

Minimum Wage Workers in Minnesota 2000

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Research & Statistics

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Executive Summary¹

- **In 2000, the estimated number of workers paid \$5.15 or less in Minnesota was about 50,100, representing 1.9% of all wage and salary workers.** This has remained steady since 1999.
- **In 2000, workers who earned wages at or below \$5.15 per hour represented 2.7% of all hourly paid workers in Minnesota, compared to 3.7% in the U.S.**
- **Between 1996 and 2000, the number of wage and salary workers who earned an hourly wage of \$5.15 or less declined by 70%,** from 165,000 to 50,100 workers.
- **Nearly a third (or 16,000) of minimum wage workers were 16 to 19 years old,** and 8,000 of these earned less than \$5.15 per hour. Slightly less than half (47%) of minimum wage workers were 25 years and over.
- **Minimum wage workers were more likely to be women.** About 65% (or 32,000) of minimum wage workers were women. Women age 25 years and over accounted for 32% (or 16,000) of all minimum wage workers. Men age 25 years and over accounted for 15% (or 7,000) of all minimum wage workers.
- **Minimum wage workers tended to be part-time workers.** About 62% (or 31,000) of minimum wage workers were employed part-time. Part-time minimum wage workers were almost twice as likely to be women (21,000) than men (11,000).
- **Sixty-one percent (or 31,000) of minimum wage workers were never married.** Approximately a quarter of minimum wage workers (or 13,000) were married with a spouse present.
- **Sixty-two percent (or 31,000) of minimum wage workers were in service occupations,** and 22,000 of these earned less than \$5.15 per hour. Another 18% (or 9,000) of minimum wage workers were in technical, sales and administrative support occupations, of which 5,000 were in sales. In these occupations, tips or commissions may supplement the hourly wage received.
- **Eighty-five percent (or 43,000) of minimum wage workers were in service-producing industries,** 7% (or 3,000) were in the goods-producing sector, and another 8% (or 4,000) were in the public sector. In the service-producing sector, retail trade employed 53% (or 27,000) of all minimum wage workers, and services industries employed 26% (or 13,000) of all minimum wage workers. Some workers in retail trade industries may receive commissions that supplement the hourly wage received.
- **Between 1999 and 2000 there was a decline in the number of Minnesota wage and salary workers paid \$5.15 or less among black and Hispanic female workers, persons employed full-time, and those who are married.** During this time there were compensating increases among white female workers, and persons employed part-time.
- **Between 1999 and 2000 there was a decline in the number of wage and salary workers paid \$5.15 or less in technical, sales, and administrative support, operators and laborers, and farming occupations.** During this time there were compensating increases in the number of minimum wage workers in service occupations.

¹In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

Minimum Wage Workers in Minnesota, 2000

Minimum Wage Workers in Minnesota as a Whole

The estimated number of workers paid the minimum wage² in Minnesota in 2000 was about 50,100, representing 1.9% of all wage and salary workers.³ This was almost equal to the 50,000 minimum wage workers in 1999. Of the 50,100 minimum wage workers in 2000, about 40,000 were hourly paid workers (about 2.7% of all hourly paid workers) and 10,100 were salary workers (less than 1% of all salary workers). The number and percentage of minimum wage workers remained steady for both groups of workers between 1999 and 2000. Notably, however, the proportion of Minnesota minimum wage workers earning less than \$5.15 per hour decreased between 1999 and 2000, from about 68 percent to about 60 percent.

In 2000, workers earning wages at or below \$5.15 per hour represented 3.7% of all hourly paid workers in the U.S., compared to 2.7% in Minnesota. The corresponding figures in 1999 were 4.6% for the U.S. and 2.8% in Minnesota. Thus the decline in the percentage of workers who earned \$5.15 per hour or less was much greater in the U.S. than in Minnesota.

In 2000, approximately 60% of all minimum wage workers received *less* than \$5.15 per hour, compared with 68% for the U.S.

There are limitations in making historical comparisons of the number of minimum wage workers because the minimum wage of \$5.15 per hour has only been applicable since September 1997. It is useful, however, to make such comparisons in order to note

the direction and amount of change in the proportion of workers who earn low wages. For example, in 1996 an estimated 165,000 workers earned an hourly wage of \$5.15 or less, compared to 50,100 in 2000. Thus, between 1996 and 2000, the number of workers earning \$5.15 or less declined by 70%. This decline is most likely explained by the tight labor market, continued healthy growth of Minnesota's economy, and generally rising prices and wages.

The estimates in this paper are based on Current Population Survey (CPS) data obtained from the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor. Using CPS data, the BLS annually estimates the average number of hourly paid workers who earned the minimum wage or less by state, beginning in 1995.⁴ Appendix A describes the data sources and assumptions underlying the estimates in this report. Appendix B describes the methodology used to derive the 2000 estimates of minimum wage workers in Minnesota.

Minimum Wage Workers by Worker and Job Characteristics

The BLS also estimates the national annual average number of minimum wage workers in demographic categories, such as gender, marital status and race, and major industry and occupational groupings. A profile of Minnesota minimum wage workers across these categories was constructed, *assuming that the profile of workers paid \$5.15 or less in Minnesota is identical to the profile of U.S. minimum wage workers*. Detailed information is provided in the following eight tables; the bullet points highlight key items of interest in each table.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

³ Wage and salary workers include hourly paid workers and non-hourly paid workers.

⁴ Annual average estimates of minimum wage workers were not calculated for 1996 and 1997 because minimum wage levels changed in October 1996 and September 1997.

Table 1: Minimum Wage Workers by Age and Gender in Minnesota, 2000

| Characteristic | Numbers ¹ (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|-------------------------------|-----------|----------------|-------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| 16 to 24 years | 27 | 15 | 12 | 53.4 | 29.8 | 23.6 |
| 16 to 19 years | 16 | 8 | 8 | 31.3 | 15.6 | 15.7 |
| 20 to 24 years | 11 | 7 | 4 | 22.1 | 14.3 | 7.9 |
| 25 years and over | 23 | 15 | 8 | 46.6 | 30.1 | 16.5 |
| Men, 16 years and over | 18 | 10 | 7 | 35.2 | 20.3 | 14.9 |
| 16 to 24 years | 10 | 5 | 5 | 20.3 | 10.9 | 9.3 |
| 16 to 19 years | 6 | 3 | 3 | 13.0 | 6.4 | 6.6 |
| 20 to 24 years | 4 | 2 | 1 | 7.3 | 4.5 | 2.8 |
| 25 years and over | 7 | 5 | 3 | 14.9 | 9.4 | 5.6 |
| Women, 16 years and over | 32 | 20 | 13 | 64.8 | 39.7 | 25.2 |
| 16 to 24 years | 17 | 9 | 7 | 33.2 | 19.0 | 14.3 |
| 16 to 19 years | 10 | 4 | 5 | 19.6 | 8.8 | 10.8 |
| 20 to 24 years | 7 | 5 | 3 | 14.9 | 9.8 | 5.1 |
| 25 years and over | 16 | 10 | 5 | 31.7 | 20.7 | 11.0 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **Nearly a third (or 16,000) of minimum wage workers were 16 to 19 years old, and 8,000 of these earned less than \$5.15 per hour.** Only 47% of minimum wage workers were 25 years and over.
- **Minimum wage workers were more likely to be women.** About 65% (or 32,000) of minimum wage workers were women. Women age 25 years and over accounted for 32% (or 16,000) of all minimum wage workers. Men age 25 years and over accounted for 15% (or 7,000) of all minimum wage workers.
- **The percentage of workers under age 25 earning at or below minimum wage increased slightly between 1999 and 2000, from 50% to 53% of minimum wage workers.**
- **Between 1999 and 2000, the percentage of minimum wage workers age 25 and over decreased by 2% for women and remained steady for men.**

Table 2: Minimum Wage Workers by Race¹ and Gender in Minnesota, 2000

| Characteristic | Numbers ² (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|---------------------|-----------|----------------|---------------------|-----------|
| | | \$4.90 to | | | \$4.90 to | |
| | Total | \$5.15 ³ | at \$5.15 | Total | \$5.15 ³ | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| White | 41 | 25 | 16 | 82.7 | 50.9 | 31.8 |
| men | 14 | 8 | 6 | 27.8 | 16.4 | 11.4 |
| women | 27 | 17 | 10 | 55.0 | 34.6 | 20.4 |
| Black | 7 | 3 | 3 | 13.3 | 6.5 | 6.8 |
| men | 3 | 1 | 1 | 5.8 | 2.9 | 2.9 |
| women | 4 | 2 | 2 | 7.5 | 3.6 | 3.9 |
| Hispanic | 6 | 3 | 3 | 11.0 | 5.0 | 6.0 |
| men | 3 | 1 | 1 | 5.2 | 2.9 | 2.3 |
| women | 3 | 1 | 2 | 6.5 | 2.9 | 3.6 |

¹ Data by race does not sum to the total because data for 'other races' group are not presented and Hispanics are included in both the white and black population groups.

² Some numbers do not add up to totals due to rounding.

³ In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **The distribution of minimum wage workers by race was: 83% (or 41,000) white, 13% (or 7,000) black, and 11% (or 6,000) persons of Hispanic ethnicity.**
- **Between 1999 and 2000 there was a decrease in the number of black and Hispanic female workers paid \$5.15 or less, and an increase in the number of white female workers.** There was little change in the number of white, black, or Hispanic males paid \$5.15 or less.
- **The difference in the proportion of female to male minimum wage workers was greatest for white workers.** There were nearly twice the number of white women as white men minimum wage workers. Among black workers, there were slightly more women than men minimum wage workers. There was almost no difference between the number of women and men minimum wage workers of Hispanic ethnicity.

Table 3: Minimum Wage Workers by Work Status and Gender in Minnesota, 2000

| Characteristic | Numbers ¹ (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|-------------------------------|-----------|----------------|-------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Full-time | 19 | 12 | 7 | 37.9 | 24.5 | 13.4 |
| men | 7 | 5 | 3 | 14.8 | 9.5 | 5.2 |
| women | 12 | 7 | 4 | 23.1 | 15.0 | 8.1 |
| Part-time | 31 | 18 | 13 | 61.7 | 35.0 | 26.7 |
| men | 11 | 6 | 5 | 21.0 | 11.4 | 9.6 |
| women | 21 | 12 | 9 | 41.5 | 24.4 | 17.1 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **Minimum wage workers tend to be part-time workers.** About 62% (or 31,000) of minimum wage workers were employed part-time. Part-time minimum wage workers were nearly twice as likely to be women (21,000) than men (11,000).
- **Between 1999 and 2000, there was a 2% decrease in the number of full-time workers paid \$5.15 or less, and a 2% increase in the number of part-time workers.**

Table 4: Minimum Wage Workers by Marital Status and Age in Minnesota, 2000

| Characteristic | Numbers ¹ (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|-------------------------------|-----------|----------------|-------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Never married | 31 | 18 | 13 | 61.4 | 36.0 | 25.4 |
| 16 to 24 years | 24 | 14 | 10 | 48.8 | 27.9 | 21.0 |
| 25 years and over | 6 | 4 | 2 | 12.6 | 8.2 | 4.4 |
| 25 to 54 years | 6 | 4 | 2 | 12.1 | 7.7 | 4.4 |
| Married, spouse present | 13 | 8 | 5 | 25.8 | 15.6 | 10.2 |
| 16 to 24 years | 2 | 1 | 1 | 3.6 | 1.4 | 2.2 |
| 25 years and over | 11 | 7 | 4 | 22.2 | 14.2 | 8.0 |
| 25 to 54 years | 8 | 6 | 3 | 16.8 | 11.5 | 5.3 |
| Other marital status | 6 | 4 | 2 | 12.8 | 8.3 | 4.5 |
| 16 to 24 years | 1 | 0 | 0 | 1.0 | 0.6 | 0.5 |
| 25 years and over | 6 | 4 | 2 | 11.8 | 7.7 | 4.1 |
| 25 to 54 years | 4 | 3 | 1 | 8.7 | 6.0 | 2.7 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

³ Total is based on US distribution.

- **Sixty-one percent (or 31,000) of minimum wage workers were never married, and over three-quarters of these (or 24,000) were between the ages of 16 and 24.** Over a quarter of minimum wage workers (or 13,000) were married with a spouse present.
- **Between 1999 and 2000 there was a 3% increase in the number of minimum wage workers that were never married, with the great majority being 16 to 24 years old.** There was little change in the number of minimum wage workers married with a spouse present.

Table 5: Men Minimum Wage Workers by Marital Status and Age in Minnesota, 2000

| Characteristic | Numbers ¹ (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|-------------------------------|-----------|----------------|-------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Men, 16 years and over | 18 | 10 | 10 | 35.2 | 20.3 | 14.9 |
| Never married | 13 | 7 | 6 | 25.2 | 14.2 | 11.0 |
| 16 to 24 years | 10 | 5 | 4 | 19.1 | 10.4 | 8.7 |
| 25 years and over | 3 | 2 | 1 | 6.1 | 3.8 | 2.3 |
| 25 to 54 years | 3 | 2 | 1 | 5.9 | 3.6 | 2.2 |
| Married, spouse present | 4 | 2 | 1 | 7.2 | 4.5 | 2.8 |
| 16 to 24 years | 0 | 0 | 0 | 0.9 | 0.5 | 0.5 |
| 25 years and over | 3 | 2 | 1 | 6.3 | 4.0 | 2.3 |
| 25 to 54 years | 2 | 1 | 1 | 4.1 | 2.7 | 1.4 |
| Other marital status | 1 | 1 | 1 | 2.7 | 1.6 | 1.1 |
| 16 to 24 years | 0 | 0 | 0 | 0.1 | 0.0 | 0.1 |
| 25 years and over | 1 | 1 | 1 | 2.6 | 1.6 | 1.0 |
| 25 to 54 years | 1 | 1 | 0 | 1.9 | 1.3 | 0.6 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **A quarter (or 13,000) of minimum age workers were men who had never married,** and about 10,000 of these were age 16 to 24. Only 7% of minimum wage workers (or 4,000) were married men with a spouse present.

Table 6: Women Minimum Wage Workers by Marital Status and Age in Minnesota, 2000

| Characteristic | Numbers ¹ (thousand) | | | % Distribution | | |
|---------------------------------|---------------------------------|----------------------------------|-----------|----------------|----------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Women, 16 years and over | 32 | 20 | 13 | 64.8 | 39.6 | 25.2 |
| Never married | 18 | 11 | 7 | 36.3 | 21.9 | 14.4 |
| 16 to 24 years | 15 | 9 | 6 | 29.7 | 17.5 | 12.2 |
| 25 years and over | 3 | 2 | 1 | 6.6 | 4.4 | 2.2 |
| 25 to 54 years | 3 | 2 | 1 | 6.3 | 4.1 | 2.2 |
| Married, spouse present | 9 | 6 | 4 | 18.5 | 11.0 | 7.4 |
| 16 to 24 years | 1 | 0 | 1 | 2.6 | 0.9 | 1.7 |
| 25 years and over | 8 | 5 | 3 | 15.8 | 10.1 | 5.7 |
| 25 to 54 years | 6 | 4 | 2 | 12.7 | 8.8 | 3.9 |
| Other marital status | 5 | 3 | 2 | 10.1 | 6.7 | 3.4 |
| 16 to 24 years | 0 | 0 | 0 | 0.8 | 0.5 | 0.3 |
| 25 years and over | 5 | 3 | 2 | 9.3 | 6.2 | 3.1 |
| 25 to 54 years | 3 | 2 | 1 | 6.8 | 4.8 | 2.0 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **Over a third (or 18,000) of minimum wage workers were women who had never married,** and about 15,000 of these were age 16 to 24. About 19% of minimum wage workers (or 9,000) were married women with a spouse present.
- **The percentage of minimum wage workers who were married women with a spouse present remained steady between 1999 and 2000.**

Table 7: Minimum Wage Workers by Occupation in Minnesota, 2000

| Occupation | Numbers ¹ (thousand) | | | % Distribution | | |
|--|---------------------------------|----------------------------------|-----------|----------------|----------------------------------|-----------|
| | Total | \$4.90 to \$5.15 ² | at \$5.15 | Total | \$4.90 to \$5.15 ² | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Managerial & professional | 2 | 1 | 1 | 4.1 | 2.6 | 1.5 |
| Technical, sales & administrative support | 9 | 3 | 6 | 18.1 | 6.0 | 12.1 |
| Technicians | 0 | 0 | 0 | 0.7 | 0.4 | 0.3 |
| Sales | 5 | 2 | 4 | 10.6 | 3.4 | 7.2 |
| Administrative support, including clerical | 3 | 1 | 2 | 6.9 | 2.2 | 4.7 |
| Service occupations | 31 | 22 | 9 | 62.0 | 44.6 | 17.3 |
| Private household | 1 | 1 | 0 | 2.4 | 2.2 | 0.2 |
| Protective service | 0 | 0 | 0 | 0.9 | 0.6 | 0.3 |
| Other services | 29 | 21 | 8 | 58.6 | 41.9 | 16.8 |
| Precision production, craft, and repair | 1 | 1 | 0 | 2.0 | 1.2 | 0.8 |
| Mechanics | 0 | 0 | 0 | 0.7 | 0.4 | 0.3 |
| Construction trades | 0 | 0 | 0 | 0.8 | 0.5 | 0.3 |
| Other | 0 | 0 | 0 | 0.6 | 0.4 | 0.1 |
| Operators and laborers | 6 | 2 | 3 | 11.4 | 4.7 | 6.8 |
| Machine operator | 2 | 1 | 1 | 3.3 | 1.2 | 2.1 |
| Transportation | 1 | 1 | 0 | 2.2 | 1.4 | 0.8 |
| Handlers and helpers | 3 | 1 | 2 | 5.9 | 2.0 | 3.9 |
| Farming | 1 | 0 | 1 | 2.5 | 0.9 | 1.6 |

¹ Some numbers do not add up to totals due to rounding.

² In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **Sixty-two percent (31,000) of minimum wage workers were in service occupations**, and 22,000 of these earned less than \$5.15 per hour. Another 18% (or 9,000) of minimum wage workers were in technical, sales and administrative support occupations, of which 5,000 were in sales. In these occupations, tips or commissions may supplement the hourly wage received.
- **The distribution of minimum wage workers among major occupational categories shifted between 1999 and 2000.** Technical, sales, and

administrative support occupations decreased their share of minimum wage workers by 3%, with a decline in sales and administrative support workers. Minimum wage workers in service occupations increased by 5% during the same period. Those employed in private households earning at or below minimum wage decreased by 2%, and workers employed in other services increased by 6%. Minimum wage workers among operator and laborer occupations decreased by 2%.

Table 8: Minimum Wage Workers by Industry in Minnesota, 2000

| Industry | Numbers* (thousand) | | | % Distribution | | |
|-------------------------------------|---------------------|---------------------|-----------|----------------|---------------------|-----------|
| | Total | \$4.90 to 5.15** | at \$5.15 | Total | \$4.90 to 5.15** | at \$5.15 |
| Total, 16 years and over | 50 | 30 | 20 | 100.0 | 59.9 | 40.1 |
| Private sector | 46 | 27 | 19 | 91.9 | 55.3 | 36.5 |
| Goods-producing industries | 3 | 1 | 2 | 6.8 | 2.2 | 4.6 |
| Agriculture | 1 | 0 | 1 | 1.3 | 0.1 | 1.2 |
| Mining | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| Construction | 0 | 0 | 0 | 0.8 | 0.1 | 0.6 |
| Manufacturing | 2 | 1 | 1 | 4.6 | 2.0 | 2.7 |
| Durable goods | 1 | 1 | 0 | 2.0 | 1.1 | 0.8 |
| Nondurable goods | 1 | 0 | 1 | 2.7 | 0.9 | 1.9 |
| Service-producing industries | 43 | 26 | 17 | 85.1 | 53.1 | 32.0 |
| Transportation, public utilities | 1 | 1 | 0 | 2.1 | 1.3 | 0.7 |
| Wholesale trade | 1 | 1 | 0 | 2.1 | 1.6 | 0.4 |
| Retail trade | 27 | 17 | 10 | 53.4 | 34.3 | 19.1 |
| Eating and drinking | 20 | 15 | 5 | 40.9 | 30.1 | 10.8 |
| Finance, insurance, real estate | 1 | 1 | 0 | 2.0 | 1.4 | 0.6 |
| Services | 13 | 6 | 7 | 25.5 | 14.4 | 11.1 |
| Private households | 0 | 0 | 0 | 0.5 | 0.3 | 0.3 |
| Other services | 12 | 6 | 6 | 25.0 | 14.1 | 10.8 |
| Business and repair | 3 | 2 | 2 | 6.2 | 3.1 | 3.1 |
| Personal services | 2 | 1 | 1 | 3.8 | 2.3 | 1.4 |
| Entertainment and recreation | 2 | 1 | 1 | 3.5 | 2.0 | 1.5 |
| Professional services | 6 | 2 | 3 | 11.5 | 4.6 | 6.8 |
| Forestry and fishery | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 |
| Public sector | 4 | 2 | 2 | 8.3 | 4.7 | 3.6 |

* Some numbers do not add up to totals due to rounding.

** In Minnesota, small employers, whose annual gross volume of sales made or business done is less than \$500,000, have a minimum wage of \$4.90 per hour. For all other firms, the minimum wage is \$5.15 per hour.

- **Eighty-five percent (or 43,000) of minimum wage workers were in service-producing industries**, 8% (or 3,000) were in the goods-producing sector, and another 8% (or 4,000) were in the public sector. In the service-producing sector, retail trade employed 53% (or 27,000) of all minimum wage workers, and service industries employed 26% (or 13,000) of all minimum wage workers. Some workers in retail trade industries

may receive commissions that supplement the hourly wage received.

- Because of a change in methodology between 1999 and 2000, it is not possible to compare the industrial distribution of minimum wage workers in the two years.

Appendix A: Data Sources and Major Assumptions

The numbers in this report are estimations based on federal data and a number of critical assumptions. While these assumptions may not hold, they nonetheless represent the best estimates that can be provided given the available information.

In this report, the major data sources are:

1. Estimates of national minimum wage employment and its various breakdowns come from the Current Population Survey (CPS). The CPS is an annual survey of households conducted by the U.S. Census Bureau. The sample size in Minnesota is about 700. The Bureau of Labor Statistics (BLS) uses a statistical procedure to estimate population parameters based on results of the survey.
2. The estimate of total Minnesota wage and salary workers comes from Minnesota Local Area Unemployment Statistics (LAUS). LAUS estimates the number of employed and unemployed persons, using the CPS, information on unemployment insurance (UI) claims and current employment statistics. The BLS uses statistical procedures to produce these estimates by geographic region.
3. Estimates of employment by industry in Minnesota come from Minnesota Current Employment Statistics (CES) and Minnesota Covered Employment (ES-202). The CES program conducts a monthly survey of non-farm business establishments to estimate Minnesota employment by industry. The Minnesota CES sample is composed of 5,900 firms. The ES-202 is a census of employers covered by unemployment insurance (UI) which produces the most accurate estimate of employment by industry. Economic activity is reported by more than 140,000 reporting units in the state.

In this report, the following is assumed:

1. The proportion of minimum wage workers relative to all salary workers in Minnesota in 1995 is equal to that of the U.S.
2. The percentage change in the share of salaried workers who earned less than or equal to \$5.15 per hour between 1995 and 2000 is the same as that for hourly workers.
3. The distribution of Minnesota minimum wage workers among demographic and occupation categories is the same in Minnesota as in the U.S.
4. The number of Minnesota minimum wage workers in each industry is equal to Minnesota employment in each industry multiplied by the proportion of all U.S. workers in that industry that earn \$5.15 or less, scaled back by a constant fraction to account for an overall smaller percentage of Minnesota workers earning the minimum wage.
5. The share of Minnesota minimum wage workers employed at exactly \$5.15 per hour in each demographic, industry, and occupation category is approximately 25% higher than the equivalent share (at the demographic, industry, or occupation level) in the U.S.⁵

⁵This assumption arises because the share of all minimum wage hourly workers who earn exactly \$5.15 per hour is approximately 25% higher in Minnesota than in the U.S.

Appendix B: Estimating the Total Number of Minimum Wage Workers in Minnesota

The Bureau of Labor Statistics (BLS) annually collects information on the characteristics of minimum wage workers paid hourly wages in the U.S. and by state. The information is based on the Current Population Survey (CPS). According to estimates from the 2000 CPS, the U.S. had 2.7 million workers that were paid at or below the federal minimum wage of \$5.15 per hour, representing 3.7% of all hourly paid workers. There were some 72.7 million workers paid hourly rates in the U.S. in 2000.

In Minnesota in 2000, there were an estimated 1.5 million workers who were paid hourly rates. Of these, approximately 40,000 (or 2.7%) were paid at or below the federal minimum wage of \$5.15. In order to obtain the total number of minimum wage workers, an estimate of the number of salary workers was needed.

The annual average employment for 2000 from the Minnesota Local Area Unemployment Statistic (LAUS), as listed on the Department of Economic Security's (DES) web page in March 2001, was used to estimate the total number of salary workers. The number of workers who were not paid hourly rates was calculated by subtracting the estimated number of workers who were paid hourly rates from the estimated annual average total employment.

The number of minimum wage workers in the population of all salary workers was calculated by assuming that the share of minimum wage workers in all salary workers was the same for Minnesota as for the U.S. in 1995, and that the growth rate of salary minimum wage workers between 1995 and 2000 was the same as that for hourly minimum wage workers.

The formulas used to estimate the number of wage and salary workers earning at or below \$5.15 per hour are as follows:

Definitions:

- W** denotes the number of hourly paid workers, in thousands (data from the CPS).
- S** denotes the number of salaried workers.
- E** denotes the total number of wage and salary workers, in thousands (data from the LAUS, non-seasonally adjusted).
- w** denotes the number of hourly paid workers earning at or below \$5.15 per hour, in thousands (data from the CPS).
- s** denotes the number of salaried workers earning at or below \$5.15 per hour.
- e** denotes the total wage and salary workers earning at or below \$5.15 per hour.
- p** denotes the share of salary minimum wage workers in all salary workers.
- g** denotes the growth rate of the share of minimum wage workers in all hourly paid workers from 1995 to 2000.

Assumptions:

1. The proportion of minimum wage workers relative to all salary workers in Minnesota in 1995 was equal to that of the U.S.
2. The percentage change in the share of salaried workers who earned less than or equal to \$5.15 per hour between 1995 and 2000 is the same as that for hourly workers.

Given:

$$\begin{aligned}
 E_{mn,2000} &= 2,689 \\
 W_{mn,2000} &= 1,471 \\
 w_{mn,2000} &= 40 \\
 w_{mn,1995} &= 134 \\
 p_{mn,1995} / s_{us,1995} / s_{us,1995} &= 0.029
 \end{aligned}$$

Calculations:

$$\begin{aligned} S_{mn,2000} &/ E_{mn,2000} - W_{mn,2000} \\ &= 2,689 - 1,471 \\ &= 1,214 \end{aligned}$$

$$\begin{aligned} g &/ [(w_{mn,2000} / W_{mn,2000}) - (w_{mn,1995} / W_{mn,1995})] / (w_{mn,1995} / W_{mn,1995}) \\ &= [(40/1471) - (134/1410)] / (134/1410) \\ &= -0.7137 \end{aligned}$$

$$\begin{aligned} S_{mn,2000} &/ S_{mn,2000} * p * (1+g) \\ &= 1,214 * 0.029 * (1-0.7137) \\ &= 10.1 \end{aligned}$$

$$\begin{aligned} e_{mn,2000} &/ w_{mn,2000} + S_{mn,2000} \\ &= 40 + 10.1 \\ &= 50.1 \end{aligned}$$