

Executive Summary

Minnesota workers have realized many improvements in their standard of living during the 1990s, including wage and family income increases and a strong decline in unemployment. However, these general measures hide the fact that inequality is increasing, that increased incomes are largely due to more hours worked, and that basic costs — particularly housing — are out of reach for ordinary workers.

Low Unemployment Rate Disguises Disparities

Although Minnesota's unemployment rate has dropped to 2.8%, unemployment is considerably higher in the northern regions of the state. The unemployment rate also disguises the fact that many workers have a relatively tenuous connection to the workforce. Nearly 19% of Minnesota workers work only part-time hours. The number of workers laid off also has not declined over time.

Wages Grow Unequally

Minnesota's low, median, and high wage workers all saw their wages increase during the 1990s. However, these wages did not grow at the same rate, and for many workers, increases in the 1990s made up for declines in the 1980s. Since 1979, the wages of low wage workers have grown 7.5%, median wages 8.6%, and high wages 13.3%. These uneven growth rates have led to greater wage inequality between workers.

Family Incomes Up, Because Families Work More

Minnesota's median family income grew faster in the 1990s than in any other state, reaching \$67,140 for a family of four, an annual growth rate of 2.1% since 1989. However, national data show that increased family incomes have come at the expense of more hours worked. The average U.S. worker spent 1,898 hours on the job in 1998, nearly two weeks per year more than in 1989. The average two-parent family with children worked a total of 3,452 hours per year, nearly four weeks more than in 1989. This makes it increasingly difficult for workers to balance work and family responsibilities.

Income Inequality on the Rise

Income inequality has been increasing in Minnesota. The incomes of the poorest 20% of families did not grow since the late 1970s relative to inflation, while the incomes of the middle 20% of families grew 16.6%, and the incomes of the top 20% of families grew 42.6%. The prosperity of Minnesota's economy has not been equally shared.

Basic Costs Outpace Income Gains

Minnesota workers are finding that basic costs are rising faster than their incomes. Housing in particular has become out of reach for ordinary workers. Median home prices in the Twin Cities have increased 61% since 1995, and have grown even faster in other parts of the state. It is now nearly impossible for an average family to buy a home in the metro area.