

Measuring the Recession's Impact on Income and Labor Force Participation: October 2009 How the Twin Cities Rank in the Nation's 25 Largest Metro Areas

In September 2009, the U.S. Census Bureau released the fourth year of metropolitan-area data from its American Community Survey (ACS). The ACS, administered as a rolling survey, allows a look at economic, demographic and housing characteristics annually. The data covered in this *MetroStats* highlight economic-related findings from this latest release, which covers ACS data collection from 2008, and compare key indicators to data from earlier years of the ACS and the 2000 Decennial Census.

Data used in this *MetroStats* are for the metropolitan statistical areas (MSAs) defined by the U.S. Census Bureau. The Minneapolis-St. Paul MSA covers 13 counties – Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties in Minnesota and Pierce and St. Croix Counties in Wisconsin. The 24 metro areas used as a basis for comparison were identified on the basis of their 2008 population as estimated by the U.S. Census Bureau.

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Publication No. 74-09-055

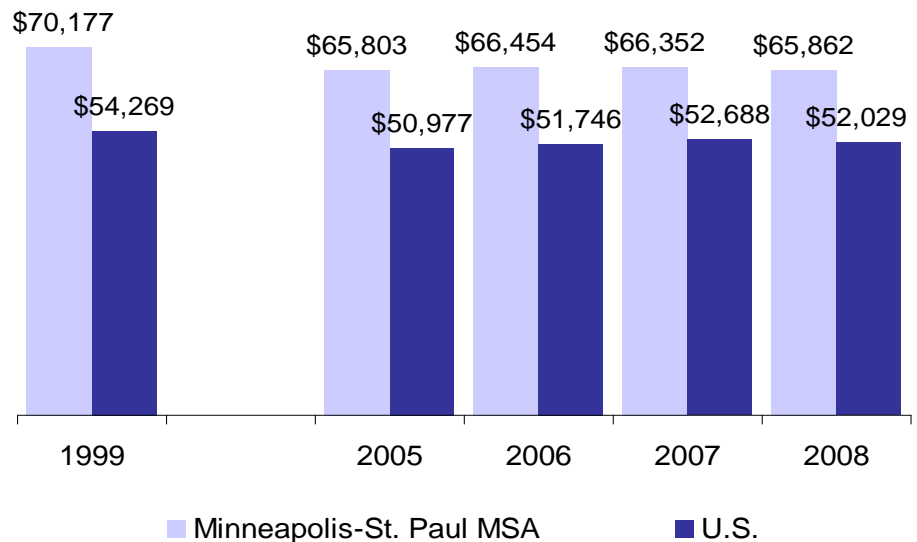
Deteriorating Economic Conditions in 2008

New data from the Census Bureau's 2008 American Community Survey (ACS) include measures of economic well-being to track trends in the Twin Cities region as economic conditions deteriorated through 2008. Median household income lost ground to inflation, the percentage of people below poverty increased, and unemployment climbed. The Minneapolis-St. Paul area continued to fare better than many U.S. metros in these measures, but the data do not reflect the full impact of the downturn as it continued into 2009.

Income trends

During the economic downturn the first half of this decade, growth in median household income in the Twin Cities metro area stalled after adjustment for inflation. Median income was \$54,304 in 1999 as measured by the decennial 2000 Census and increased to \$65,862 as measured by the 2008 American Community Survey. However, accounting for the increasing cost of living during these years, median income fell back between 1999 and 2005 (the first year for ACS survey results), advanced slightly in 2006, and again declined slightly through 2008. The 2008 median was 6.1 percent lower than the 1999 figure in inflation-adjusted dollars.

Median Household Income (in 2008 dollars)



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The region’s decline of 6.1 percent was slightly greater than the national average of 4.1 percent. However, the region still compares well with other large metros, ranking sixth highest in 2008 income among the 25 most populous Metropolitan Statistical Areas (MSAs). The region’s median remains 27 percent higher than the U.S. average.

In the national context, the Twin Cities has historically enjoyed a relatively smaller percentage of low income households, slightly larger percentage of upper income, and a stronger share in the middle income range. The 2008 data shows the region having a 43.5 percent share of households in the \$40,000 to \$100,000 range—ranking third of the 25 metro areas, which as a group averaged 40 percent.

ACS data for most MSAs are not directly comparable to the 2000 Census data due to a revision of the criteria defining MSAs. Many areas’ geographic boundaries changed after 2000. The Minneapolis-St. Paul MSA is among the exceptions; it remains the same 13 counties as it did when 2000 Census data were compiled. For that reason, the comparative median household income change from 2000 to 2008 is not covered in this report. However, in 2000 the Minneapolis-St. Paul area’s income ranked third highest among the 25 metro areas at that time, compared to its ranking of sixth according to 2008 ACS data.

Median annual earnings in the region went from \$37,730 in 2000 to \$35,971 in 2008, adjusted to 2008 dollars. This translates to a decrease of 4.7 percent, a bit shallower than the decrease in median household income. Median earnings is influenced by not only the prevailing wage rate for a given type of work, but also the mix of occupations and skill levels in a labor market, the mix of part-time and full-time workers, and how steadily workers are employed over the course of the reporting period.

The percentage of workers that reported being full-time, year-round over the last 12 months in the 2008 survey was up slightly from the 2000 Census—62.8 percent compared to 60.7 percent. This was due mostly to an upward shift among females. This may reflect changes in female labor force participation in response to difficult economic conditions affecting their families or a

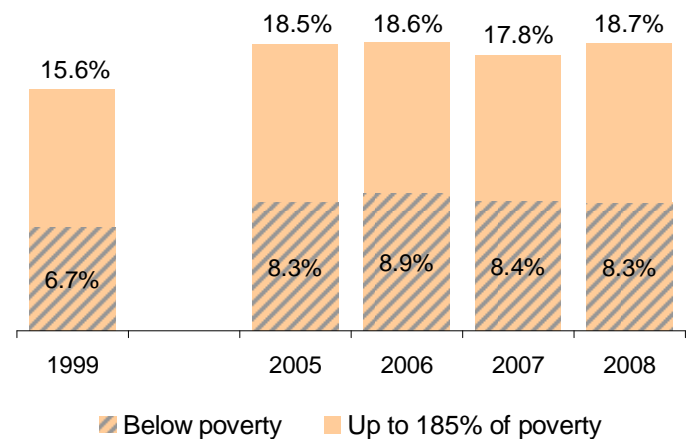
continuation of the long-range increase in full-time, year-round work among women. At least part of the difference could have been caused by a change in data collection methods between the decennial census and the ACS. Median earnings among female full-time, year-round workers gained slightly after adjustment for inflation—2 percent—while for males the median dropped 4.5 percent. Consequently, the margin between female to male median earnings (specific to full-time, year-round workers) narrowed from a .74 ratio to .79.

Poverty

The poverty rate in the Minneapolis-St. Paul area continues to compare well with other urban areas, ranking second lowest of the 25 largest MSAs. However, the rate increased from 6.7 percent in 2000 to 8.3 percent in 2008. The group of 25 MSAs averaged 11.6 percent in 2008.

The poverty rate itself represents a very low level of income by today’s standards. For example, the poverty threshold for a single person in 2008 was \$10,991 annually and, for a family with two children and two adults, \$21,834. Some government programs use a higher multiplier of the poverty level to determine eligibility for assistance, for example, food stamps and school lunch programs. The “less than 185 percent of poverty” measure is therefore a more realistic indicator of the lower-income population. The positive news is

Poverty in the Minneapolis-St. Paul MSA
 Percent below poverty and percent up to 185% of poverty



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that, along with the actual poverty rate, this figure is comparatively lower in Minneapolis-St. Paul than in peer metropolitan areas. The less positive news is that the percentage of households in this lower income category has moved up from 15.6 percent in 2000 to 18.7 percent in 2008.

Labor force participation

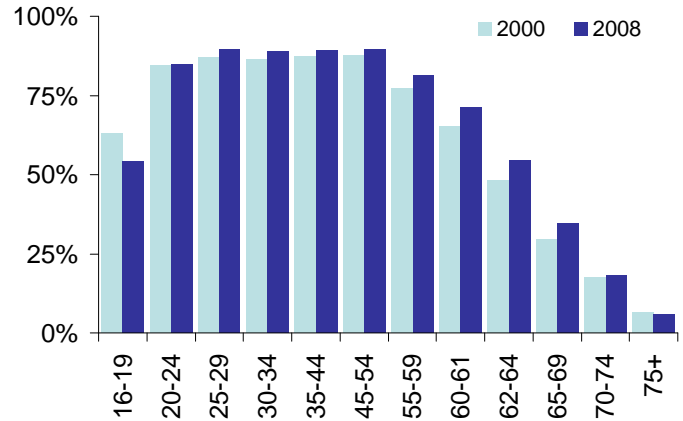
Twin Cities residents' participation in the labor force has historically been in the top tier among large metropolitan areas, and this has been true across population groups: males, females, mothers, teens, and seniors. The overall participation rate increased steadily though gradually during the 1970s and 1980s, driven by increasing female participation, but has changed little since then. With 74.8 percent of its population ages 16 and older employed or seeking work, Minneapolis-St. Paul maintained its number one ranking among the 25 largest metros in 2008.

Participation rates peak in the 25-54 age group, at about 90 percent. They are somewhat lower in the younger age groups, with some people still in school and some staying home with young children. The rate begins falling off around age 55, and the 2008 data show that has continued to be true with some moderation of that trend this decade. With the exception of teens, labor force participation rates increased for all other age groups, especially older ages.

The ACS data show participation rates continuing to rise for older females (though they remain lower than for males), but the data suggest some reversal of the trend toward earlier retirement among older males. This may be driven in part by the recent recession, although the shift began earlier, likely in response to growing concerns about future economic conditions, including the stability of retirement savings and rising health care costs. For people aged 60 to 64, the participation rate rose from 55.5 percent in 2000 to 62.4 percent in 2008. The overall rate for all persons 65 and older increased from 15.4 to 17.6 percent.

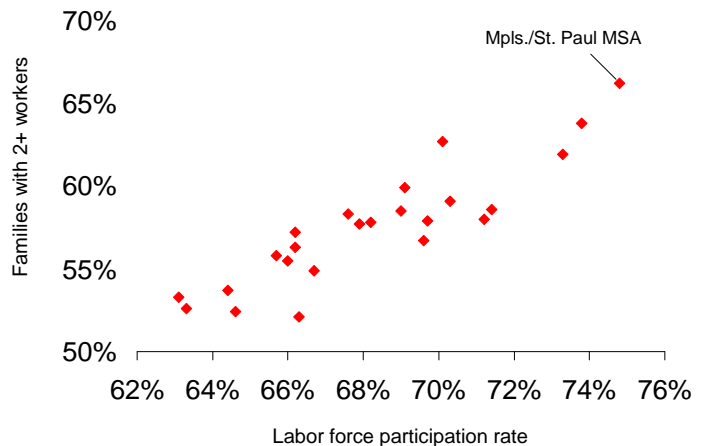
The teen rate dropped significantly, from 62.8 percent in 2000 to 54.4 percent in 2008, but was still considerably higher than the 25-metro average of 43 percent.

**Labor Force Participation Rates by Age
 Minneapolis-St. Paul MSA**



The region's high labor force participation rate, combined with demographic factors, results in a strong percentage of families in which more than one person is working—which in turn supports the region's above-average median household income. According to the 2008 ACS data, two-thirds of families had more than one person employed, first among the nation's 25 largest metro areas.

2008 Labor Force Participation Rate and Families with 2+ Workers, 25 Largest Metro Areas



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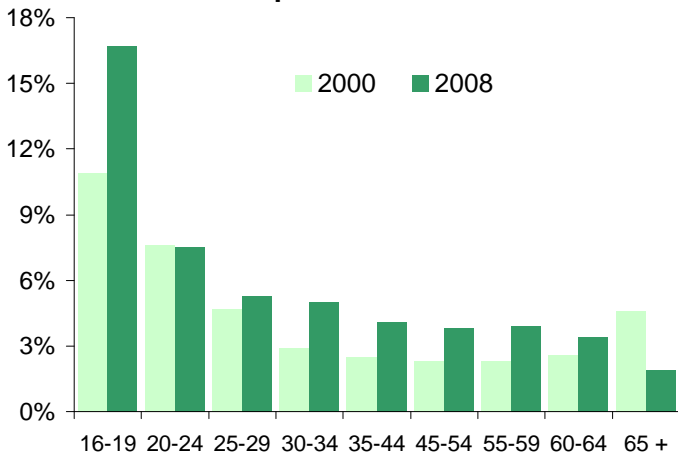
Unemployment

The rate of unemployment shown by ACS data was, unsurprisingly, higher than in the 2000 Census though the full impacts of the recession were not fully captured by the 2008 survey. For the Minneapolis-St. Paul MSA, the rate was 5.1 percent, compared to 3.5 percent in the 2000 Census. The 2008 rate ranked the region fourth lowest among the 25 largest MSAs. The region’s rate has climbed to 7.7 percent for August 2009, and the national rate to 9.6 percent—a 26-year high.

they believe they will be unable to find employment. Given the size of the ACS survey sample and because the number of people 65 and older in the labor force is relatively small, sampling variability also may account for at least part of the change in the unemployment rates reported for this age group.

Higher unemployment was seen across the range of worker ages. The teen rate ramped up from 10.9 percent in 2000 to 16.7 percent in 2008, and, as mentioned earlier, the participation rate dropped, consistent with an increasing number of young people discouraged by economic conditions and abandoning the job search. Interestingly, the percentage of part-time workers did not drop in conjunction with this decrease in teen workers. This may reflect growth in the numbers of adult workers joining the labor force to supplement their family’s income and may also reflect a growing number of people involuntarily working part-time as their employers cut back or as they find it difficult to obtain full-time employment.

**2008 Unemployment Rates by Age
 Minneapolis-St. Paul MSA**



The unemployment rate for persons age 65 and older did show a decline from 2000, but this may be due in part to workers dropping out of the labor force entirely if

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	Median household income	Percent with household income between \$40,000 and \$100,000	Poverty rate	Percent of population at less than 185% of poverty	Unemployment rate	Labor force participation rate for the population age 16+	Percent of families having two or more workers	Percent part-time workers*	Percent self-employed workers**
Atlanta-Sandy Springs-Marietta, GA	\$60,682	42.2%	11.7%	28.1%	7.2%	71.4%	58.6%	13.5%	10.5%
Baltimore-Towson, MD	\$66,122	41.0%	9.2%	21.7%	5.5%	69.1%	59.9%	13.9%	8.2%
Boston-Cambridge-Quincy, MA-NH	\$71,361	36.9%	9.2%	20.4%	5.6%	70.1%	62.7%	16.0%	9.7%
Chicago-Naperville-Joliet, IL-IN-WI	\$61,295	40.7%	11.8%	27.1%	7.1%	69.0%	58.5%	15.1%	8.6%
Cincinnati-Middletown, OH-KY-IN	\$54,059	41.8%	11.3%	25.9%	5.8%	68.2%	57.8%	15.1%	8.2%
Dallas-Fort Worth-Arlington, TX	\$56,377	40.7%	12.7%	32.1%	5.4%	71.2%	58.0%	11.4%	8.9%
Denver-Aurora, CO	\$60,344	40.4%	11.3%	26.1%	4.8%	73.3%	61.9%	14.0%	11.1%
Detroit-Warren-Livonia, MI	\$52,451	40.0%	13.9%	29.8%	10.4%	64.6%	52.4%	16.6%	8.5%
Houston-Sugar Land-Baytown, TX	\$56,250	39.7%	13.6%	32.8%	5.2%	69.6%	56.7%	11.3%	10.0%
Los Angeles-Long Beach-Santa Ana, CA	\$60,264	37.9%	14.0%	34.0%	6.7%	66.2%	56.3%	15.9%	12.6%
Miami-Fort Lauderdale-Pompano Beach, FL	\$49,313	38.1%	13.8%	33.6%	7.2%	63.3%	52.6%	13.3%	14.5%
Minneapolis-St. Paul-Bloomington, MN-WI	\$65,862	43.5%	8.3%	20.6%	5.1%	74.8%	66.2%	16.3%	8.9%
New York-Northern New Jersey-Long Island, NY-NJ-PA	\$64,747	36.0%	12.3%	26.7%	6.1%	65.7%	55.8%	13.1%	9.8%
Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	\$60,899	39.4%	11.5%	24.9%	6.5%	66.2%	57.2%	14.1%	8.0%
Phoenix-Mesa-Scottsdale, AZ	\$55,887	43.6%	13.5%	31.2%	5.3%	66.3%	52.1%	14.1%	9.6%
Pittsburgh, PA	\$47,755	40.3%	11.9%	28.0%	5.2%	63.1%	53.3%	15.5%	7.8%

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Portland-Vancouver-Beaverton, OR-WA	\$58,758	43.6%	11.3%	26.9%	6.7%	69.7%	57.9%	15.5%	11.0%
Riverside-San Bernadino-Ontario, CA	\$56,472	42.1%	13.5%	34.0%	9.9%	64.4%	53.7%	16.5%	9.9%
Sacramento—Arden-Arcade—Roseville, CA	\$61,029	42.3%	12.0%	28.0%	8.0%	66.0%	55.5%	18.6%	10.1%
San Diego-Carlsbad-San Marcos, CA	\$63,026	40.0%	12.6%	29.3%	6.5%	66.7%	54.9%	15.9%	12.3%
San Francisco-Oakland-Fremont, CA	\$76,848	35.3%	9.4%	22.4%	6.1%	67.6%	58.3%	16.9%	12.0%
Seattle-Tacoma-Bellevue, WA	\$66,465	42.1%	9.3%	21.6%	4.6%	70.3%	59.1%	14.4%	10.2%
St. Louis, MO-IL	\$53,189	42.4%	11.3%	27.0%	6.3%	67.9%	57.7%	17.1%	8.0%
Tampa-St. Petersburg-Clearwater, FL	\$46,319	40.6%	12.6%	31.1%	7.3%	61.8%	49.7%	15.2%	10.4%
Washington-Arlington-Alexandria, DC-VA-MD-WV	\$85,824	37.7%	7.1%	16.8%	4.8%	73.8%	63.8%	13.2%	8.8%
Average of the 25 metros' data	\$58,037	40.3%	11.6%	27.2%	6.4%	68.0%	57.2%	14.9%	9.9%
Ranking of Mpls/St. Paul MSA	6	3	24	23	22	1	1	4	17

*Of those 16-64 who worked in the last 12 months, percent that usually worked less than 35 hours/week.

**Of employed persons age 16 and over, percent that were self-employed.