

Executive Summary

Wage Growth in Minnesota

Minnesota's workers have benefited from hourly wage increases from 1989 to 2000, with low wages growing 17.0%, median wages up 16.6%, and high wages rising 10.7% after adjusting for inflation.¹ In this respect, the 1990s differed from the 1980s, in which low and median wage workers suffered declining hourly wages while high wages increased. Strong growth at all wage levels in the second half of the 1990s also meant that Minnesota's workers earned higher wages than their U.S. counterparts.

Data on wages do not show how well workers can meet their needs unless they are compared to the cost of necessary goods and services. This report uses the Family Budgets prepared by the JOBS NOW Coalition to measure whether a worker is able to support a family through full-time, year-round work. Analysis by JOBS NOW finds that in 1999, more than one-third of Minnesota's workers made less than \$10.38 an hour, the wage needed to cover the Family Budget for a family of four with two parents working. In addition, 62.1% of female workers made less than \$13.94, the amount needed for a single parent family of two.

Workers in Greater Minnesota have an even harder time making ends meet: while the cost of living in Greater Minnesota is 16% lower than in the Metro Area, average wages are 31% lower.

Over the last twenty years, Minnesota's workers have put in longer hours. Married couple with children families have increased their average annual work hours by 7.6% since the late 1970s, adding an additional 275 hours, or nearly seven additional weeks of work, during the year. Single parent families increased their work hours by 7.3% over the same time period. But Minnesota's workers may no longer be able to respond to wage declines by increasing their hours — the average single parent family works 38 hours a week year round, and the average married couple with children family works close to the equivalent of two full-time, year-round jobs.

Job Trends in Minnesota

Whether Minnesota's workers can earn family-supporting wages depends in part on the types of job opportunities available. The service industry is the largest industry in Minnesota and its share of all jobs is growing. Services, agriculture, and retail trade have the three lowest average annual wages in Minnesota, and together made up 47.6% of all jobs in Minnesota in 1999. High-paying industries, on the other hand, have seen their share of total jobs in Minnesota decline, with mining suffering net job losses.

Workers not only want wages that can support their families, but also quality jobs with benefits. Little progress has been made since the late 1970s in providing Minnesota's workforce with employer-based health insurance and pensions. In the late 1990s, 58.6% of private-sector employees had employer-provided pensions and 64.6% had health insurance provided by their employer or the employer of a family member. This reflects a gradual decline in the percent with employer-based health insurance since the late 1970s. Pension coverage has increased from the 1970s, but this may be due to the trend away from defined benefit pensions and toward defined contribution plans, which shift much of the risk to the employee.

¹ In this analysis, a low wage worker earns a lower hourly wage than 80% of all workers; a median wage worker is exactly in the middle, with half of workers making more and half making less; and a high wage worker makes a higher hourly wage than 80% of all workers. All wages are adjusted for inflation.

Workers Without Work

Unemployment in Minnesota dropped significantly in the 1990s, reaching 2.5% in 1998. Since then rates have started to increase, but remain at historically low levels. Minnesota has been fortunate to have had a lower unemployment rate than the U.S. as a whole for the past twenty years, although the recent increases have brought Minnesota closer to the national figure.

Regional Disparities in Unemployment and Job Vacancies

Many of the state's urban hubs, including the Twin Cities, Rochester, Mankato, and Moorhead areas, have benefited from unemployment rates below the state average. In contrast, most of the northern half of the state has unemployment rates higher than the national average, with three northwestern counties exceeding 11%. Since the state's unemployment rate began increasing in 1998, northwestern Minnesota has also seen the largest increases in unemployment. Adding to the difficulties faced in areas of high unemployment is that the majority of job vacancies are in the Twin Cities. The job vacancies in Greater Minnesota offer lower median wages and are less likely to offer health insurance.

Unemployment has been creeping up, and certain parts of the state have not equally shared in the strong economic growth of the 1990s. This raises the question of whether adequate supports exist to help Minnesota's workers ride out economic ups and downs.