

# Minnesota's Low-Wage Sector

*Thousands of Minnesota workers will be affected if a proposal to raise the state's minimum wage to \$9.50 an hour is approved.*

Last session the Minnesota Legislature debated on whether to raise the minimum wage. The session closed with the House approving a bill (HF 92) that would raise the wage to \$9.50 an hour by 2015.<sup>1</sup> A similar bill is expected to be debated in the 2014 legislative session. In anticipation of the debate, this article presents data on jobs paying under \$9.50 per hour in Minnesota.

We first estimate how many people earn \$7.25 an hour and how many jobs pay at or below that wage in Minnesota. Second, we estimate how many jobs could see an increase if the minimum wage is raised to \$9.50 per hour. Third, we discuss which industries and occupations would be affected the most by an increase to \$9.50. Except for the first section, all of the data presented here are for jobs rather than people.

## Minnesotans Earning at or Below Minimum Wage

Current Minnesota statute sets the minimum wage at \$5.25 for companies with annual gross receipts below \$625,000 and \$6.15 for companies with receipts of \$625,000 and up. Both of these fall below the federal minimum wage of \$7.25 per hour, which is the minimum wage the vast majority of Minnesota businesses must pay. That is because for any business with annual gross receipts of \$500,000 or more that engages in interstate commerce — for example, by taking credit cards or using out-of-state suppliers — the higher minimum wage, whether federal or state, prevails. The higher wage also prevails for any employees who engage in interstate commerce in a given week

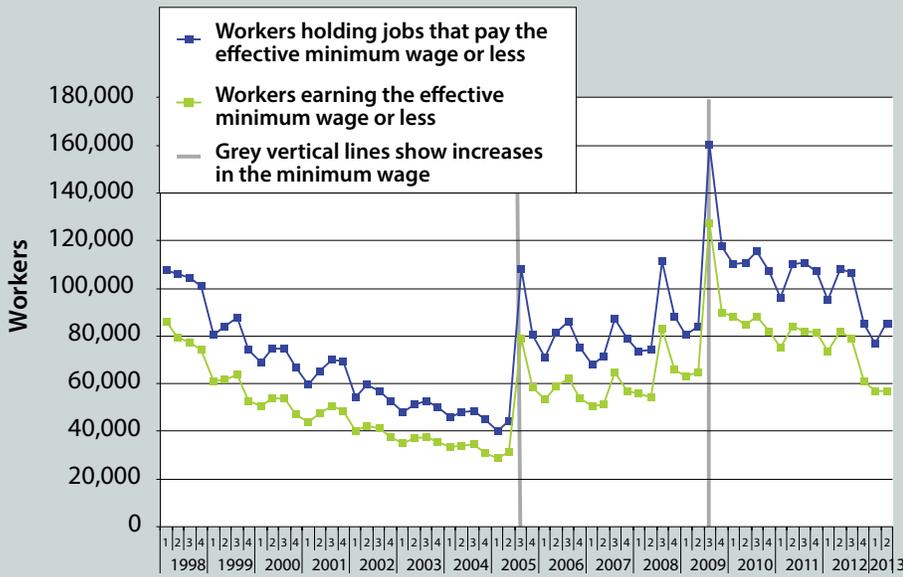


in the performance of their jobs, regardless of the employer's annual gross receipts.

The number of workers who hold minimum wage jobs has remained about steady since 1998 in Minnesota (see Chart 1). But looking just at the period since the federal minimum wage was last raised in August 2009, we see a slight downward trend in the number of people holding those jobs. Chart 1 also shows that many workers who hold

CHART 1

**Chart 1: Workers Holding Minimum Wage Jobs in Minnesota, 1998-2013, Not-Seasonally Adjusted**



quarters later, probably because the economy improved. During the most recent four quarters for which data are available (third quarter 2012 through second quarter 2013), those numbers dropped to 63,400 and 88,800, respectively.

Based on unemployment insurance (UI) wage records, 3.1 percent of all jobs in Minnesota (88,000) paid *below* \$7.25 per hour, with more than half of those paying less than \$6.15 per hour in an average quarter in 2012. During the same period, an additional 13,000 jobs paid exactly \$7.25 per hour. This means that there were 101,000 jobs paying at or below \$7.25 per hour, or 3.5 percent of all jobs in Minnesota in an average quarter in 2012.

TABLE 1

Jobs paying less than \$9.50 by Planning Region, Average Quarter, 2012		
Planning Region	Number of Jobs	Percent of Total Jobs
Central	51,713	19.4%
Northeast	31,819	20.4%
Northwest	49,162	21.3%
Southeast	43,613	17.6%
Southwest	40,760	21.4%
Twin Cities Metro	223,927	13.5%
Information not available	20,352	16.1%
<b>Total</b>	<b>461,345</b>	<b>16.1%</b>

Source: Unemployment Insurance Wage Records, 2012. Employers are required to report tips and gratuities.

minimum wage jobs earn more than minimum wage on average due to other jobs that they hold simultaneously or within the same quarter. In 2012, an average of 73,900 workers per

quarter in Minnesota *earned* \$7.25 per hour or less, while an average of 98,800 held *at least one job that paid* \$7.25 per hour or less.<sup>2</sup> These numbers dropped substantially just two

**How Many and Which Jobs Would be Affected?**

Bills heard last year would step up the minimum wage over a three-year period to \$9.50 by 2015. In this analysis, we use \$9.50 as a high estimate of the impact of an increase. In an average quarter in 2012, Minnesota had 461,300 jobs (16.1 percent of the state's total) that paid less than \$9.50 per hour, according to UI wage records.

The following industries have the biggest share of jobs paying less than \$9.50 an hour: accommodation and food service

## Data, Definitions and Methodology

Most of the analysis in this article is based on Minnesota unemployment insurance (UI) wage records. These are employer-reported records on all employees who work in jobs at any time during each quarter and are covered by unemployment insurance. In Minnesota, employers must report total wages earned by each employee, including salaries, cash wages, commissions, tips and gratuities, among other forms of compensation,<sup>1</sup> and hours worked per quarter by each employee. These reports allow us to calculate an hourly wage rate for each employee paid by the employer.

Wage record counts differ from those used in other studies of the minimum wage, counting jobs at or below any given wage rate held by an individual at any time during the quarter. Other studies often use estimates of the number of people working in minimum wage jobs at a specific point in time. Thus counts of jobs at any time during the quarter will exceed the count at any point in time as people move into and out of jobs throughout the quarter. Furthermore, the count of jobs will exceed the count of people holding jobs to the extent that people hold multiple jobs, a tendency that is especially pronounced at lower wage rates. Recent analysis suggests that these factors yield a significant gap between wage record counts of jobs and point-in-time estimates of employed individuals. For example, while 461,300 jobs paid less than \$9.50 on average over the four quarters between July 1, 2012, and June 30, 2013, only 352,000 people, on average, held jobs that paid less than \$9.50 per hour.

Also, because wage record counts are not sample-based, they provide detail on the entire population of UI covered jobs and the businesses that provide them. This means that much greater detail by wage, industry and region can be presented. There is an unknowable amount of reporting error in these data, and these errors appear to be disproportionately acute at either end of the distribution, e.g. jobs paying less than \$9.50 per hour. These reporting errors likely have the overall effect, therefore, of overstating the number of jobs and workers that would fall into the wage categories presented in this article. We have attempted to correct for this problem by dropping suspect and incorrect records, but some overestimation may still occur.

<sup>1</sup>The full list of reportable wages is available at <http://uimn.org/uimn/employers/publications/emp-hbook/reportable-wages.jsp>.

(58.5 percent), retail trade (44.1 percent), arts, entertainment and recreation (41.5 percent), administrative and support and waste management and remediation<sup>3</sup> (30.4 percent), other services (26.8 percent), and agriculture, forestry, fishing and hunting (23.4 percent). In all other industries, fewer than 12 percent of the jobs pay less than \$9.50.

Table 1 shows the number of jobs paying below \$9.50 per hour by Minnesota planning region. The last column shows the percent of total jobs paying below \$9.50 by region. Southwest, Northwest and Northeast have the highest share of jobs that pay less than \$9.50 per hour. The Twin Cities Metro has the lowest share of jobs paying less than \$9.50 per hour.



TABLE 2

Jobs Paying Under \$9.50 Per Hour by Occupation Group in Minnesota, 2013					
Occupation group	Total jobs	Median Wage	Number paying <\$9.50	Percent paying <\$9.50	Example of non-tipped jobs and percent paying <\$9.50
Food Preparation and Serving-Related	223,371	\$8.99	140,545	62.9%	Combined Food Preparation and Serving Workers, Including Fast Food (82.5%)
Sales and Related	271,499	\$12.59	83,582	30.8%	Cashiers (62.1%)
Building and Grounds Cleaning and Maintenance	80,905	\$11.42	22,240	27.5%	Maids and Housekeepers (43.7%)
Personal Care and Service	105,200	\$10.82	28,059	26.7%	Child Care Workers (40.2%)
Farming, Fishing and Forestry	3,222	\$13.51	674	20.9%	Farmworkers, Farm, Ranch and Aquacultural Animals (47.9%)
Transportation and Material Moving	161,024	\$15.30	25,188	15.6%	Packers and Packagers, Hand (49.9%)
Arts, Design, Entertainment, Sports and Media	38,404	\$20.53	4,054	10.6%	Coaches and Scouts (42.1%)
Production	214,480	\$16.06	19,099	8.9%	Helpers – Production Workers (41.2%)
Office and Administrative Support	400,225	\$16.48	35,602	8.9%	Hotel, Motel and Resort Desk Clerks (46.8%)
Health Care Support	93,155	\$12.77	7,582	8.1%	Pharmacy Aides (27.4%) and Home Health Aides (15.6%)
Protective Service	41,869	\$18.28	3,406	8.1%	Lifeguards, Ski Patrol and Other Recreational Protective Service Workers (64.6%)
Education, Training and Library	153,114	\$21.37	10,223	6.7%	Teacher Assistants (20.6%)

Source: Occupational Employment Statistics data, employment data for 2012, wage data updated to 2013. Employers are asked to report tips and gratuities.

Table 2 shows the occupational groups that will be affected the most by a raise to \$9.50 and the percent of jobs in each of these occupations that pay under \$9.50 per hour. The table also provides a sample of the specific occupations with the highest number of jobs that pay under \$9.50 per hour.

**Conclusion**

Based on UI wage records, raising the minimum wage to \$9.50 per hour would affect about

460,000 jobs in Minnesota. As the economy improves, however, this number is likely to decrease. This decrease can be seen, for example, in the number of jobs paying less than the current effective minimum wage. The number of jobs in that category from June 2012 to June 2013 was 10 percent lower than the jobs in that category from January 2012 to January 2013. Despite this decline, the level at which the minimum wage is set impacts different industries

and occupations very differently. Based on 2012 data, more than half of fast-food workers, cashiers, and packers and packagers, for example, would be making more if the minimum wage were set at \$9.50 in Minnesota. **■**

<sup>1</sup>HF0092 has stepped increases up to \$9.50 an hour for large employers in 2015. The Senate passed a companion bill with stepped increases up to \$7.75 an hour for large employers. Those differences must be ironed out by both the House and Senate before the minimum wage can be increased.

<sup>2</sup>Many of these workers hold multiple jobs, which is why these numbers differ from the numbers on jobs in the next paragraph.

<sup>3</sup>This industry includes temp help services.