Hospitals	56	19,916	\$42,431
Nursing and Residential Care Facilities	355	12,792	\$21,613
Social Assistance	594	7,100	\$19,676

Educational Services Industry

NAICS Sector 61

The Educational Services industry has one subsector, also named Educational Services (NAICS 611). All industries in the sector share this commonality of process, namely labor inputs of instructors with the requisite subject matter expertise and teaching ability. Instruction is provided through a variety of diverse settings as the workplace, the home via the Internet, and most commonly in educational institutions.

Educational institutions include colleges, universities, technical institutes and training centers. These establishments may be privately owned and operated for profit or not for profit, or they may be publicly owned and operated. They may also offer food and accommodation services to their students.

The number of workers within the Educational Services industry remained fairly steady throughout 2008, gaining 107 workers (3.6 percent). Some subsectors of this industry had employment growth, which was offset by declines in others. The average number of workers within Educational Services settled at 3,055 in 2008. Although the worker numbers remained stable over the year in this industry sector, annual pay noted a positive trend. Average annual pay jumped up by \$974 (3.6 percent) for an annual pay of \$28,038.

Technical and trade schools showed a slight decrease in worker levels from 2007 to 2008. Establishments grouped in technical and trade schools are primarily engaged in offering vocational and technical training in a variety of technical subjects and trades. The training often leads to job-specific certification.

Health Care and Social Assistance

NAICS Sector 62

Employment in the Health Care and Social Assistance sector continued the climb which this sector has experienced for the past several years. This industry added 1,837 workers, increasing from 52,112 in 2007 to 53,946 in 2008 (3.5 percent). This is the largest percent increase in employment since 1996, when employment climbed by 3.6 percent. There are 18 more establishments than there were in 2007, for a total of 2,315 in 2008. The average annual pay rose by \$1,747 (4.8 percent) to \$38,453 in 2008.

The Ambulatory Health Care Services (NAICS 621) subsector worker level increased by 396 from 13,742 in 2007 to 14,138 in 2008 (2.9 percent). The annual average pay for this subsector increased by \$2,395 (4.3 percent) to a 2008 level of \$57,514.

The Hospitals (NAICS 622) subsector experienced larger percentage gains in both annual pay and employment than the other subsectors. Hospitals added 849 (4.5 percent) workers, bringing the total number of workers in 2008 to 19,916. Annual pay increased 5.6 percent or \$2,257 for a 2008 annual average of \$42,431.

The Nursing and Residential Care Facilities (NAICS 623) subsector increased by 300 workers, which countered the slight worker decrease experienced in 2007. The worker level increased by 2.4 percent from 12,492 in 2007 to 12,792 in 2008. Annual pay also increased by 3.8 percent, from \$20,820 in 2007 to \$21,613 in 2008.

Within this industry sector, new establishments were added only in the Social Assistance (NAICS 624) subsector, increasing by 22 establishments. More workers were added as well, with an increase of 289 workers (4.2 percent) over the preceding year. This subsector covers a variety of establishments involved in individual and family services, emergency and other relief services, vocational and rehabilitation services, and child day care services.

Leisure & Hospitality Industry Group

The Leisure and Hospitality industry group is comprised of the Arts, Entertainment and Recreation industry and the Accommodation and Food Services industry. Businesses within this industry group provide cultural, recreational or entertainment services, or provide customers with lodging and/or food for immediate consumption.

(continued on next page)

South Dakota Covered Workers and Pay Leisure and Hospitality Services Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Leisure and Hospitality Services	3,251	43,217	\$12,522
Arts, Entertainment and Recreation	719	6,591	\$15,480
Performing Arts and Spectator Sports	115	954	\$13,140
Museums, Historical Sites, Zoos and Parks	43	468	\$20,324
Amusements, Gambling and Recreation	561	5,169	\$15,474
Accommodation and Food Services	2,532	36,626	\$11,989
Accommodation	617	8,214	\$14,365
Food Services and Drinking Places	1,915	28,412	\$11,303

Arts, Entertainment and Recreation NAICS Sector 71

The Arts, Entertainment and Recreation sector is defined as a range of establishments that operate facilities or provide services to meet varied cultural, entertainment and recreational interests of their patrons. This sector saw an increase of only one establishment over the past year, for a level of 719 in 2008. There was a 161 (or 2.4 percent) decrease in the number of workers in this sector over the year. In 2007 there were an average of 6,752 workers, and by 2008 the level was down to 6,591. This sector had a \$616 increase (4.1 percent) in wages from \$14,864 in 2007 to \$15,480 in 2008.

The decreased number of workers in this sector is a possible impact of the minimum wage law passed in 2007. The law required the minimum wage to increase from \$5.15 per hour to \$7.25 per hour in three 70-cent increments. The first increase occurred in July of 2007 to \$5.85 per hour, the second in July of 2008 to \$6.55 per hour, with the last increase on July 24, 2009.

A study of the impact on raising the minimum wage in South Dakota identified the sectors within the Leisure and Hospitality Supersector as having some of the greatest percentages of workers to be impacted by the increased minimum wage. The Leisure and Hospitality Supersector includes the sectors of Arts, Entertainment and Recreation, and Accommodations and Food Services. As stated in the study, economic theory indicates as the minimum wage rate is increased, some workers will lose their jobs. Therefore, the minimum wage increase is a probable factor, as well as the national recession which started impacting the state in the final quarter of 2008.

The Arts, Entertainment and Recreation sector includes three subsectors. The Performing Arts, Spectator Sports and Related Industries (NAICS 711) has continued a steady growth rate in the number of establishments over the preceding five years. Although there was a decrease in the average number of workers in this industry between 2007 and 2008, the subsector did show a strong gain in average annual pay. In 2007 the annual pay was \$12,291 and increased by 6.9 percent for a 2008 annual pay of \$13,140.

The subsector of Museums, Historical Sites and Similar Institutions (NAICS 712) has maintained stable worker levels for the past five years. The subsector experienced a strong increase in pay, 6.1 percent, bringing the average annual pay to \$20,324.

The largest number of workers in this sector are employed in Amusements, Gambling and Recreation (NAICS 713). This subsector covers a large range of establishments, from amusement parks, water parks and arcades to casinos and bingo parlors. This was the only subsector in this industry to experience a loss of both establishments and workers. However, annual pay did increase from \$14,978 in 2007 to \$15,474 (3.3 percent) in 2008.

Accommodation and Food Services

NAICS Sector 72

Accommodation and Food Services is a large industry sector which held relatively stable between 2007 and 2008, with only small gains in the level of establishments, workers and pay.

The number of workers in this industry sector has risen steadily every year since 2001, although by small increments. There were 309 more workers (0.9 percent) than in 2007 for a total employment level of 36,626. This sector also saw a \$571 (5.0 percent) increase in annual average pay, rising to \$11,989 in 2008. This was the same percentage increase as in 2007.

The Accommodations (NAICS 721) subsector gained 18 establishments over the year, increasing from 599 in 2007 to 617 in 2008. Although there was an increase in the number of establishments, there was a minimal loss of seven workers between 2007 and 2008, for a total of 8,214 in 2008.

Although the Food Service (NAICS 722) subsector suffered from a loss of five establishments, it did gain 314 workers (1.1 percent) from 2007 to 2008 for an average of 28,412. This is the second year this subsector has experienced a small loss of establishments but an increase in the number of workers. This subsector experienced a 6.3 percent increase in annual pay, for an average annual pay of \$14,365 in 2008.

Other Services Industry Group

Businesses within the other services industry group provide services not elsewhere specified, including repairs and personal care.

South Dakota Covered Workers and Pay Other Services Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Other Services	2,207	10,486	\$24,189
Repair and Maintenance	967	3,921	\$29,297
Personal and Laundry Services	500	2,747	\$18,722
Membership Associations and Organizations	510	3,555	\$23,521
Private Households	230	263	\$14,177

Other Services (except Public Administration)

NAICS Sector 81

The sector titled Other Services includes a wide variety of establishments with an array of services, such as repair and maintenance, personal and laundry services, membership organizations and private households.

There was an overall loss of establishments in this industry, which in turn meant a loss of a few workers. Average annual pay in this sector increased by \$1,489 (6.6 percent) for a level of \$24,189 in 2008. This is a larger percentage increase in wages than what was seen in 2007. Perhaps it is not surprising this industry struggles to grow, as it is made up of services individuals feel are luxuries--like private household help, personal care services and social or business organizations--which can be cut back on during economically uncertain times. For instance, the Personal and Laundry Services (NAICS 812) subsector is down by seven establishments and 26 workers. The Private Households (NAICS 814) subsector is down eight establishments and 33 workers.

An examination of the annual pay for each of the four subsectors reveals strong growth, at least percentage-wise. The Repair and Maintenance (NAICS 811) subsector increased annual pay by \$1,776 (6.5 percent) compared to 2007. The Private Household (NAICS 814) subsector had the largest percent gain, with pay increasing 8.8 percent. The average annual pay increased from \$13,029 in 2007 to \$14,177 in 2008. The Religious, Grant making, Civic, Professional and Similar Organizations (NAICS 813) subsector did almost as well, with annual pay increasing 7.5 percent from \$21,872 in 2007 to \$23,521 in 2008.

Government Industry Group

The Government industry group contains information on federal, state and local governments. Tribal governments are included in local government. A change in federal law requires Indian tribes to be classified similarly to state and local governments.

South Dakota Covered Workers and Pay Government Industry Group 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Government	2,402	70,082	\$34,640
Federal Government	777	11,233	\$53,374
State Government	762	14,211	\$40,161
State Government Education	19	5,251	\$44,472
State Government, excluding Education	743	8,960	\$37,634
Local Government*	863	44,638	\$28,167
Local Government Education	229	24,084	\$29,025
Local Government, excluding Education	548	13,007	\$27,017
*Tribal government included in local government.			

(continued on next page)

South Dakota Covered Workers and Pay Local Tribal Government 2008			
Industry Group, Industry and Subsector	Number of Establishments	Average Number of Workers	Annual Pay
Local Tribal Government	86	7,547	\$27,408
Local Tribal Government Education	33	1,985	\$29,728
Local Tribal Government excluding education	53	5,562	\$26,580

Federal Government

The number of Federal Government workers increased during 2008, a reversal from the four previous years in which South Dakota experienced a decline in the number of federal government employees. This specific government sector added 154 workers, increasing 1.4 percent to a level of 11,233. The average annual pay for federal government employees increased by 1.6 percent, bringing the average pay to \$53,374.

The industry sector which showed the highest gain in workers within federal government was Healthcare and Social Assistance (NAICS 62). This sector gained 123 workers and had an annual pay increase of \$1,039 (1.8 percent). This worker gain was focused mainly within the Hospitals (NAICS 622) subsector.

Additional workers were also added within several administrative departments, including environmental quality, economic and national security, and international affairs agencies.

Other industries within federal government continue to be hindered by budget restraints, which attributes to the slow decline in workers over the years. Agencies are not necessarily cutting people, but when current employees leave or retire, various positions are not being refilled.

State Government

State Government had a slight worker increase in 2008, adding 193 employees (1.4 percent) over the year. Annual pay also increased in 2008 by 4.1 percent, bringing average annual pay up from \$38,566 to \$40,161.

Although State Government showed an overall worker increase in 2008, there were only three sectors which actually had notable gains over the year. These sectors include Professional, Scientific and Technical Services (NAICS 54), Educational Services (NAICS 61) and Public Administration (NAICS 92).

The Educational Services sector added the most workers with growth of 138 and increased annual pay by 4.2 percent, bringing the 2008 annual pay to \$44,472. The continuing increases in this sector can be attributed to the growth of South Dakota's university curriculum and research activities. The Public Administration sector increased by 62 workers and had an annual pay increase of 3.2 percent, a bit lower than the average pay increase for State Government as a whole.

The Professional, Scientific and Technical Services sector added 17 workers and increased annual pay by 4.0 percent to a 2008 level of \$47,496.

Local Government

Establishments within Local Government include tribal, city and county governments along with public and tribal school districts. Tribal motels and casinos are also included in Local Government. Overall in 2008, establishments added 331 workers (0.7 percent), and annual pay rose by \$1,170 (4.3 percent).

Within Local Government, most of the worker growth can be attributed to two sectors. Although the Education Services (NAICS 61) sector lost two establishments, employment increased by 166 workers. Annual pay increased by 4.1 percent for a 2008 level of \$29,025. The majority of establishments within local government are owned by public school districts.

Public Administration added 216 workers for a 2008 average of 16,197 workers. Annual pay increased by 4.6 percent to an annual average of \$27,685. There are 508 establishments in this sector, up slightly from the 2007 level of 506.

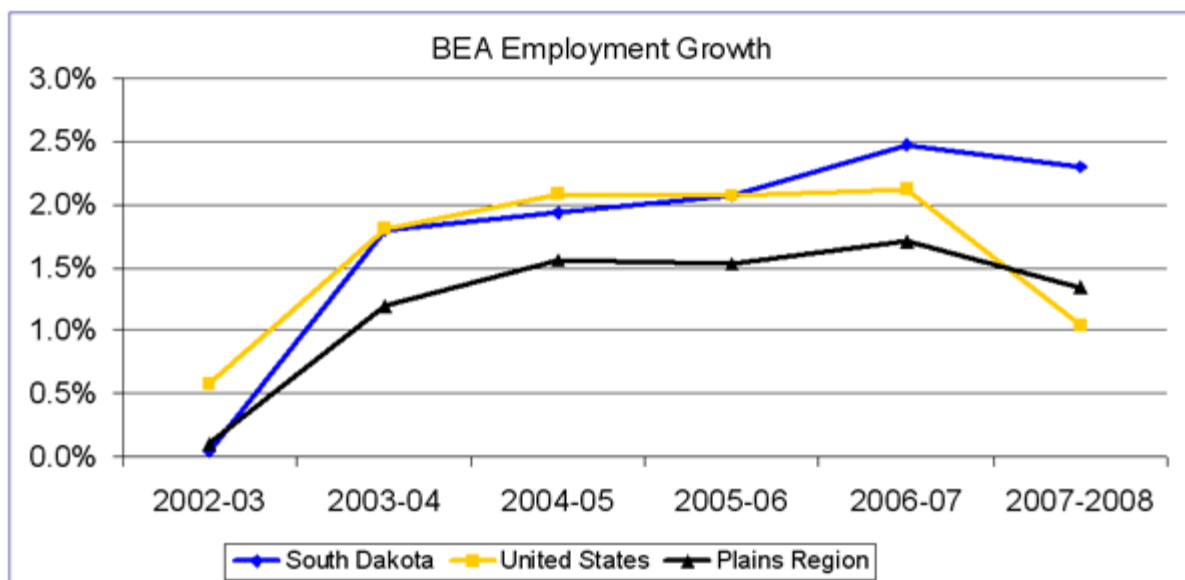
The Health Care and Social Assistance (NAICS 62) sector had a small increase in employment, adding 21 workers (1.3 percent) in 2008. Although average annual pay had decreased in 2007, pay rebounded this year by \$2,100 (8.9 percent).

BEA Indicators (Employment, Personal Income, Gross Domestic Product)

Employment

The number of workers covered by unemployment insurance is a key component of the employment data published by the Bureau of Economic Analysis (BEA). The BEA publishes employment data for state and local areas, which includes an estimate of the total number of jobs, full-time plus part-time (full-time and part-time jobs are counted at equal weight) by place of work. Employees, sole proprietors and active partners are all included, but unpaid family workers and volunteers are not. Proprietors are those workers who own and operate their own business and are reported as either farm or nonfarm.

The chart below shows yearly employment growth during the 2002-2008 time period. Comparative data is included for the United States, the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota) and South Dakota. For the 2007-2008 time period, South Dakota had a total employment growth rate of 2.3 percent, compared to a rate of 1.3 percent for the Plains Region and 1.0 percent for the nation. The decreased rate of employment growth during the 2007-2008 time period was related to the national recession.



The two employment sectors which comprise total employment include proprietor employment and wage and salary employment. Reflective of the layoffs which occurred across the county during 2008, the rate of growth in the wage and salary employment sector slowed for both the Plains Region and South Dakota, while the nation experienced a decrease.

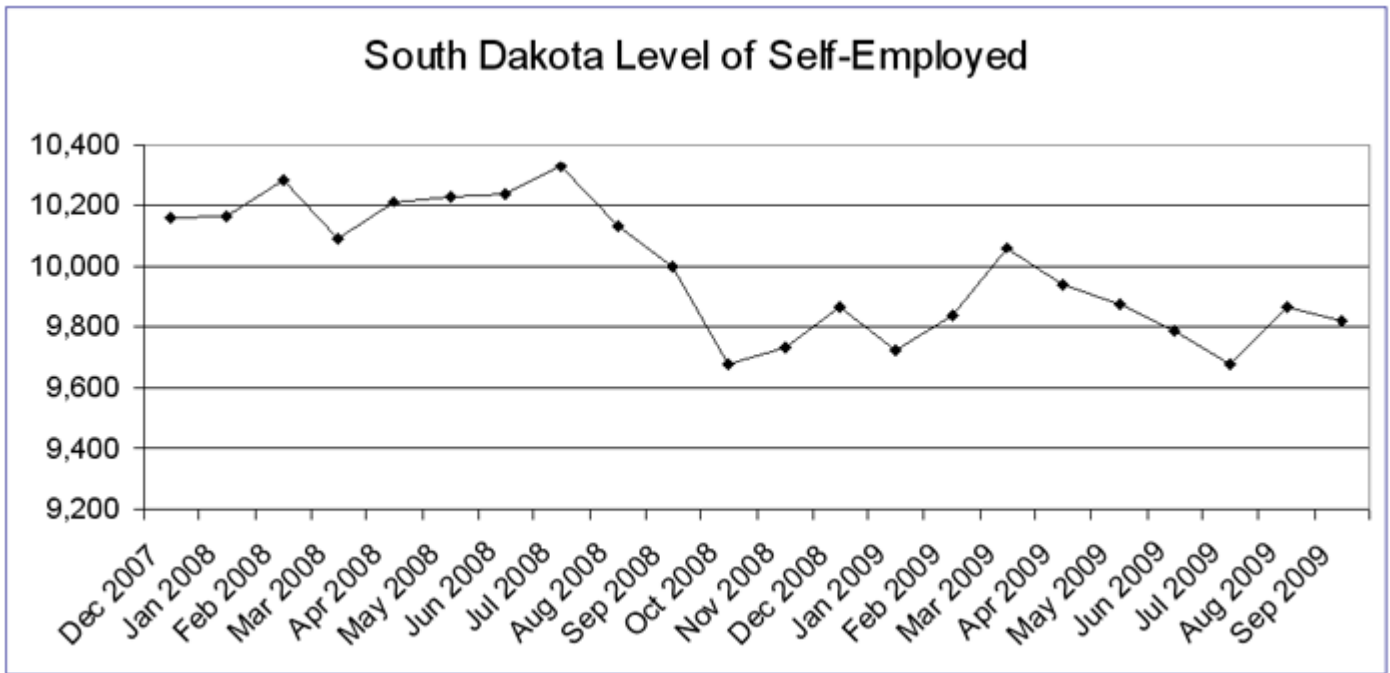
Total Employment	2006-07	2007-08
South Dakota	2.5%	2.3%
Plains Region	1.7%	1.3%
United States	2.1%	1.0%
Proprietor Employment	2006-07	2007-08
South Dakota	3.7%	5.3%
Plains Region	4.3%	5.7%
United States	6.3%	6.5%
Wage and Salary Employment	2006-07	2007-08
South Dakota	2.1%	1.4%
Plains Region	1.1%	0.2%
United States	1.1%	-0.3%

Proprietor employment experienced growth for all three areas from 2007 to 2008. Generally, the expectation would be the level of proprietor employment to also decline as the recession progressed during 2009, however the 2009 BEA employment estimates will not be published until late 2010.

Looking to another source, the Bureau of Labor Statistics publishes national estimates of the self-employed, for both the agriculture and related industries and the nonfarm industry sectors, using Current Population Survey (CPS) data. The CPS data shows from the onset of the recession in December of 2007 through preliminary estimates for September 2009 there was a net decrease in the level of self-employed:

Total self-employed decreased by 339,000 (-3.3 percent). Of the two components, the agriculture and related industries decreased by 58,000 workers (-6.7 percent). The nonfarm self-employed decreased by 281,000 (-3.0 percent).

The graph on the next page, which includes monthly detail, shows there were ebbs and flows in the self-employment levels during this time period; however, the net result through September 2009 was an overall decline in self-employment.

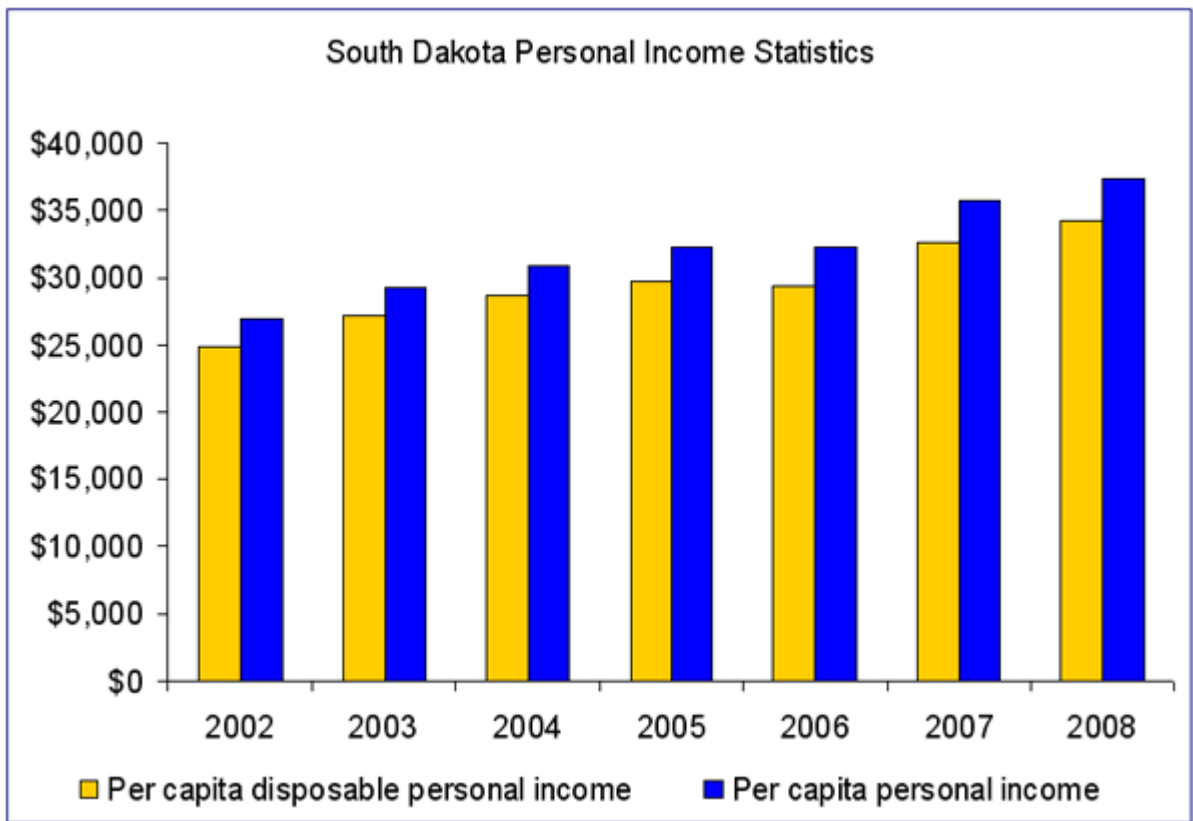


Personal Income Statistics

Personal income data are also released by the BEA. The personal income of an area is the income that is received by, or on behalf of, all the individuals who live in a specific geographic area. The total payroll of workers covered by unemployment insurance is a component of wage and salary disbursements included in this statistic.

Personal income has been growing steadily for the past several years. In fact, South Dakota's growth in personal income for the 2002-2008 time period surpassed the rate for both the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota) as well as the nation. South Dakota's personal income grew by 45.9 percent compared to a rate of 33.6 percent for the Plains region and 36.2 percent for the nation.

(continued on next page)



Dividing the personal income of an area by the residents of that given area produces a widely used economic indicator called per capita personal income. Since 2002, South Dakota's per capita personal income has increased by 38.2 percent, surpassing both the Plains Region and the nation each having a growth rate of 28.9 percent.

South Dakota ranked 36th of all the states for the year 2002 at \$27,039; current estimates rank South Dakota 26th of the 50 states with a per capita income of \$37,375. This means the average personal income for residents in South Dakota was higher than 24 other states.

South Dakota's disposable personal income in 2008 was \$34,216. This income statistics measures total personal income minus personal current taxes, which includes taxes on income and on personal property. Per capita disposable personal income is calculated as the disposable personal income of the residents of a given area divided by the resident population of the area. South Dakota's rank in per capita disposable income has increased from 34th in 2002 to the current rank of 24th in 2008. To interpret, the rank of 24th indicates the average South Dakota resident had more money available for household spending than 26 other states. This higher rank is correlated with the fact that South Dakota does not impose a state personal income tax.

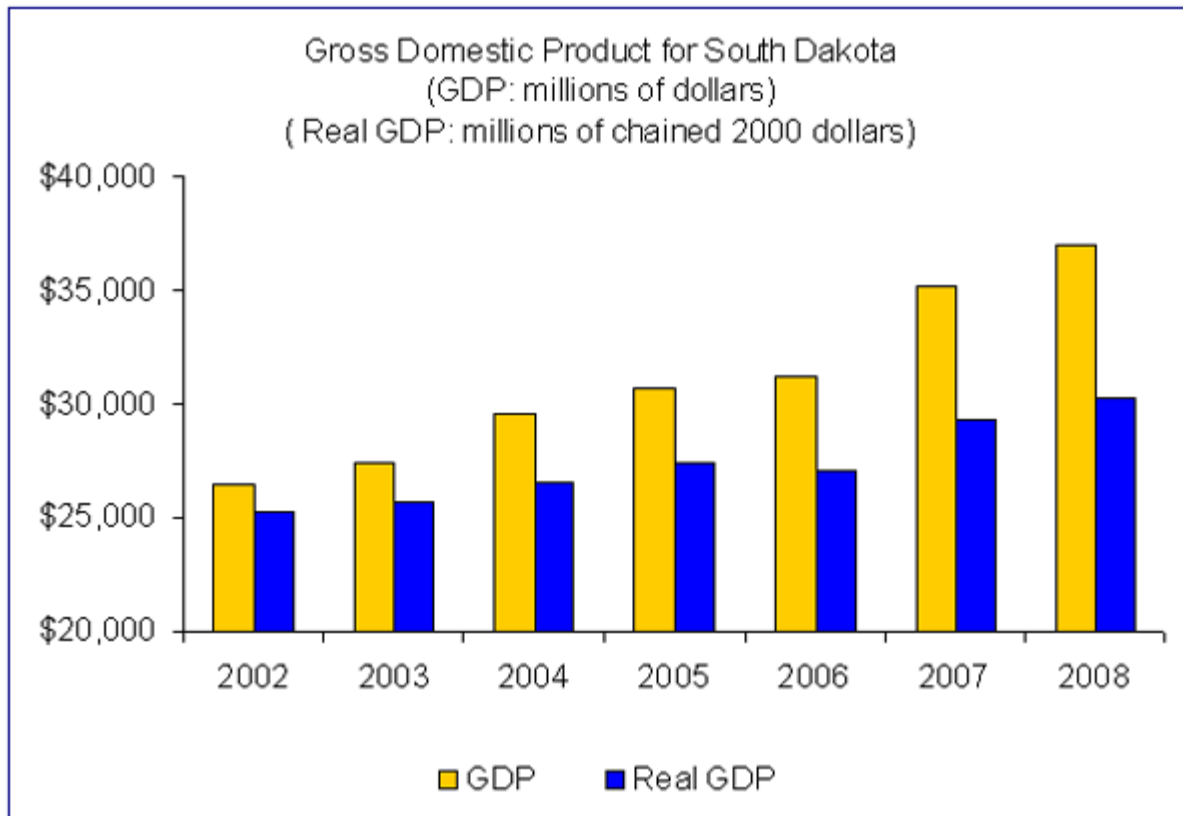
Gross Domestic Product

Related to the total employment and income of an area is the total gross domestic product (GDP) for that area. GDP by state is the value added in production by the labor and capital located in a state. GDP is derived as the sum of the gross state product originating in all industries in a state. In concept, an industry's GDP by state, referred to as its "value added", is equivalent to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). Thus, GDP by state is the state counterpart of the nation's gross domestic product (GDP), BEA's featured measure of U.S. output.

The graph below compares historical estimates of South Dakota GDP compared to real estimates of Real GDP as measured in chained (2000) dollars. Real GDP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within the state.

Chained dollars is a method of adjusting real dollar amounts for inflation over time, so as to allow comparison of figures from different years. [1] The U.S. Department of Commerce introduced the chained-dollar measure in 1996. Chained dollars generally reflect dollar figures computed with 2000 as the base year. The technique is so named because the second number in a pair of successive years becomes the first in the next pair. The result is a "chain" of weights and averages. [2] The advantage of using the chained-dollar measure is that it is more closely related to any given period covered and is therefore subject to less distortion over time.

1. Mark McCracken, *Definition of Chained dollars TeachMeFinance.com.*
2. U.S. Department of Energy, *Chained Dollars, citing EIA, Annual Energy Review 1999.*
3. Mark McCracken, *op. cit.*

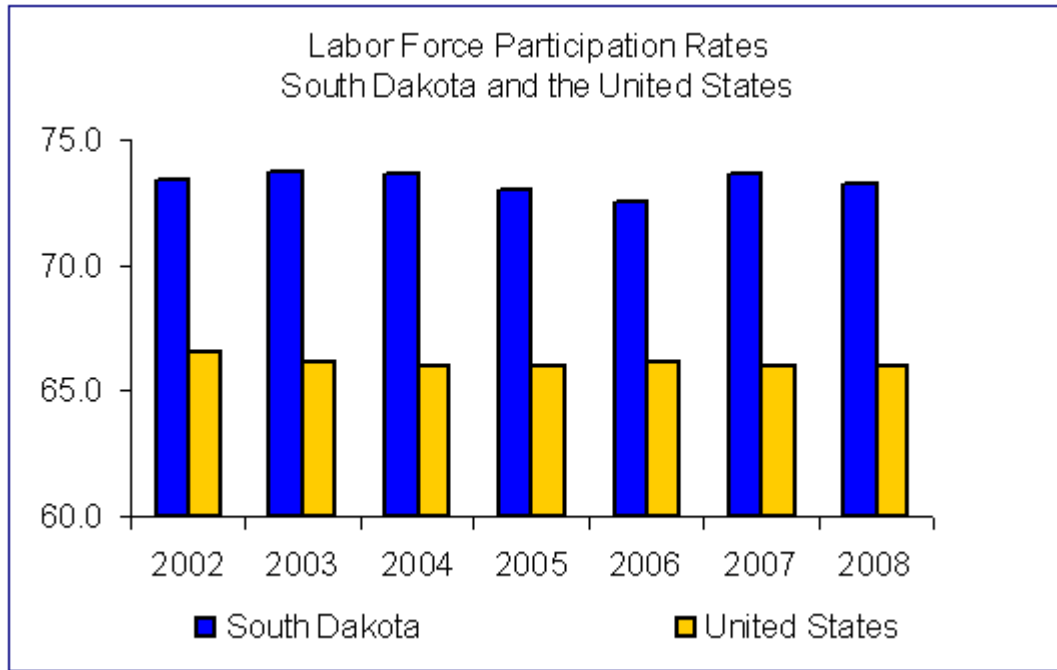


Using preliminary data for 2008, the South Dakota GDP has increased 39.9 percent since 2002, increasing by \$10.5 billion. The 2008 annual increase in South Dakota's GDP was 5.0 percent, ranking 10th of all states in GDP growth. Growth for the Plains Region (Iowa, Kansas, Missouri, Nebraska, North Dakota and South Dakota) was 4.4 percent and national GDP increased by only 3.3 percent for the 2007-2008 time period. This lower rate of growth is reflective of the recession which accelerated during 2008. Recessionary impacts are evident when looking at GDP growth of less than one percent for some states.

Looking at Real GDP for the 2007-2008 time period, the national growth rate was 0.7 percent. North Dakota had the highest rate at 7.3 percent, followed by Wyoming at 4.4 percent and South Dakota at 3.5 percent. Twelve states had declining rates, indicative of recessionary impacts.

Labor Force Trends in South Dakota

South Dakotans participate in the labor force at a high rate, 73.3 percent in 2008. In other words, more than 73 percent of residents 16 years and older were either working or actively looking for work. This compares to a 2008 national average of 66 percent. Only neighboring states North Dakota and Nebraska had higher labor force participation rates during the reference period.



A closer look at some of the demographic groups shows South Dakota's percentage of residents in the labor force is at or near the top nationally in many instances.

With a female labor force participation rate of 68.9 percent in 2008, South Dakota ranked second, behind only North Dakota. This exceeded the national average of 59.5 percent. The state's male labor force participation rate of 77.9 percent tied South Dakota with Iowa as sixth best, behind Utah, Colorado, North Dakota, Nebraska and Wyoming. The national average was 73 percent.

The youth in the state were also active participants in the labor force. In 2008, 56.1 percent of South Dakota's youth (age 16-19 years) joined the labor force. Only three states -- Iowa, North Dakota and Wyoming -- had greater percentages of youth participants. Nationally, 40.2 percent of the youth (age 16-19 years) were a part of the labor force.

2008 Annual Average Labor Force Participation Rates								
	Total	16-19	20-24	25-34	35-44	45-54	55-64	65+
United States	66.0	40.2	74.4	83.3	84.1	81.0	64.5	16.8
South Dakota	73.3	56.1	81.2	88.2	91.5	88.5	79.0	26.2

Source: Bureau of Labor Statistics, US Department of Labor

At the other end of the age spectrum, South Dakota ranked first in the percentage of residents 65 years and older who were working or looking for work. While retirement beckons to the majority of those 65 years and older, 26.5 percent of South Dakotans in this age group participated in the labor force in 2008. The national average is 16.8 percent.

Approximately 436,000 South Dakotans were employed in 2008. This translates to just over 71 percent of the state's civilian non-institutional population, which places the state lower than only North Dakota and Nebraska as far as the proportion of population who worked during the same time period.

Since the labor force participation rate is high in South Dakota, it is not unexpected the unemployment rate would be lower than the national average. In 2008, the annual average unemployment rate was 3.0 percent in South Dakota, compared to the national rate of 5.8 percent. Although the South Dakota unemployment rate has been quite low for several years, the national recession has impacted South Dakota, along with other states, through worker layoffs and increasing unemployment rates. The National Bureau of Economic Development Research (NBER) determined the nation's recession began in December 2007, but South Dakota's employment levels weathered the nation's economic slide for the first three quarters of 2008. As the demand for South Dakota products and services decreased nationwide, the employment levels for last quarter of 2008 fell, offsetting the year's growth. It is important to note the labor force data presented is preliminary; the national recession could affect the final numbers.

Economic Recovery

On September 15, 2009, Federal Reserve Chairman Ben Bernanke stated, "The world has been through the most severe financial crisis since the Great Depression. The crisis in turn sparked a deep global recession, from which we are only now beginning to emerge."

Although Chairman Bernanke's statements pointed toward an emerging recovery, he also warned of difficult challenges ahead, advising people to "work together to build on the gains already made to secure a sustained economic recovery, as well as to build a new financial regulatory framework that will reflect the lessons of this crisis and prevent a recurrence of the events of the past two years."

He went on to say, "I hope and expect that, when we meet here a year from now, we will be able to claim substantial progress toward both those objectives."

However, it is hard to predict when recovery will take place, as it seems so many economists have differing views. As reported in the August 12, 2009 edition of USA Today, some economists felt recovery had already begun; however, there were differing views regarding the path to recovery, including:

- A sharp downturn followed by slow and gradual rebound (U shaped recovery).
- A dramatic tumble produces a similarly sharp upswing (V shaped recovery).
- A recovery cut short by recession, then a second rebound (W shaped recovery).

As evidenced by the varying views regarding recovery, it is impossible to predict exactly when and how a recovery will take place. There are several unknowns, such as what policies will be implemented by the government and the impact these policies will have. Unknowns include whether governments are going to tax more or less, reduce spending in existing government programs or start new programs, spend more on the military because of increased risk or reduce military spending. Also unknown are the effect new policies will have on the private businesses that drive the national economy.

Examination of economic data is a key source in trying to predict what type of recovery will take place. Making the assumption other factors will hold constant, one can make an educated prediction regarding the type of recovery that will likely take place, and if it will likely happen in a given time frame.

Examination of available data sources allows for the assessment of the current economic situation and how it compares to past recessionary periods.

- As of August 2009, the not seasonally adjusted over-the-year total nonfarm employment percentage loss for the nation was at 4.4 percent. Through all the recessions the United States has suffered since 1940, only during the 1944-45 and 1948-49 recessions did the nation suffer from this drastic of over-the-year job losses.
- The nation's August 2009 seasonally adjusted unemployment rate was 9.7 percent. Seasonally adjusted unemployment rate data is available back to 1948. Only during the 1982-83 recession was the seasonally adjusted unemployment rate higher than it is now. It is generally accepted the 1981 recession was caused by a tightening of the money supply by the Federal Reserve to control inflation. A common viewpoint regarding the current recession is it was caused by lack of oversight regarding financial institutions and relaxing the established loan practices for financial institutions. Since the bailout and stricter oversight of financial institutions, loaning practices have been tightened to prevent a future financial crisis.
- Quarterly Gross Domestic Product (GDP) has been tracked by the Bureau of Economic Analysis (BEA) since 1947. A review of seasonally adjusted GDP percent change based on chained 2005 dollars shows the current recession is the first to have four consecutive quarters of GDP losses. The second quarter of 2009 (last quarter reported) came in at only a 0.7 percent loss, but past history shows that one quarter of a less dramatic loss does not necessarily indicate a financial recovery. It is not uncommon to see one or two quarters of GDP gains and then one or more quarters of GDP losses over a year (or years) when a recession hits. The "cash-for-clunkers" program inspired a surge of spending by consumers taking advantage of discounts offered when trading in older vehicles for more fuel efficient vehicles. The goal was to spur immediate sales for the troubled automotive manufactures, which it did. The surge in new car ownership will likely be seen positively in the third quarter GDP data, but the cash-for-clunkers program brought future automotive sales forward, likely leaving in the wake a void in future sales.
- The Conference Board Consumer Confidence Index shows national consumer confidence has rebounded quite noticeably in the last six months, to the point that consumers feel the economy might expand; this is a good indicator. Only six months ago, in February 2009, the index was at its lowest point since the index was first created in 1967. This shows consumer confidence can change quickly and drastically in any direction, depending on what the latest news is. Consumer confidence plays a large part in the path the recovery will take.
- It is predicted in the *Social Security and Medicare Board of Trustees 2009 Annual Report* there will be no funding to cover certain aspects of the Medicare program by as early as 2017 (eight years from now). To fix this problem, taxes will more than likely have to be raised and benefits lowered to avert a funding crisis; but increased taxes will stifle economic growth.
- As of September 2009, the public debt was 11.8 trillion dollars. Based on July 2008 population estimates published by the U.S. Census Bureau, this averages approximately \$38,714 per each U.S. resident, including both adults and children. A family of four is therefore currently responsible for approximately \$155,000 of the public debt. Public debt is more than two times larger than it was just nine years ago. The staggering increase in public debt will likely lead to higher interest rates.

In conclusion, historical economic data, as well as other issues which could impact our national tax structure, provide evidence the current recession could be one of the worst recessions since the Great Depression. It is quite likely the recovery process will be cut short by another recessionary period, then bounce back with a second rebound (W shaped recovery).

Although Federal Reserve Chairman Bernake indicated the nation is just starting to emerge from the recession, we must heed his warning of difficult challenges ahead as the nation builds a new financial regulatory framework, which will hopefully prevent a recurrence of the economic suffering the nation has weathered the past two years.

However, consumer confidence plays a large role in the recovery, as do the actions of our government, both state and national. Hopefully, our nation's emergence from the recession continues on a strong, steady path toward recovery.