

Stuck in Neutral

Wage and employment disparities for minority workers have changed little over the last two decades.

While racial employment, earnings and income disparities have existed historically, the gaps have become more visible in recent years. That's because minority workers now account for a higher share of workers in Minnesota and because additional labor market measures allow for detailed comparisons across racial and ethnic groups.

The American Community Survey (ACS), which has looked at economic characteristics by race and ethnicity annually since 2005, provides many of the statistics key to evaluating the progress or lack of progress for Minnesota minorities. The 2014 drop in median black household income and rise in the black poverty rate in Minnesota, as shown in ACS data, is a prime example of how improved data are providing a more accurate and timely picture of how Minnesotans of varying racial and ethnic backgrounds are faring.

Another relatively new source for employment and earnings statistics is the Longitudinal

Employer-Household Dynamics (LEHD) program. Minority employment as measured by LEHD has more than doubled over the last two decades to 386,000 in 2014 from 168,000 in 1995. Minority employment as a share of total employment jumped to 14.2 percent in 2014, almost double the 7.4 share in 1995 (see Figure 1).¹

The increase has been steady over the last two decades, although it slowed slightly during the last recession. Of the 444,000 jobs added between 1995 and 2014, a total of 226,000 were held by non-Hispanic whites. The other 218,000 jobs were held by minorities. The minority share of employment will continue to climb over the next two decades as older non-Hispanic whites retire and are replaced by younger workers who are much more racially diverse.

LEHD employment increased 20 percent over the last 20 years, with non-Hispanic white employment growing by just 11 percent. The next-slowest growing group was American Indian, which grew by 54

percent. Hispanic employment grew the fastest (up 161 percent), followed by Asian (up 135 percent), black (up 131 percent), and two or more races (up 127 percent).

Minority worker wages in Minnesota have grown as employment has climbed, but the growth rate of wage income has lagged behind employment growth. Wage growth lower than job growth is another way of saying the increase in minority employment has occurred disproportionately in lower-paid jobs over the last two decades.

Figure 2 compares the percent of Minnesota's total employment and total wage payments across Minnesota's largest minority groups since 1995.

Asians are the only minority group that has seen its share of wage income increase significantly faster than its employment share. Asians held 2 percent of jobs in 1995 and received 1.7 percent of wages, implying that the average wage for a job held by an Asian was below the overall average wage.

¹LEHD employment data is broken out into six racial groups (White Alone, Black or African American Alone, American Indian or Alaska Native Alone, Asian Alone, Native Hawaiian or Other Pacific Islander Alone, Two or More Race Groups) and two ethnicity groups (Hispanic or Latino and Not Hispanic or Latino). All racial group employment except White Alone is combined with White Hispanic or Latino employment to calculate minority employment.

Asians held 3.8 percent of jobs in 2014 and received 3.8 percent of wage payments, which means that over the last two decades the mix of Asian-held jobs shifted from more lower-paid jobs to a mix roughly in line with the wage mix for all workers, regardless of race or ethnicity.

The annual average wage for jobs held by Asians jumped from 86 percent of Minnesota's average annual wage in 1995 to just slightly above the average in 2014 (see Table 1). Table 1 is another way of viewing the trends shown in Figure 2.

Employment has grown fastest among white Hispanics, jumping from 1.4 to 3 percent of all jobs over the last 20 years. Wage income for white Hispanic workers has increased at about the same rate, doubling from 1 to 2 percent of all wage income. As a result, white Hispanic average annual wage relative to the overall annual wage has changed little over the last 20 years. White Hispanic annual wage was 69.7 percent of the overall average wage in 1995 and was 69.9 percent of overall average wage in 2014. The wage mix of jobs held by white Hispanic workers hasn't changed much since 1995, remaining skewed toward low-paying jobs.

Relative pay has declined for black, American Indian, and two or more race workers. Black workers have fared the worst

FIGURE 1

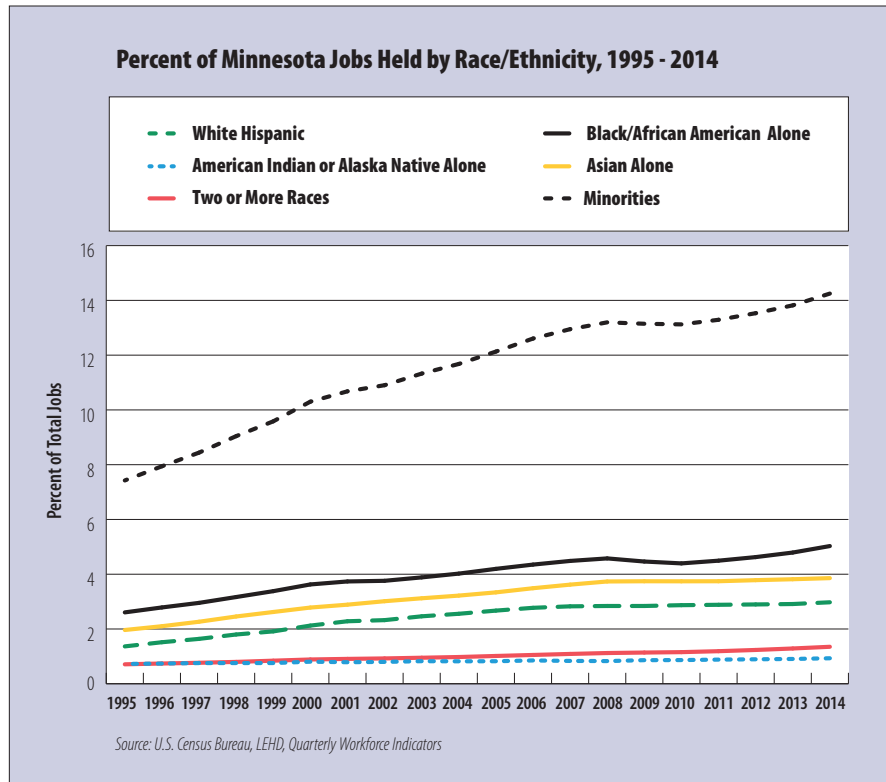
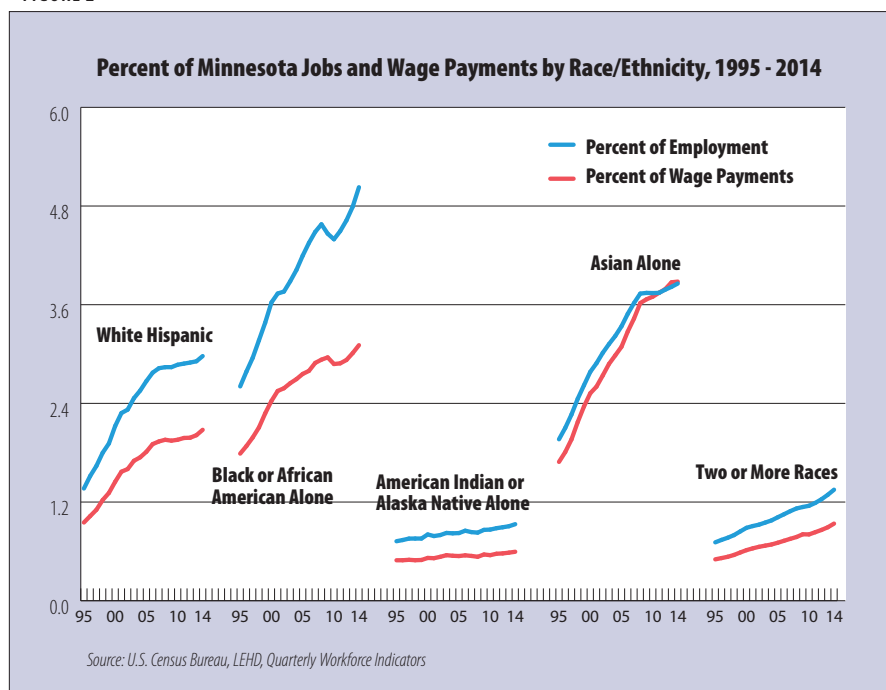


FIGURE 2



over the last 20 years as their average annual wages have fallen from 68.6 percent of the overall average to 61.8 percent in 2014.

While black employment accounted for 5 percent of jobs in 2014, black wage income accounted for only 3 percent of total wage income. The wage mix of jobs held by blacks has deteriorated over the last 20 years, with low-paying jobs making up a higher share of black employment in 2014 than in 1995. Average pay of American Indians and two or more races has also dropped relative to overall average pay, but not as much as the wages of black workers.

When all non-white groups are combined, the average annual pay of minorities in Minnesota relative to the overall average has increased minimally over the

last 20 years, inching up from 73.6 to 74.9 percent. The slight improvement is due primarily to pay gains made by Asian workers.

The minimal improvement shows that there hasn't been much change in the wage mix of jobs held by minorities over the last two decades. While the share of all jobs held by minority workers increased 92 percent from 7.4 percent two decades ago to 14.2 percent in 2014, the share of total wage income paid to minority workers increased by 95 percent, from 5.5 to 10.7 percent. In other words, there has been almost no decline in the wage income gap for minority groups in Minnesota since 1995 despite the minority workforce accounting for an expanding share of Minnesota workers.

Labor market differences,

such as these racial and ethnic earnings differences, arise from many factors, including differences among the groups in age distribution, educational attainment, occupational and industrial mix of jobs held, and the degree of discrimination encountered in the workplace. These factors interact, leading to the existing labor market disparities.

Where different groups tend to be employed (in terms of industry) can be analyzed using the LEHD data set. Employment and earnings data are available in the LEHD database across 300 industries in Minnesota. The industries can be grouped into four wage levels – very high, high, low and very low – based on 2014 average industry wages. The wage level brackets were set so that 2014 employment was distributed

TABLE 1 Average Annual Wages by Race/Ethnicity, 1995 and 2014

| | 1995 Annual Average Wage | 2014 Annual Average Wage | Percent of 1995 Overall Average Wage | Percent of 2014 Overall Average Wage |
|---|--------------------------|--------------------------|--------------------------------------|--------------------------------------|
| Overall | 26,587 | 48,733 | | |
| White Non Hispanic | 27,028 | 50,200 | 101.7 | 103.0 |
| White Hispanic | 18,533 | 34,042 | 69.7 | 69.9 |
| Black or African American Alone | 18,248 | 30,116 | 68.6 | 61.8 |
| American Indian or Alaska Native Alone | 18,082 | 31,171 | 68.0 | 64.0 |
| Asian Alone | 22,861 | 49,028 | 86.0 | 100.6 |
| Native Hawaiian or Other Pacific Islander Alone | 19,691 | 36,189 | 74.1 | 74.3 |
| Two or More Races | 18,842 | 33,850 | 70.9 | 69.5 |
| Minorities | 19,572 | 36,524 | 73.6 | 74.9 |

Source: U.S. Census Bureau, LEHD, Quarterly Workforce Indicators

equally across all four wage levels.

Minnesota's annual average wage in 2014 was \$48,700 in the LEHD data set, ranging from \$288,000 in the oil and gas extraction industry (NAICS 2111 with 42 jobs in 2014) to \$10,700 in the fruit and nut farming industry (NAICS 1113 with 318 jobs in 2014). Each industry's annual average wage is total wages paid by the industry over the year divided by the annual average number of jobs, with no adjustment for hours worked or for seasonality. Industries with low annual average wages not only have low hourly wages but also tend to rely on a part-time and sometimes seasonal workforce.

Very high wage (VHW) industries had annual average wages above \$64,900 in 2014, while high wage (HW) industries paid between \$64,900 and \$44,200 annually. Low wage (LW) industries averaged annual pay between \$44,000 and \$23,600, while industries with average annual wages below \$23,000 were classified as very low wage (VLW) industries.

Racial groups with higher annual wages, not surprisingly, are more likely to be employed in industries with higher pay, while racial groups with lower annual wages are more likely to work in low-paying industries.

Asian workers had the second-highest annual average wage in 2014, due in large part to having the highest concentration of jobs in VHW industries. The Asian workforce had 31 percent of job holders in VHW industries and 23 percent in HW industries. The annual average wage for Asians, however, was held down by 27 percent of Asian employment in VLW industries.

Black employment is concentrated in VLW industries (41 percent) and LW industries (27 percent). American Indian employment is concentrated in LW industries (40 percent) and VLW industries (32 percent). The concentration of black and American Indian employment in lower-paying industries leads to these racial groups having the lowest annual average earnings.

The average annual wage for minority workers in Minnesota in 2014 was 75 percent of the state's average annual wage. That's a result of 27 percent

of minority workers being employed in LW industries and 34 percent in VLW industries.

Table 2 is another way of displaying Minnesota's wage gap using the four categories

About the Data

The Longitudinal Employer-Household Dynamics (LEHD) program at the U.S. Census Bureau combines data on individual wages and employment records with demographic information (such as sex, race, birth date, place of residence and citizenship). The wages and employment records come from state unemployment insurance programs. Demographic data come from information the Census Bureau has collected from various sources, including Social Security records. Wages and employment information is linked to each individual's demographic information, and the data are aggregated by geography and industry to prevent any disclosure of individual information.

The aggregated data are used to produce Quarterly Workforce Indicators (QWI) and an online Web-tool called On-the-Map.¹ QWI provides local labor market statistics by industry, worker demographics, employer age, and size. QWI data are available for Minnesota from 1994 to 2014.

Self-employed workers are not included in QWI, nor are some wage and salary jobs that are not covered by unemployment insurance. Minnesota's average annual QWI total in 2014 was 2,712,281. The 2014 Quarterly Census of Employment and Wages (QCEW) total was 2,729,679. LAUS (Local Area Unemployment Statistics) annual average estimate of Minnesotans employed (which includes self-employed) in 2014 was 2,852,478. The jobs included in QWI data account for approximately 90 percent of all jobs in Minnesota.

¹More information on the LEHD program and access to QWI can be found at <http://lehd.ces.census.gov/>.

of industry wages. White non-Hispanic workers hold 85.7 percent of all jobs in Minnesota, but they hold a slightly higher share of VHW industry jobs (88.6 percent) and HW industry jobs (88.9 percent). White Hispanic workers hold 3 percent of all jobs in the state yet hold 3.8 and 3.9 percent of LW industry and VLW industry jobs, respectively.

Asian workers hold a disproportionately large share of VHW industry jobs (4.8 percent) compared to their share of the workforce (3.9 percent). Black workers hold a disproportional share of VLW industry jobs (8.1 percent) relative to their share of all jobs (5 percent). Minority workers hold 14.2 percent of all jobs in the state but only 11.4 percent of VHW industry jobs. They hold 19.4 percent of VLW industry jobs.

Of the 300 industries covered

by LEHD data, 130 are LW or VLW industries employing half of Minnesota workers. The largest LW and VLW industries, in terms of number of employees, are listed in Table 3 across racial/ethnic groups. Six industries are leading employers for all groups. The industries are —

- NAICS 6111 Elementary and Secondary Schools
- NAICS 5613 Employment Services (primarily temp help)
- NAICS 6241 Individual and Family Services
- NAICS 6231 Nursing Care Facilities
- NAICS 7225 Restaurants and Other Eating Places
- NAICS 7211 Traveler Accommodation

These industries combined employ almost one out of every five workers (514,000

people) in Minnesota. Minority employment is even more concentrated in these six industries and other large LW and VLW industries. The top 10 largest industries with low or very low wages account for 34.1 percent of all minority jobs. Fifty percent of jobs held by American Indian workers are in one of the top 10 LW and VLW industries. Roughly 40 percent of jobs held by black workers are in the top 10 industries that have either low or very low wages. The rate in those industries is 37.2 percent for white Hispanic workers and 24.4 percent for white non-Hispanic workers.

The LEHD data clearly show the extent of Minnesota’s racial gaps, how little the gaps have changed over the last 20 years, and in which industries the gaps exist. Any progress on reducing these gaps will quickly show up in future LEHD data. **T**

TABLE 2 Wage Mix of Racial/Ethnic Groups, Minnesota, 2014

| | Total Jobs | Very High Wage Industry Jobs | High Wage Industry Jobs | Low Wage Industry Jobs | Very Low Wage Industry Jobs |
|---|-----------------------|------------------------------|-------------------------|------------------------|-----------------------------|
| | Percent of Employment | | | | |
| White Non Hispanic | 85.7 | 88.6 | 88.9 | 84.8 | 80.6 |
| White Hispanic | 3.0 | 1.9 | 2.3 | 3.8 | 3.9 |
| Black or African American Alone | 5.0 | 3.1 | 3.4 | 5.4 | 8.1 |
| American Indian or Alaska Native Alone | 0.9 | 0.4 | 0.6 | 1.5 | 1.2 |
| Asian Alone | 3.9 | 4.8 | 3.6 | 3.0 | 4.1 |
| Native Hawaiian or Other Pacific Islander Alone | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 |
| Two or More Races | 1.5 | 1.1 | 1.1 | 1.5 | 2.4 |
| Minorities | 14.2 | 11.4 | 11.0 | 15.1 | 19.4 |

Source: U.S. Census Bureau, LEHD, Quarterly Workforce Indicators

TABLE 3 Largest Low and Very Low Wage Industries by Race/Ethnicity, Minnesota, 2014

| White Hispanic | | | | White Non-Hispanic | | | |
|---------------------------------|--|----------------|---------------------|--|--|------------------|---------------------|
| NAICS | Total | Jobs | Average Annual Wage | NAICS | Total | Jobs | Average Annual Wage |
| | | 80,698 | 34,042 | | | 2,325,817 | 50,200 |
| 7225 | Restaurants and Other Eating Places | 9,352 | 15,019 | 6111 | Elementary and Secondary Schools | 143,568 | 41,401 |
| 3116 | Animal Slaughtering and Processing | 4,535 | 37,265 | 7225 | Restaurants and Other Eating Places | 125,811 | 14,118 |
| 5613 | Employment Services | 3,887 | 16,798 | 9211 | Executive, Legislative, and Other General Government Support | 64,078 | 43,267 |
| 5617 | Services to Buildings and Dwellings | 3,116 | 21,273 | 6241 | Individual and Family Services | 40,158 | 21,477 |
| 6111 | Elementary and Secondary Schools | 2,327 | 36,369 | 6231 | Nursing Care Facilities | 39,957 | 26,467 |
| 7211 | Traveler Accommodation | 1,728 | 20,040 | 5613 | Employment Services | 39,223 | 28,393 |
| 6241 | Individual and Family Services | 1,593 | 19,359 | 4451 | Grocery Stores | 35,722 | 20,509 |
| 6231 | Nursing Care Facilities | 1,417 | 20,809 | 6232 | Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | 28,905 | 22,874 |
| 4451 | Grocery Stores | 1,139 | 15,790 | 4529 | Other General Merchandise Stores | 27,158 | 21,724 |
| 3114 | Fruit and Vegetable Preserving and Specialty Food Manufacturing | 958 | 27,771 | 7211 | Traveler Accommodation | 23,996 | 21,909 |
| | Top 10 Total Jobs | 30,051 | | | Top 10 Total Jobs | 568,575 | |
| | Top 10 Percent of Total Jobs | 37.2 | | | Top 10 Percent of Total Jobs | 24.4 | |
| Black or African American Alone | | | | American Indian or Alaska Native Alone | | | |
| NAICS | Total | Jobs | Average Annual Wage | NAICS | Total | Jobs | Average Annual Wage |
| | | 136,387 | 30,116 | | | 25,246 | 31,171 |
| 7225 | Restaurants and Other Eating Places | 9,819 | 12,271 | 9211 | Executive, Legislative, and Other General Government Support | 3,020 | 31,973 |
| 6241 | Individual and Family Services | 9,421 | 18,659 | 7132 | Gambling Industries | 2,082 | 24,274 |
| 5613 | Employment Services | 8,302 | 15,298 | 7225 | Restaurants and Other Eating Places | 1,847 | 12,756 |
| 6231 | Nursing Care Facilities | 6,719 | 26,330 | 6241 | Individual and Family Services | 1,354 | 24,717 |
| 6232 | Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | 5,203 | 20,109 | 5613 | Employment Services | 1,160 | 16,789 |
| 6216 | Home Health Care Services | 4,658 | 17,323 | 7211 | Traveler Accommodation | 1,160 | 22,918 |
| 6111 | Elementary and Secondary Schools | 4,227 | 37,209 | 6111 | Elementary and Secondary Schools | 871 | 36,218 |
| 6233 | Continuing Care Retirement Communities and Assisted Living Facilities for the Elderly | 2,535 | 20,557 | 6231 | Nursing Care Facilities | 426 | 22,290 |
| 5617 | Services to Buildings and Dwellings | 2,466 | 18,057 | 4451 | Grocery Stores | 367 | 16,036 |
| 7211 | Traveler Accommodation | 2,245 | 18,723 | 6232 | Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | 350 | 19,871 |
| | Top 10 Total Jobs | 55,592 | | | Top 10 Total Jobs | 12,636 | |
| | Top 10 Percent of Total Jobs | 40.8 | | | Top 10 Percent of Total Jobs | 50.1 | |
| Asian Alone | | | | Minorities | | | |
| NAICS | Total | Jobs | Average Annual Wage | NAICS | Total | Jobs | Average Annual Wage |
| | | 104,625 | 49,028 | | | 386,463 | 36,524 |
| 7225 | Restaurants and Other Eating Places | 7,629 | 16,557 | 7225 | Restaurants and Other Eating Places | 33,175 | 14,175 |
| 6241 | Individual and Family Services | 5,121 | 19,989 | 5613 | Employment Services | 19,364 | 18,058 |
| 5613 | Employment Services | 4,605 | 23,904 | 6241 | Individual and Family Services | 18,863 | 19,599 |
| 6111 | Elementary and Secondary Schools | 2,576 | 42,764 | 6111 | Elementary and Secondary Schools | 11,341 | 38,473 |
| 6216 | Home Health Care Services | 1,588 | 17,976 | 6231 | Nursing Care Facilities | 10,962 | 25,016 |
| 6231 | Nursing Care Facilities | 1,587 | 25,504 | 3116 | Animal Slaughtering and Processing | 8,073 | 36,644 |
| 8121 | Personal Care Services | 1,498 | 19,318 | 6232 | Residential Intellectual and Developmental Disability, Mental Health, and Substance Abuse Facilities | 7,919 | 20,003 |
| 7211 | Traveler Accommodation | 1,363 | 23,989 | 6216 | Home Health Care Services | 7,600 | 17,589 |
| 3116 | Animal Slaughtering and Processing | 1,282 | 36,678 | 5617 | Services to Buildings and Dwellings | 7,431 | 19,802 |
| 4521 | Department Stores | 1,142 | 17,151 | 7211 | Traveler Accommodation | 7,240 | 20,840 |
| | Top 10 Total Jobs | 28,391 | | | Top 10 Total Jobs | 131,966 | |
| | Top 10 Percent of Total Jobs | 27.1 | | | Top 10 Percent of Total Jobs | 34.1 | |

Source: U.S. Census Bureau, LEHD, Quarterly Workforce Indicators