



# A New Minimum?

The Minnesota Legislature debated raising the state minimum wage in the 2013 legislative session. Because wage level differences in House and Senate bills remained unresolved as the session closed, the Legislature is expected to revisit the issue when the session resumes in February 2014. This raises the question: How many jobs, in which regions, and in which occupations, would be affected if there were a substantial increase in the state minimum wage? To find the answer, we take the higher minimum wage level of the House bill (HF0092), \$9.50 an hour for large employers, and estimate how many jobs would see wages increase to meet the new level.

## Understanding Minnesota's Current Minimum Wage

Minnesota's minimum wage currently stands at \$6.15 an hour for large employers, defined as those with gross annual revenue of \$625,000 or more, which is below the federal minimum wage of \$7.25 an hour. According to federal law, any employer, for-profit or nonprofit, with annual gross revenue of \$500,000 or more that engages in interstate commerce — by taking

credit cards or using out-of-state suppliers, for example — must pay the federal minimum wage whenever it is higher than the state minimum as is the case today. The higher wage also prevails for any employee who engages in interstate commerce in a given week in the performance of their job, regardless of the amount of the employer's annual gross revenue.

Thus, \$7.25 an hour is the minimum wage the vast majority of Minnesota employers must pay. So few businesses fall outside of the federal coverage that the Minnesota Department of Labor and Industry, which administers minimum wage laws, describes \$7.25 as the effective minimum wage in Minnesota. For the purpose of our analysis here, we do not include jobs that pay below \$7.25 an hour in the count of jobs which would be affected by the proposed \$9.50 an hour minimum wage.

If the federal minimum wage had kept pace with inflation since 1968, it would today be \$10.75 an hour according to the Bureau of Labor Statistics' CPI Inflation Calculator. The difference between the hypothetical inflation-adjusted federal wage of \$10.75 an hour and the actual effective wage of \$7.25 demonstrates a loss of consumer purchasing power,

making it harder for people with jobs to make ends meet.

Several states have set their minimum wages well above the federal rate. California will raise its minimum wage to \$10.00 an hour in 2016, while the state of Washington raised its minimum wage to \$9.19 an hour and pegged it to rise with inflation. Oregon's wage of \$8.95 an hour, also pegged to inflation, will easily surpass \$9.00 an hour by 2015, and Connecticut's wage will be \$9.00 an hour in 2015.

## Regional Impacts on Increasing the Minimum Wage

A special analysis of Occupational Employment Statistics (OES) program data provides insight into the estimated number of jobs in Minnesota, by region and by occupation, that pay under \$9.50 an hour and therefore would be affected by the increase. Wages reported by employers to the OES program should include straight-time gross pay, which includes incentive pay, both commissions and production bonuses, and tips.<sup>1</sup> Further, employment estimates include non-farm,



full- or part-time paid workers, paid owners, officers, and staff of incorporated firms covered by the state's Unemployment Insurance (UI) program.<sup>2</sup>

Overall, 387,710 jobs in Minnesota, or 14.7 percent of total occupational employment, paid under \$9.50 an hour during first quarter 2013 based on the OES employment and wage estimates. This percentage varies by region as seen in Figure 1. The Twin Cities Metro (12.5 percent) and Southeast (16.3 percent) regions had the lowest percentage of jobs paying less than \$9.50 an hour, while Northeast (19.8 percent) and Southwest (19.7 percent) had the highest percentage of jobs that would be impacted by an increase in the minimum wage.

Our OES analysis is a count of jobs, not people. In some cases one person may hold multiple jobs. Wage records collected by the UI program could also be used to analyze the percent of jobs paying under \$9.50 by region, firm size, and industry and may yield different results than are presented here. The December 2013 edition of Minnesota Economic Trends includes such an article.

## Wage Raise by Occupation

One advantage to using OES to estimate jobs that could be impacted by a minimum wage increase is the ability to look at the data at an occupational level. Regional occupational distributions can also account for the differences in the percentages of jobs paying less than \$9.50 an hour. Table 1 shows the estimated number and percent of jobs with a wage of less than \$9.50 by occupational grouping. Food preparation and serving related occupations accounted for the largest number of jobs with a wage under \$9.50, with almost 60 percent of these jobs in the Twin Cities Metro and just over 70 percent of jobs in Northeast Minnesota paying less than this amount. Depending on the region 25 to 33 percent of jobs in sales and related occupations also pay less than \$9.50. In addition to these groupings, other service-providing jobs

like building and maintenance and personal care and service would be most affected by an increase in the minimum wage to \$9.50. On the other hand, an increase in the minimum wage to \$9.50 would impact a small number of jobs in several occupational groups, including architectural and engineering, computer and mathematical, and legal.

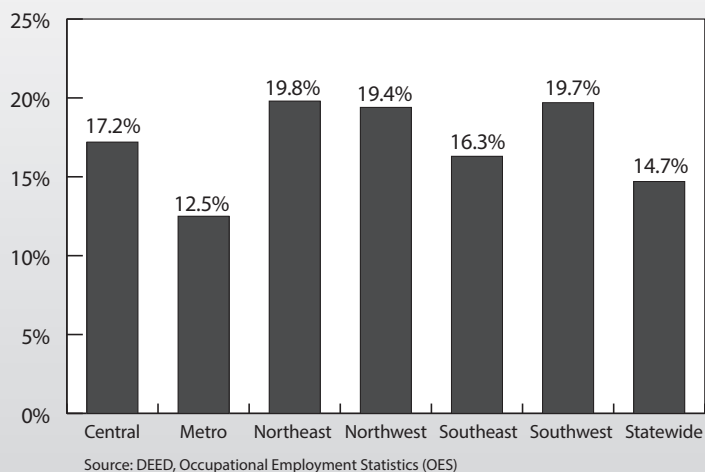
Following are the 10 occupations with the largest percentage of jobs paying under \$9.50 an hour in Minnesota. Many are in the food service industry:

- Combined food preparation and service workers, including fast food, 82.5 percent
- Dining room, cafeteria attendants, and bartender helpers, 82.1 percent
- Hosts and hostesses, 81.9 percent
- Waiters and waitresses, 76.6 percent
- Counter attendants, 76.5 percent
- Cooks, fast food, 74.7 percent
- Baggage porters, and bellhops, 73.6 percent
- Dishwashers, 73.2 percent
- Bartenders, 72.4 percent
- Amusement and recreation attendants, 70.3 percent

Several of these occupations — waiters and waitresses, baggage porters and bartenders — usually receive tips. Employers participating in the OES program are asked to include tips in their hourly wage calculations. Currently Minnesota employers cannot take a tip credit against state- or federal-set minimum wages, meaning that employees must be paid the minimum wage as a reliable base rate independent of the variability of tips.

Figure 1

### Estimated Percent of Jobs Paying Less than \$9.50 in Minnesota by Region



**Table 1: Estimated Number of Jobs Paying Under \$9.50 in Minnesota by Occupational Group and Region**

Occupation Code	Occupation Title	Minnesota		Central		Metro		Northeast		Northwest		Southeast		Southwest	
		Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50	Number Paying <\$9.50	Percent Paying <\$9.50
11-0000	Management	961	0.6%	141	1.3%	318	0.3%	90	1.4%	146	1.6%	128	1.2%	136	1.8%
13-0000	Business and Financial Operations	1,185	0.8%	120	1.6%	397	0.4%	81	1.8%	107	1.7%	141	1.8%	337	6.2%
15-0000	Computer and Mathematical	213	0.3%	67	2.6%	92	0.1%	12	0.6%	19	1.0%	20	0.3%	<5	<1.0%
17-0000	Architecture and Engineering	16	0.0%	<5	<1.0%	6	0.0%	<5	<1.0%	<5	<1.0%	<5	<1.0%	0	0.0%
19-0000	Life, Physical, and Social Science	149	0.6%	<5	<1.0%	38	0.2%	0	0.0%	<5	<1.0%	81	3.9%	22	1.6%
21-0000	Community and Social Services	1,596	3.2%	186	3.3%	398	1.4%	370	7.6%	303	6.8%	184	4.7%	152	4.5%
23-0000	Legal	51	0.3%	0	0.0%	<5	<1.0%	7	1.4%	40	5.1%	<5	<1.0%	0	0.0%
25-0000	Education, Training, and Library	10,223	6.7%	506	2.7%	6,230	7.3%	368	4.4%	744	4.8%	1,556	11.2%	813	7.5%
27-0000	Arts, Design, Entertainment, and Media	4,054	10.6%	281	16.3%	2,365	8.1%	199	14.5%	214	11.2%	679	25.0%	260	18.6%
29-0000	Healthcare Practitioners and Technical	1,027	0.7%	95	0.6%	317	0.4%	161	1.5%	78	0.6%	203	0.9%	169	1.8%
31-0000	Healthcare Support	7,582	8.1%	1,285	10.7%	1,818	4.0%	1,062	15.2%	1,099	11.8%	871	8.2%	1,416	15.6%
33-0000	Protective Service	3,406	8.1%	304	7.7%	1,395	5.5%	346	10.9%	713	20.0%	296	8.6%	342	14.7%
35-0000	Food Preparation and Serving Related	140,545	62.9%	14,372	66.5%	77,984	59.6%	10,316	70.4%	13,819	66.6%	12,011	65.9%	11,898	69.8%
37-0000	Building, Grounds Cleaning and Maintenance	22,240	27.5%	2,486	28.9%	10,397	24.0%	2,041	36.7%	2,747	31.8%	2,400	28.5%	1,822	35.1%
39-0000	Personal Care and Service	28,059	26.7%	3,974	35.2%	13,907	21.4%	2,289	37.1%	3,689	43.8%	1,937	28.7%	2,225	30.4%
41-0000	Sales and Related	83,582	30.8%	9,579	37.9%	45,000	25.8%	5,553	42.8%	8,000	39.1%	8,358	40.2%	6,928	42.4%
43-0000	Office and Administrative Support	35,602	8.9%	4,340	12.3%	16,659	6.4%	2,651	13.6%	4,402	15.3%	3,833	12.2%	3,591	15.4%
45-0000	Farming, Fishing, and Forestry	674	20.9%	148	30.5%	145	26.4%	5	2.0%	175	27.3%	79	17.4%	123	14.9%
47-0000	Construction and Extraction	1,211	1.5%	139	1.2%	595	1.5%	93	1.5%	191	2.2%	56	0.8%	63	1.0%
49-0000	Installation, Maintenance, and Repair	3,094	3.5%	389	4.1%	1,528	3.2%	166	2.5%	268	3.2%	340	3.9%	399	5.4%
51-0000	Production	19,099	8.9%	2,027	7.5%	12,253	10.6%	758	9.9%	1,256	6.6%	1,167	5.1%	1,549	7.2%
53-0000	Transportation and Material Moving	25,188	15.6%	3,306	18.1%	12,828	14.4%	1,389	17.6%	2,501	17.6%	2,955	19.3%	2,095	16.1%
<b>00-0000</b>	<b>Total, All Occupations</b>	<b>387,711</b>	<b>14.7%</b>	<b>43,565</b>	<b>17.2%</b>	<b>203,692</b>	<b>12.5%</b>	<b>27,775</b>	<b>19.8%</b>	<b>40,267</b>	<b>19.4%</b>	<b>37,127</b>	<b>16.3%</b>	<b>34,089</b>	<b>19.7%</b>

Source: DEED, Occupational Employment Statistics (OES)



# Wage Raise for Job Vacancies

In addition to the wages of currently employed workers, the wages for open positions will also be impacted if the state’s minimum wage increases to \$9.50 an hour. Another method of assessing the impact of an increase in the minimum wage is to look at the wages of current job openings across Minnesota, as captured by the semi-annual Job Vacancy Survey (JVS). Table 2 shows the high-end percentage of job openings during second quarter 2013 that had a median wage of \$9.50 or less by region.<sup>3</sup> A distinction is made between full-time and part-time openings since full-time positions are more likely to offer wages above \$9.50 an hour. Just 6.4 percent of full-time job vacancies offered a median wage of less than \$9.50 compared to 61.6 percent of part-time openings in Minnesota. Forty-five percent of all job vacancies in Minnesota are part-time.

The concentration varies by region as the Northwest region had a substantially higher percentage of full-time job openings offering less than \$9.50. This situation likely correlates to the region’s higher concentration of temporary or seasonal job vacancies during second quarter 2013.<sup>4</sup>

## Conclusion

The exact number of jobs that would be affected by a proposed \$9.50 an hour minimum wage might not be known, but the increase could be expected to have varying impacts across regions and occupations, as suggested by these estimates. Some median wage offers captured by the JVS also would rise, particularly among the 45 percent of Minnesota job openings that are part-time. Part-time job seekers, particularly in food service and sales occupations, will see an increase in their hourly wage offers.

Additional analysis would be required to estimate the effect of the proposed minimum wage increase on consumer spending power in Minnesota, the effect on individuals and families who depend either fully or partly on minimum wage incomes, and the channels of adjustment employers would likely use to absorb the increased wage bill. Understanding the number and share of affected jobs and job openings is an important first step toward helping communities and their representatives make informed choices in the coming legislative session.

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**Table 2: Percentage of Job Openings Paying \$9.50 or Less, 2Q 2013**

Region	Full-Time Openings	Part-Time Openings
Central	3.5%	59.0
Northeast	10.9%	79.2
Northwest	48.0%	78.5
Metro	4.9%	69.0
Southeast	6.8%	58.8
Southwest	10.9%	87.1
<b>Statewide</b>	<b>6.4%</b>	<b>61.6</b>

Source: DEED, Job Vacancy Survey



<sup>1</sup>Excluded from the wage definition are overtime pay, shift differentials, non-production bonuses, holiday pay, meal and lodging payments, draw, severance pay, back pay, jury duty pay, and tuition reimbursements.

<sup>2</sup>Excluded from the employment definition are proprietors of unincorporated firms, other self-employed and contract workers, unpaid family workers, and workers on unpaid leave.

<sup>3</sup>The percentages displayed in this analysis include occupations for which data were disclosable and where the median wage was \$9.50 or less.

<sup>4</sup>Economic Development Regions (EDR) 4 and 5 in Northwest Minnesota have a higher than average percentage of full-time job openings also classified as temporary or seasonal. These jobs overwhelmingly appear in the building, grounds cleaning and maintenance, and transportation and material moving occupations.