

# THE MINNEAPOLIS MINIMUM WAGE INCREASE BASELINE REPORT \*

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# Background

- Minneapolis increase in minimum wage:
  - 10 dollars starting on January 2018 (large businesses).
  - 15 dollars by 2022 (large businesses) or 2024 (small businesses).
- City commissioned FRB of Minneapolis to study impacts of the minimum wage increase.
- Baseline report establishes trends in various economic indicators prior to minimum wage increase.

# Outline of this presentation

- 1 Employment.
- 2 Wage.
- 3 Worker turnover rates.
- 4 Establishment and firms.
- 5 Workers potentially affected by minimum wage increase.
- 6 Restaurant services industry.

# 1. Employment

- ① Strong **employment** growth since early 2010s.
- ② Employment across **industries**:
  - Faster growth: accomm./food, education, health, prof. services.
  - Slower growth: information, manufacturing, wholesale.
- ③ Employment across **groups of workers**:
  - Faster growth: low educated, older, Asian, Black, Hispanic.
  - Slower growth: younger, White.

## 2. Real wage (wage adjusted for inflation)

- 1 Real wage growth relatively steady since the 2000s.
- 2 Real wage across industries:
  - Faster growth: prof. services, wholesale.
  - Slower growth: education, health, manufacturing, retail.
- 3 Real wage across groups of workers:
  - Faster growth: low educated, older, Asian, White.
  - Negative growth (and some recovery post 2011): younger, Black.

### 3. Worker turnover rates (hiring and separations)

- 1 Turnover rates have declined since the 2000s.
- 2 Turnover rates across **industries**:
  - High: accomm./food, admin. services, recreation.
  - Low: manufacturing, utilities.
- 3 Turnover rates across **groups of workers**:
  - High: low educated, younger, Black, Hispanic.
  - Low: high educated, older, White.

## 4. Establishments and firms

- 1 Declining **establishment number** since 2000 (measurement issues).
- 2 Number of establishments across **industries**:
  - Decreasing: finance, manufacturing, wholesale.
  - Increasing: accomm./food, health.
- 3 **Employment** trends across firms of different size:
  - Employment in smaller firms declined in the 2000s.
- 4 **Wage** across firms of different size:
  - Wage in smaller firms: lower and declined since 2000.
  - Wage in larger firms: higher and increased since 2000.

## 5. Workers affected by minimum wage increase

- “Affected”: Minneapolis workers earning less than wage threshold.
- Threshold: 115% times average min wage of large and small firms.
  - 2018 threshold:  $12.36\$ = 1.15 \times (11.25\$ + 10.25\$)/2$ .
  - 2023 threshold:  $16.96\$ = 1.15 \times (15.00\$ + 14.50\$)/2$ .
- Workers earning below thresholds, *assuming nothing else changes*:
  - 52,000 workers in 2018. (16% of 326,000)
  - 78,000 workers in 2023. (24% of 326,000)



## Demographics of affected workers

	2018	2023
Wage Threshold	12.36\$	16.96\$
	Percent Below Threshold	
All	16	24
Less than high school	52	67
High school	33	47
College	8	14
Younger than 20	72	81
20-24	52	66
25-29	19	32
30-34	14	22
45-59	9	14
White	13	19
Black or African-American	29	42
All other	25	33

## Industries of affected workers

		2018	2023
	Wage Threshold	12.36\$	16.96\$
	Percent of Workers	Percent Below Threshold	
All	100	16	24
Manufacturing	3.3	17	28
Retail	6.8	31	41
Finance and Insurance	10.4	3	6
Prof., Sc., and Tech.	12.7	6	9
Administrative Services	3.0	37	55
Education	15.3	17	26
Health	21.1	11	18
Accomm. and Food Services	6.4	52	65
Restaurants	5.1	55	68
Other Services	3.5	23	32
Public Administration	4.8	5	8

# Occupations of affected workers

		2018	2023
Wage Threshold		12.36\$	16.96\$
Percent of Workers		Percent Below Threshold	
All	100	16	24
Nurses, Therapists, Veterinarians	6.3	2	4
Social, Health Educ., Community Serv.	4.5	11	19
Computer, Inf., Developers, Analysts	4.5	3	5
Animal Care, Supervisors Service	4.0	2	6
Food Preparation, Serving, Bartenders	3.7	55	68
Postsecondary Teachers	3.7	15	21
Janitors, Maids, Ground Maintenance	3.6	34	46
Secondary and Less Teachers	3.5	12	20
Retail Sales, Cashiers	3.5	43	55
Lawyers, Judges, Judicial, Paralegal	3.4	3	8
Machinists, Operators, Tenders	3.1	2	6

## 6. Trends in restaurant services in Minneapolis

Minimum wage increase impacts majority of restaurant workers.

### ① Number of establishments:

- Full-service: increasing smoothly since 2000.
- Limited-service: slower rise, especially after 2007.

### ② Employment:

- Full-service: increasing since 2000, higher growth in the 2010s.
- Limited-service: slower increase.

### ③ Real wage:

- Full-service: relatively flat in the 2000s, increasing after 2014.
- Limited-service: relatively flat in the 2000s, increasing after 2014.

Future reports will assess various effects of minimum wage.

## 1 Methodological challenges:

- What would have happened without the minimum wage increase (“counterfactual”)?
- Please be patient, effects may take a while to show up (if at all).

## 2 Data challenges:

- Getting data access from some state agencies.
- Data may be coming with lags.

# **Appendix Slides**

## Other results

- Regional comparison of **employment** trends.
- Regional comparison of **wage** trends.
- Statistics of **wage distribution** in Minneapolis.
- Regional **unemployment** rates.
- Regional **industry composition** of employment.
- Trends in **non-hospital care** industry in Minneapolis.

# Employment in Minneapolis (thousands of jobs)

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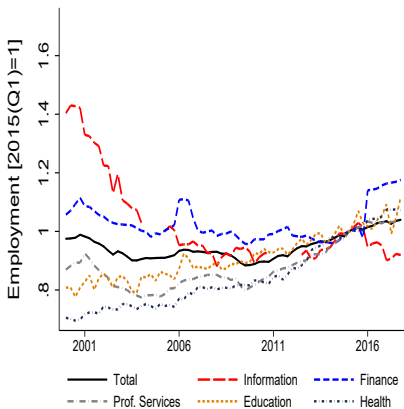
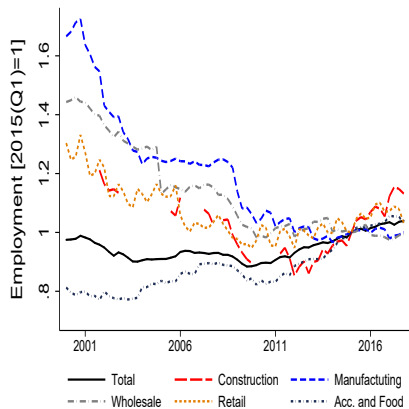


Source: Quarterly Census of Employment and Wages.



# Employment in Minneapolis across industries

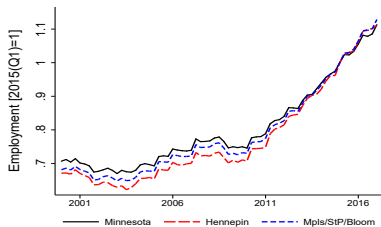
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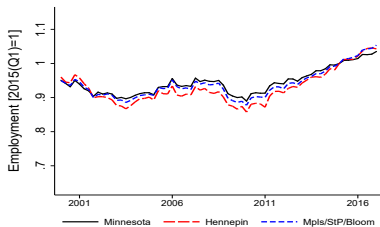
Source: Quarterly Census of Employment and Wages. Employment index 2015(1)=1.

# Employment across educational groups

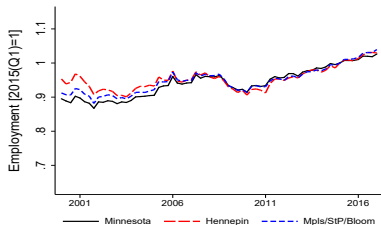
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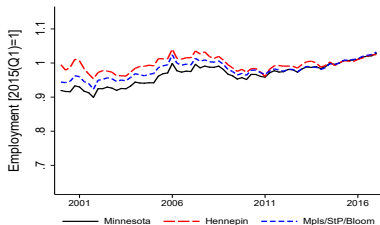
(a) Less than high school



(b) High school



(c) Some college

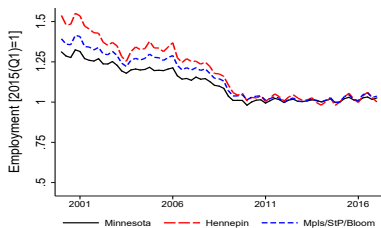


(d) College or more

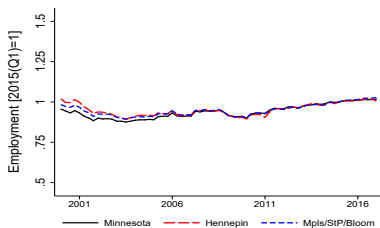
Source: Quarterly Workforce Indicators. Employment index 2015(1)=1.

# Employment across age groups

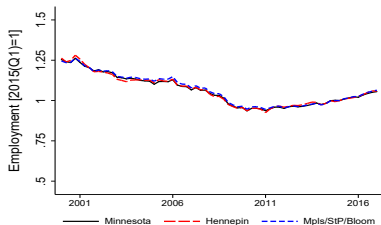
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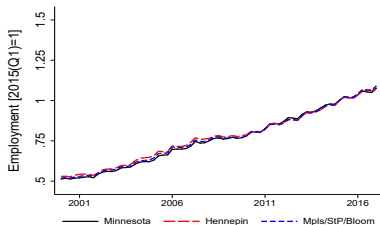
(a) Workers age 19-21



(b) Workers age 25-34



(c) Workers age 35-44

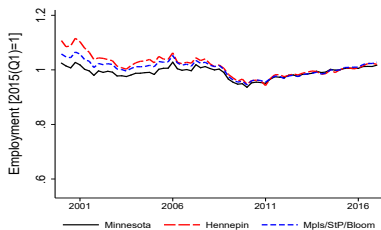


(d) Workers age 55-64

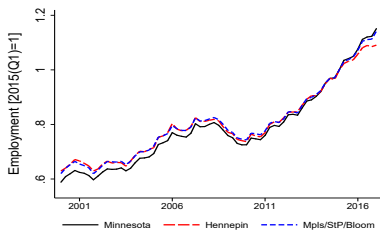
Source: Quarterly Workforce Indicators. Employment index 2015(1)=1.

# Employment across racial and ethnic groups

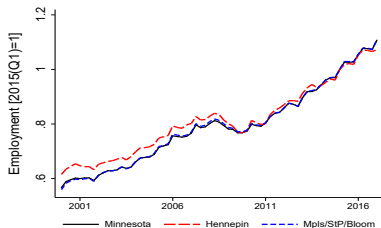
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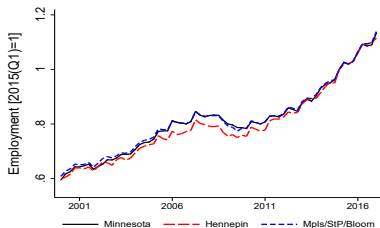
(a) White



(b) Black or African-American



(c) Asian



(d) Hispanic or Latino

Source: Quarterly Workforce Indicators. Employment index 2015(1)=1.

# Real wage in Minneapolis

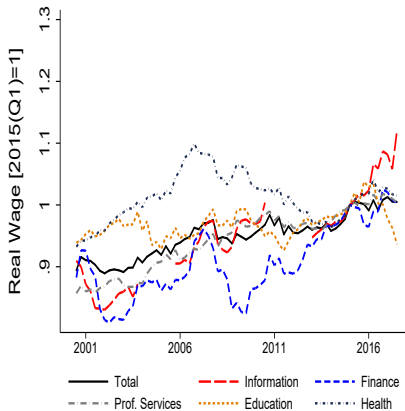
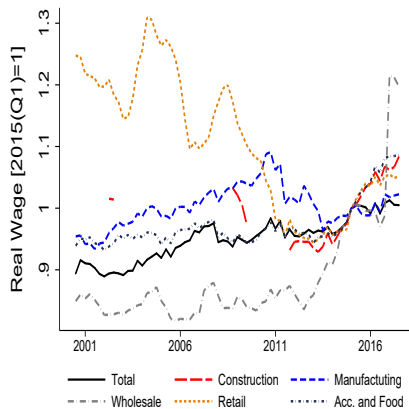
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Source: Quarterly Census of Employment and Wages. Real wage in 2015 dollars.

# Real wage in Minneapolis across industries

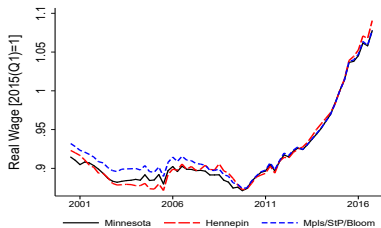
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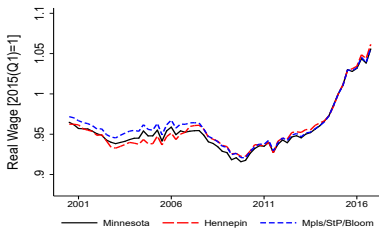
Source: Quarterly Census of Employment and Wages. Real wage index 2015(1)=1.

# Real wage across educational groups

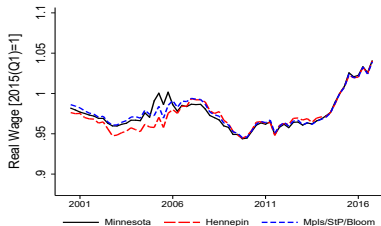
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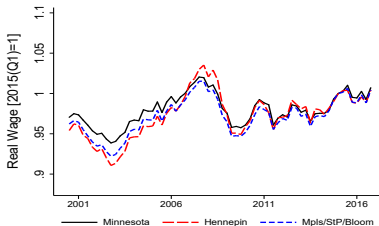
(a) Less than high school



(b) High school



(c) Some college

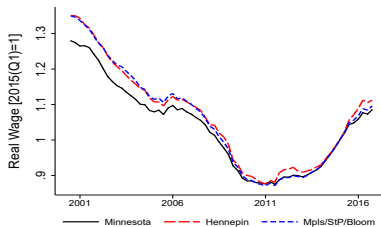


(d) College or more

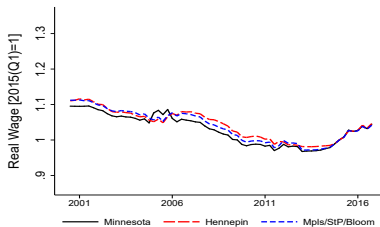
Source: Quarterly Workforce Indicators. Real wage index 2015(1)=1.

# Real wage across age groups

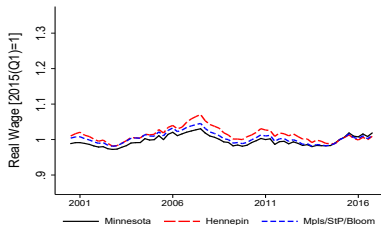
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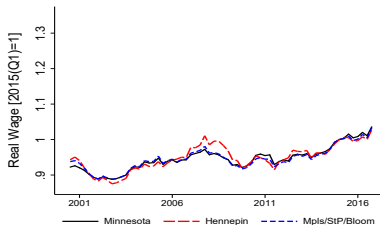
(a) Workers age 19-21



(b) Workers age 25-34



(c) Workers age 35-44



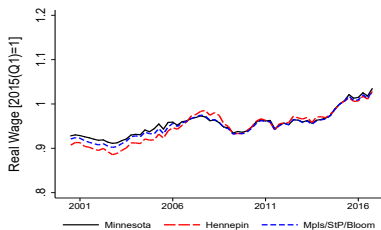
(d) Workers age 55-64

Source: Quarterly Workforce Indicators. Real wage index 2015(1)=1.

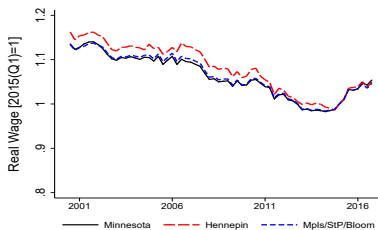


# Real wage across racial and ethnic groups

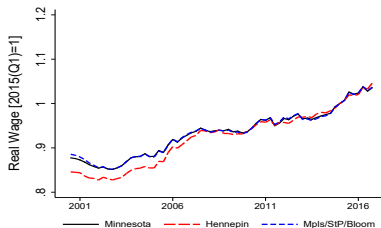
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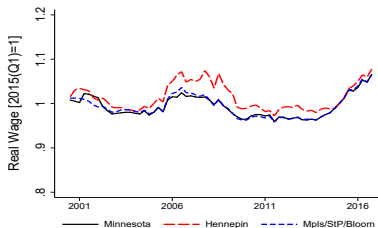
(a) White



(b) Black or African-American



(c) Asian

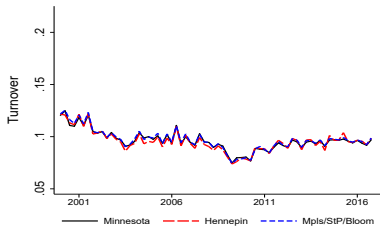


(d) Hispanic or Latino

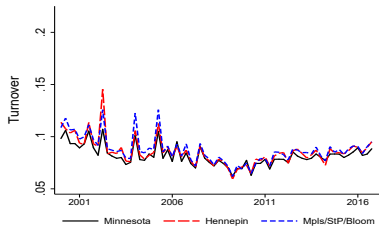
Source: Quarterly Workforce Indicators. Real wage index 2015(1)=1.

# Turnover rates across industries

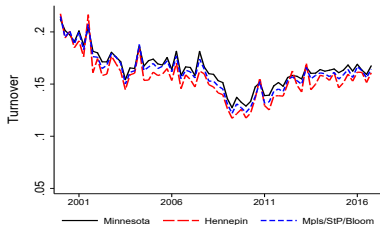
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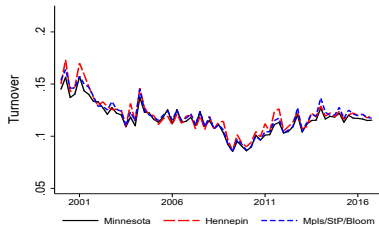
(a) Total Private



(b) Health



(c) Accommodation and Food

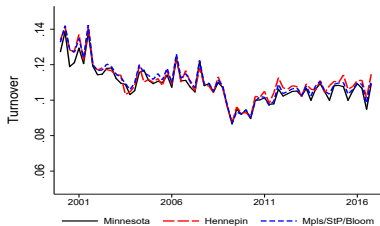


(d) Retail

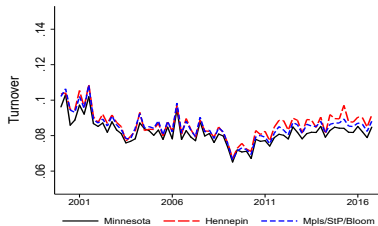
Source: Quarterly Workforce Indicators.

# Turnover rates across educational groups

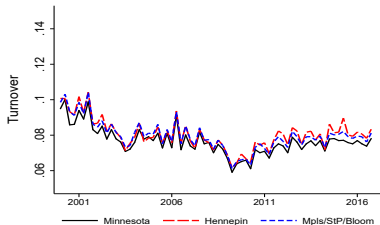
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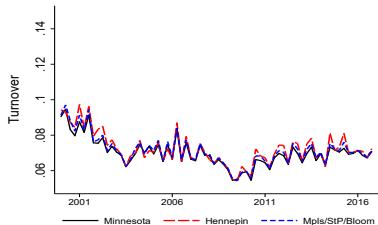
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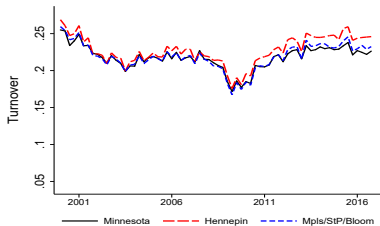


(d) College or more

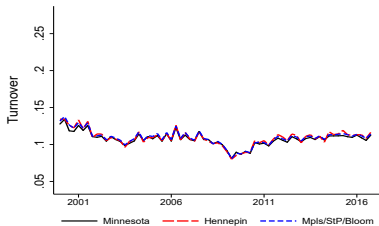
Source: Quarterly Workforce Indicators.

# Turnover rates across age groups

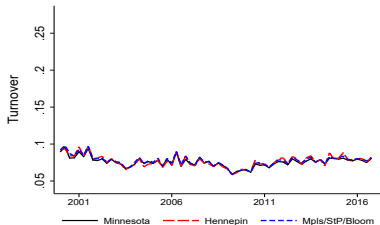
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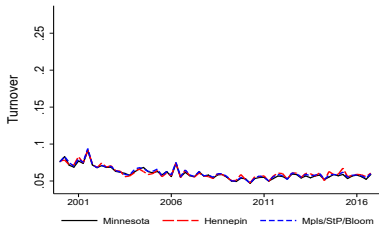
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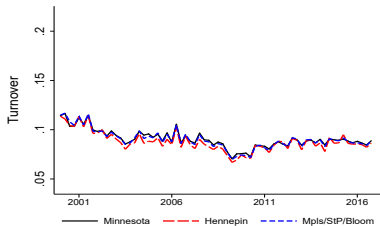


(d) Workers age 55-64

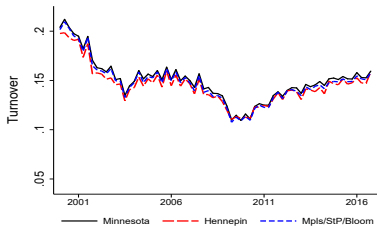
Source: Quarterly Workforce Indicators.

# Turnover rates across racial and ethnic groups

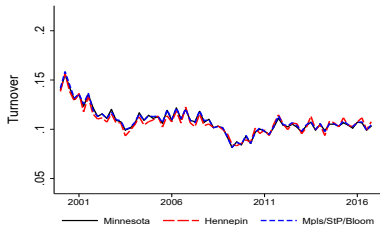
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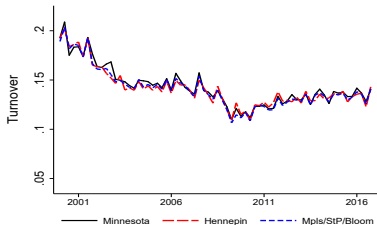
(a) White



(b) Black or African-American



(c) Asian



(d) Hispanic or Latino

Source: Quarterly Workforce Indicators.

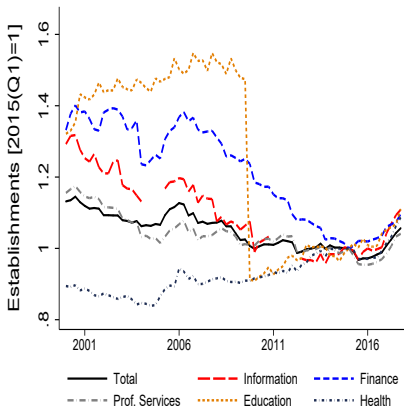
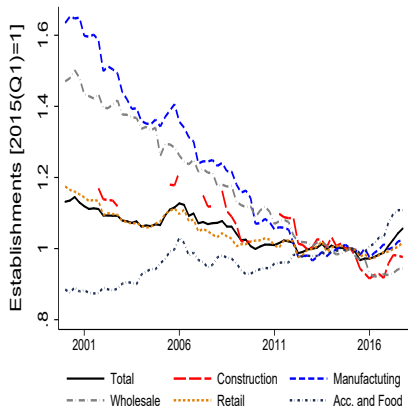
# Number of establishments in Minneapolis

[▶ back](#)



Source: Quarterly Census of Employment and Wages.

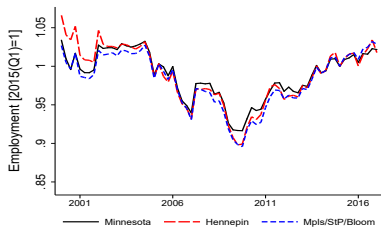
# Establishments in Minneapolis across industries

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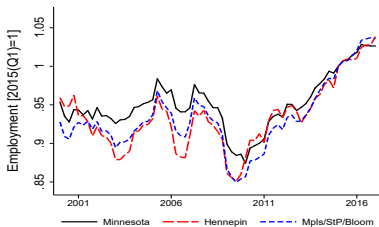
Source: Quarterly Census of Employment and Wages. Establishment index 2015(1)=1.

# Employment across firm size groups

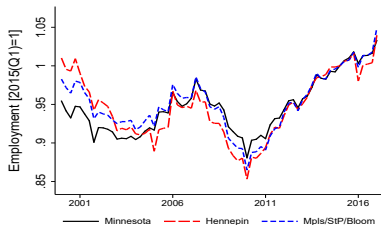
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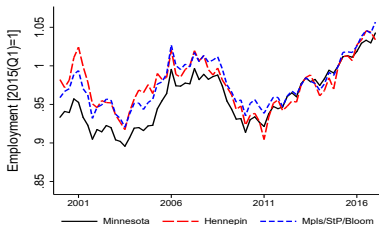
(a) 0-19 employees



(b) 20-49 employees



(c) 50-249 employees



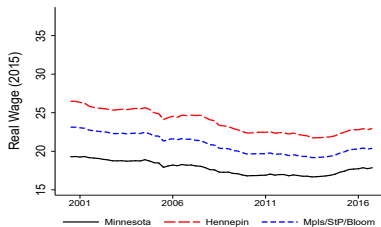
(d) 500+ employees

Source: Quarterly Workforce Indicators. Employment index 2015(1)=1.

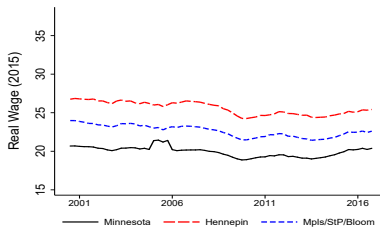


# Real wage across firm size groups

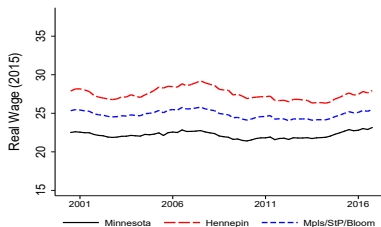
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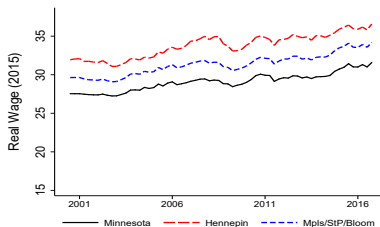
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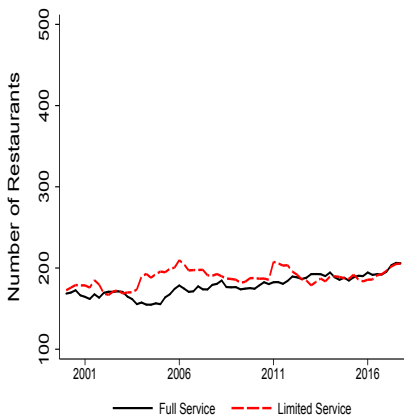
Source: Quarterly Workforce Indicators. Real wage in 2015 dollars.

# Number of restaurants

▶ back



(a) Minneapolis



(b) Saint Paul

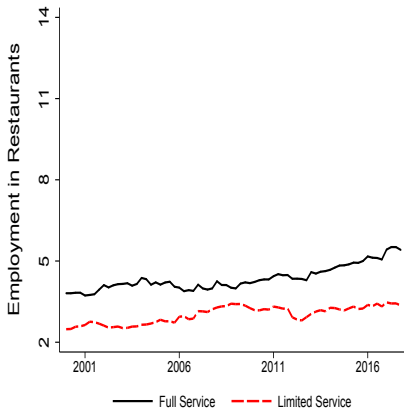
Source: Quarterly Census of Employment and Wages.

# Employment in restaurants (thousands of jobs)

▶ back



(a) Minneapolis

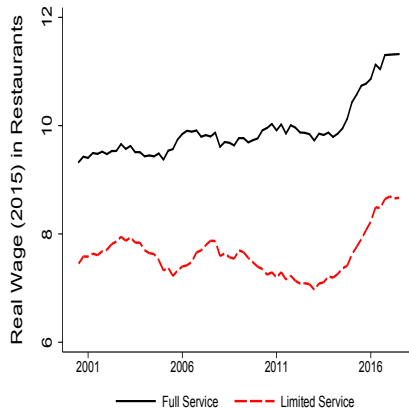


(b) Saint Paul

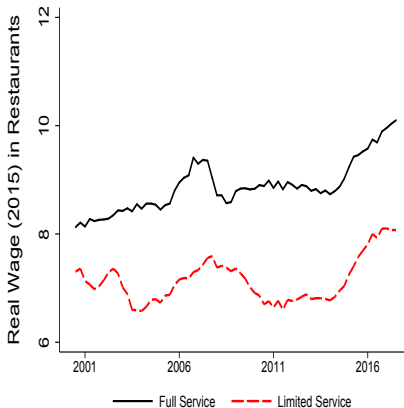
Source: Quarterly Census of Employment and Wages.

# Real wage in restaurants

[▶ back](#)



(a) Minneapolis

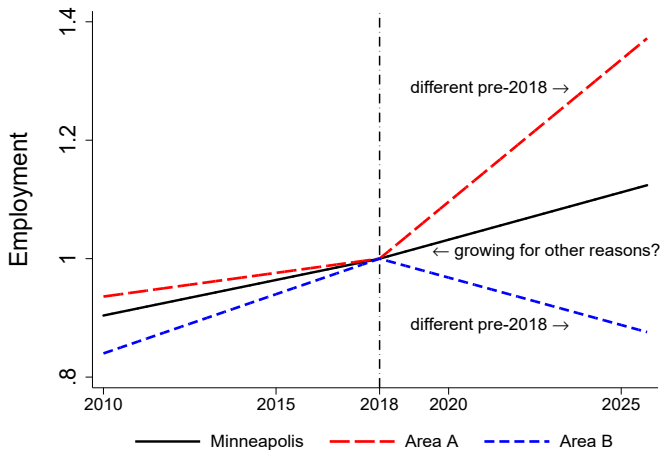


(b) Saint Paul

Source: Quarterly Census of Employment and Wages. Real wage in 2015 dollars.

# Hypothetical data

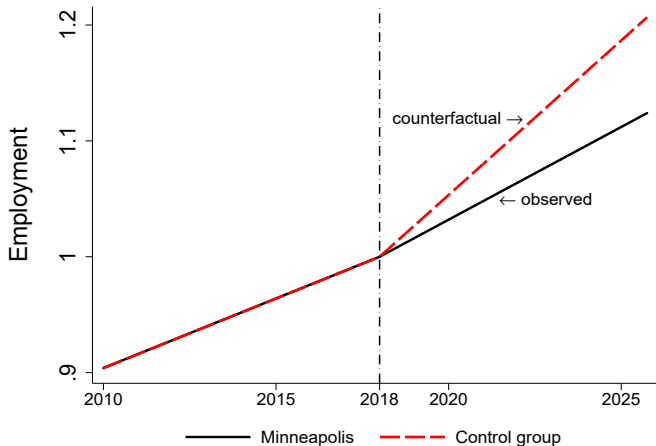
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Minneapolis minimum wage changes in 2018. No minimum wage changes in Areas A and B.

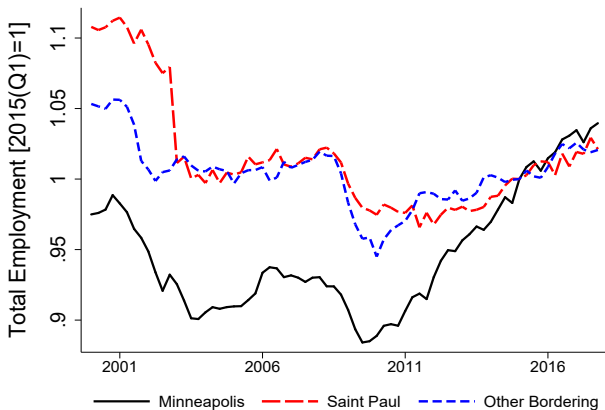
# Constructing the counterfactual

[▶ back](#)



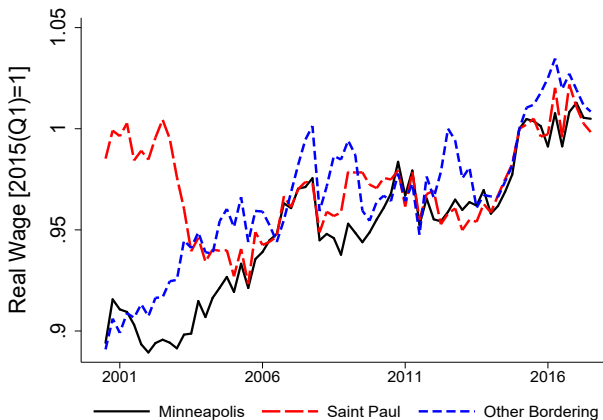
Control group weights Area A by 2/3 and Area B by 1/3 to match pre-2018 employment.

# Employment in Minneapolis and bordering areas



Source: Quarterly Census of Employment and Wages. Employment index 2015(1)=1.

# Real wage in Minneapolis and bordering areas

[▶ back](#)

Source: Quarterly Census of Employment and Wages. Real wage index 2015(1)=1.



# Statistics of Minneapolis wage (estimated, 2018)

[▶ back](#)

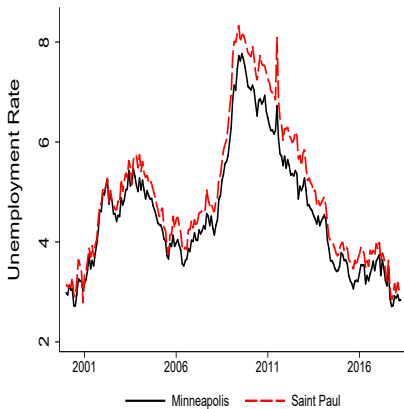
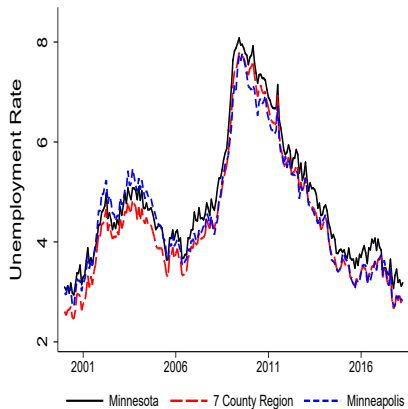
percentiles (2018 dollars)	p10	p25	p50	p90
All workers	9.6	15.5	24.8	56.3
Less than high school	5.8	8.7	12.0	24.7
High school	6.8	10.3	15.5	31.6
Some college	13.3	19.1	27.9	60.0
College	17.3	25.2	36.1	87.2
Younger than 20	4.8	5.6	8.8	26.5
20-24	5.4	7.9	11.8	23.8
25-29	9.0	13.6	19.3	34.6
35-39	11.6	19.1	28.3	60.5
45-49	12.4	20.9	31.9	73.4
55-59	12.9	20.2	29.9	62.7
White	10.5	17.4	27.0	58.5
Black or African-American	7.2	11.2	17.0	36.3
All other	8.7	12.4	20.6	50.7

# Industry composition of employment across regions

(percent of total)	Minnesota	Hennepin	Minneapolis	St. Paul
Utilities	0.5	0.4	0.9	0.5
Construction	4.4	3.2	2.2	2.7
Manufacturing	11.2	8.1	4.1	4.2
Wholesale	4.6	5.0	2.5	3.1
Retail	10.5	8.6	4.8	5.3
Transportation	3.7	3.9	2.4	1.3
Information	1.9	2.2	3.2	2.7
Finance and Insurance	5.0	7.6	9.9	6.8
Real Estate	1.2	1.8	1.4	1.3
Prof., Sc., and Tech.	5.6	10.1	11.6	4.1
Management	2.8	5.1	5.2	2.7
Administrative Services	4.7	6.4	4.4	5.2
Education	8.0	6.8	10.3	9.9
Health	17.1	15.5	18.8	24.9
Arts and Entertainment	1.8	1.8	2.0	2.1
Acc. and Food Services	8.1	7.6	8.6	6.8
Other Services	3.2	3.0	3.1	3.7
Public Administration	4.6	2.9	4.7	12.9

# Regional unemployment rates

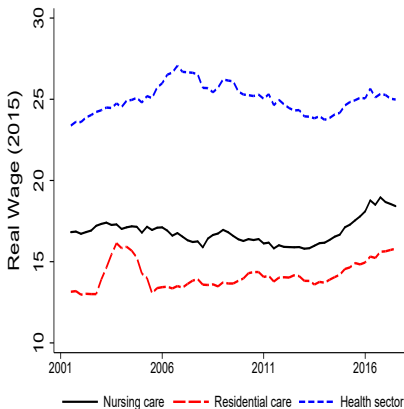
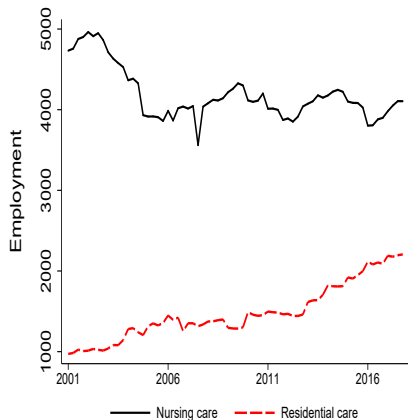
[▶ back](#)



Source: Local Unemployment Area Statistics.

# Nursing and residential care in Minneapolis

[▶ back](#)



Source: Quarterly Census of Employment and Wages. Real wage in 2015 dollars.