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Labor Market Information Center

SD Department of Labor &amp; Regulation

## South Dakota Industry Employment Trends to 2024

The Labor Market Information Center (LMIC) recently completed the 2014-2024 round of South Dakota employment projections by industry and class of worker. Historical time-series data and state and national economic trends were incorporated in various statistical models to project employment levels. (A general assumption is made no major catastrophic events or natural disasters that would significantly affect economic activities of these industries will occur during the projection period.)

A look at which types of industries are growing, and which are not, provides a synopsis of the economy as a whole. This article will focus on the industries projected to have the greatest employment growth to 2024. Next month's article will take a look at those industries projected to decline.

The general outlook for South Dakota is characterized by steady job growth in the coming decade as our state continues to recover from the recession. On the national level, the economy is showing a steady recovery from the Great Recession. According to the Bureau of Labor Statistics (BLS), the U.S economy is projected to keep growing, but at a slower rate than before the onset of the recession.

From 2014 to 2024, the total number of workers in South Dakota is projected to increase by 32,114 (or 6.7 percent) to a total of 510,501 workers. On the national level, the total employment level is expected to increase from 150.5 million to 160.3 million (6.5 percent, or 0.6 percent annually). South Dakota's growth rate is trending a little higher than the national growth rate.

The South Dakota projections include three categories of workers:

- Non-agricultural self-employed and unpaid family workers
- Agriculture and related workers (farm employment)
- Nonfarm wage and salaried workers

The nonfarm wage and salaried workers category includes only those wage and salaried workers who are covered under the South Dakota unemployment insurance program and those who work for non-profit organizations, such as private colleges and religious organizations. Making up 88 percent of the workforce, this category is the major component in South Dakota. The nonfarm wage and salaried workers category is also projected to grow 7.3 percent by 2024 - the most for any category.

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<b>South Dakota Wage and Salaried Workers by Industry Division 2014-2024</b>				
<b>Industry Title</b>	<b>2014 Workers</b>	<b>2024 Workers</b>	<b>Actual Change</b>	<b>Percent Growth</b>
Total of All Industries	478,387	510,501	32,114	6.7%
Non-agricultural Self-employed and Unpaid Family Workers	23,775	24,386	610	2.6%
Agriculture, Forestry, Fishing and Hunting (Farm Employment)	33,809	34,512	703	2.1%
Total Nonfarm Wage and Salaried Workers (excludes Self-employed and Unpaid Family Workers)	420,802	451,603	30,801	7.3%
<b>Notes:</b>				
<i>Data is preliminary and subject to revision.</i>				
<i>Data for industries with 2014 employment less than 200 not included. Data presented for industries will not sum to totals due to non-publishable data for additional industries being included in totals.</i>				
<i>Industry codes and industry titles are based largely on the <a href="#">North American Industry Classification System (NAICS)</a>.</i>				
<i>Source: Labor Market Information Center, South Dakota Department of Labor and Regulation, July 2016.</i>				

Employment in the agriculture and related workers (farm employment) category in South Dakota is expected to grow slightly from 33,809 to 34,512 (2.1 percent) by 2024. The agriculture, forestry, fishing and hunting sector in South Dakota has been relatively unchanged in employment numbers in recent years and is projected to have an annual growth rate of 0.2 percent through 2024.

Nationally, employment in agriculture, forestry, fishing and hunting is expected to decrease by 110,500 workers (or 5.2 percent) through 2024. Nationally and in South Dakota, the agricultural sector has been decreasing since the 1980s. Advancements in technology have allowed for greater efficiencies in farming production while requiring a smaller number of workers. In South Dakota, the farms have been trending toward bigger operations and the consolidation of smaller farms for greater production.

Employment in the non-agricultural self-employed and unpaid family workers category makes up the smallest portion of the workforce in South Dakota. According to the BLS (Current Population Survey and American Time Use Survey), self-employed persons are individuals who work for profit or fees in their own business, profession, trade or farm. Non-agricultural self-employed and unpaid family workers are expected to increase 2.6 percent over the next 10 years in South Dakota.

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<b>South Dakota Industry Employment Projections 2014-2024 Top Ten in Industry Growth</b>				
<b>Industry Title</b>	<b>2014 Workers</b>	<b>2024 Workers</b>	<b>Actual Change</b>	<b>Percent Growth</b>
Warehousing and Storage	792	972	180	22.7%
Merchant Wholesalers, Durable Goods	9,211	10,686	1,475	16.0%
Social Assistance	9,114	10,368	1,254	13.8%
Professional, Scientific and Technical Services	12,384	14,023	1,639	13.2%
Machinery Manufacturing	6,851	7,703	852	12.4%
Sporting Goods, Hobby, Book and Music Stores	2,288	2,563	275	12.0%
Waste Management and Remediation Service	807	900	93	11.5%
Support Activities for Transportation	857	954	97	11.3%
Hospitals	25,013	27,811	2,798	11.2%
Ambulatory Health Care Services	15,359	17,065	1,706	11.1%
<b>Notes:</b>				
<i>Data is preliminary and subject to revision.</i>				
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<i>Industry Codes and Industry Titles are based largely on the <a href="#">North American Industry Classification System (NAICS)</a>.</i>				
<i>Source: Labor Market Information Center, South Dakota Department of Labor and Regulation, July 2016.</i>				

The South Dakota industries projected to grow the most over the next 10 years are trending fairly consistently with the rest of the nation. In South Dakota, the service-providing industries are anticipated to generate 25,832 workers (a 7.2 percent increase in employment), while the goods-producing industries are expected to grow by 5,672 workers (5.8 percent). On the national level the BLS is expecting an increase of 9.26 million workers (7.7 percent) in the services-providing industry sector. Nationally, the healthcare sector and the construction sector are projected to have the highest annual employment growth between 2014 and 2024. In South Dakota, it is projected four sectors will have double-digit employment growth: **Professional, Scientific and Technical Services** (13.2 percent), **Wholesale Trade** (12.7 percent), **Health Care and Social Assistance** (10.6 percent), and **Accommodation and Food Services** (10 percent).

The fastest growing sectors in South Dakota also contain five of the 10 fastest growing industries at the three-digit subsector level using the North American Industry Classification System (NAICS). The NAICS system classifies industries using a six-digit, hierarchical system, with each greater digit level providing more specific categorization of the industries. For example, within the construction sector (NAICS 23) are three, three-digit subsectors: Construction of Building (NAICS 236), Heavy and Civil Engineering Construction (NAICS 237) and Specialty Trade Contractors (NAICS 238). Specifically under the Construction of Buildings (NAICS 236), at the four-digit NAICS level, are categories such as Residential Building Construction (NAICS 2361) and Nonresidential Building Construction (NAICS 2362). As mentioned above, the analysis below of the industries projected to have the most employment growth through 2024 is at the three-digit NAICS level.

### **Warehousing and Storage**

In South Dakota, the number of workers employed in the Warehousing and Storage subsector is projected to increase by 180 workers (or 22.7 percent) over the next 10 years. Establishments in this industry group operate warehousing and storage facilities for general merchandise, refrigerated goods and other warehouse

products. Establishments in Warehousing and Storage may also provide a range of services, often referred to as logistics, related to the distribution of goods. Establishments are pushing to gain efficiencies through logistics and less cycle time to get their product to a customer. The need for logistics is driving the demand for workers within this subsector.

### **Merchant Wholesalers, Durable Goods**

The Merchant Wholesalers, Durable Goods industry in South Dakota is projected to increase by 1,475 workers (or 16 percent) by 2024. Industries in the Merchant Wholesalers, Durable Goods subsector sell capital or durable goods to other businesses. Durable goods are new or used items generally with a normal life expectancy of three years or more. This subsector is part of the Wholesale sector, which is expected to be the second-fastest growing sector overall in South Dakota through 2024. The growth in the Merchant Wholesalers, Durable Goods subsector can be attributed to the success of the categories at the four-digit level within the subsector. At the four-digit NAICS level, just over half are expected to have double-digit growth through 2024. The growth in the subsector can be attributed largely to consumer demand for wholesale products. As consumer demand increases for wholesale items such as machinery, lumber and construction supplies, hardware, electric goods, etc., so do the staffing needs of establishments who provide those goods.

### **Social Assistance**

The Social Assistance subsector (in the Health Care and Social Assistance sector) is projected to increase by 1,254 workers (or 13.8 percent) by 2024 in South Dakota. Industries in the Social Assistance subsector provide a wide variety of social assistance services directly to their clients. This includes individual and family services, emergency and other relief services, vocational rehabilitation and child day care. The Health Care and Social Assistance sector is expected to increase by 6,597 workers (10.6 percent) over the next 10 years. Employment in the Social Assistance subsector will be driven largely by the shift in demand for services from higher cost inpatient facilities to lower cost individual and family service providers. Another large factor driving the demand is the increased need for childcare workers in preschool centers, daycare services and nursery schools.

### **Professional, Scientific and Technical Services**

The Professional, Scientific and Technical Services subsector is projected to add 1,639 workers in South Dakota (a 13.2 percent increase) over the next decade. This subsector is comprised of establishments that make available the knowledge and skills of their employees, often on an assignment basis, where an individual or team is responsible for the delivery of services to the client. The individual industries of this subsector are defined on the basis of the particular expertise and training of the services provider. At the four-digit NAICS level five of the nine categories are expected to have double digit growth. Some of these categories include consulting services such as: legal, accounting, engineering, management, computer design and scientific research. A major force contributing to the growth of this subsector has been the continued advancements in science and technology. Establishments are constantly trying to gain efficiencies and lower costs through technology and automation. Specifically, experts in the information technology consulting field help establishments design or modify software and automated systems to better serve their needs and improve their bottom line.

### **Machinery Manufacturing**

In South Dakota, the number of workers employed in the Machinery Manufacturing subsector is projected to increase by 852 workers (or 12.4 percent) over the next 10 years. This subsector includes establishments that create end products that apply mechanical force to perform work. Some important processes for the manufacturing of machinery are forging, stamping, bending, forming and machining used to shape individual pieces of metal. The driving force behind the expected increase is business and consumer demand. The Machinery Manufacturing subsector supplies and fulfills the needs of several other industries, such as construction, agriculture, mining, etc.

## **Sporting Goods, Hobby, Book and Music Stores**

The Sporting Goods, Hobby Book and Music Stores subsector is expected to increase by 275 workers (or 12 percent) by 2024. Establishments and individuals in this subsector are engaged in retailing and providing expertise on the use of sporting equipment or other specific leisure activities. Book stores are also included in this subsector. At the four-digit NAICS level book, periodical and music stores are showing a decline and are a small portion of the three-digit subsector. However, sporting goods and musical instrument stores are expected to show double-digit growth and are a large part of this subsector. Increased consumer demand for sporting goods, games and toys plays a large role in the projected increased employment level.

## **Waste Management and Remediation Service**

The Waste Management and Remediation Services industry in South Dakota is projected to increase by 93 workers (or 11.5 percent) by 2024. This subsector is engaged in the collection, treatment and disposal of waste materials. Growth in this industry is driven by an increasing population and privatization of waste collection services. With population growth there is more waste generated, which increases the demand for the Waste Management and Remediation Service subsector. Environmental and recycling regulations also drive the need for an increased workforce in this industry.

## **Support Activities for Transportation**

In South Dakota, the number of workers employed in the Support Activities for Transportation subsector is projected to increase by 97 workers (or 11.3 percent) over the next 10 years. The Support Activities for Transportation industry group is comprised of entities that provide services which support transportation. Services such as air traffic control and motor vehicle towing are examples of the type of support provided. This subsector is contained within the Transportation and Warehousing sector. The demand for support services is parallel with the demand of the Transportation and Warehousing sector. At the four-digit NAICS level four of the five categories are expected to show substantial gains, thus increasing this three-digit subsector. The expected gains can be traced to the demand for services including airport operation, routine railroad repair/servicing, emergency roadside repair, truck weighing operations, etc.

## **Hospitals**

The Hospitals subsector is expected to increase by 2,798 workers (or 11.2 percent) over the next 10 years in South Dakota. Industries in the Hospitals subsector provide medical, diagnostic and treatment services that include physician, nursing and other health services to inpatients and the specialized accommodation services required by inpatients. A driving force in the Hospitals subsector is an increasing population in South Dakota, especially the elderly. According to the U.S. Census Bureau, from 2000 to 2010, South Dakota's population age 65 and over increased by 8,450 (7.8 percent). The total population increased from 754,844 to 814,180 (7.9 percent) during that decade.

## **Ambulatory Health Care Services**

In South Dakota, the number of workers employed in the Ambulatory Health Care Services subsector is projected to increase by 1,706 workers (or 11.1 percent) over the next 10 years. This subsector is comprised of entities that provide health care services directly or indirectly to ambulatory patients and do not usually provide inpatient services. The aging population and advancements in medical technologies will help ensure continued worker growth within the health care services industry. With the advancements in medical technology, elective procedures like plastic surgery and corrective eye surgery are more attainable and available. The continuing shift from inpatient care to outpatient treatment will boost worker growth in both health practitioner offices as well as outpatient care centers across South Dakota. At the four-digit industry level high growth is expected in the Home Health Care Services industry (NAICS 6216). Specifically, individuals are more comfortable remaining in their own homes and hiring a skilled nursing or personal care service to come there to provide needed assistance like physical therapy, medical social services and medication distribution.