

Minnesota Minimum-Wage Report, 2010

by
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Executive summary

This report, part of an occasional series, presents statistics about minimum-wage workers in Minnesota. Specifically, it deals with those hourly workers in the state who are paid the effective full minimum wage or less.¹ The effective minimum is the larger of the applicable state and federal levels. The full minimum at the state or federal level is the amount that is *not* reduced in certain circumstances (see below on this page).

The report presents both trends and current descriptive statistics. All figures regarding Minnesota's hourly workers at or below the minimum wage are estimates computed from the Current Population Survey (CPS), conducted monthly by the U.S. Census for the U.S. Bureau of Labor Statistics.

The report focuses on hourly workers partly because of data issues concerning salaried workers in the CPS² and partly because many salaried workers are exempt from the federal and state minimum-wage laws as executive, administrative and professional employees.

From September 1997 through July 2005, Minnesota's full minimum wage was \$5.15 an hour; it rose to \$6.15 in August 2005 and has remained at that level since. The full federal minimum was \$5.15 an hour from September 1997 through July 23, 2007, after which it rose in three increments to \$7.25 as of July 24, 2009. With some exceptions, federal law exempts workers whose employers have less than \$500,000 in annual revenue; Minnesota, however, provides a lower minimum wage for small employers. Since August 2005, the Minnesota "small-employer minimum" has been \$5.25 for employers with annual revenues less

¹ Overtime pay, tips and commissions are excluded from hourly pay in the data used. Also, tips are excluded from wages for purposes of Minnesota's minimum-wage law (see Appendix A). Workers may have reported wages less than the full effective minimum because they may be exempt, a lower minimum than the full minimum may apply to them, they may be paid less than the applicable minimum illegally or their hourly earnings may be misreported.

² See p. 2.

than \$625,000. For workers younger than age 20, both federal and state law provide a lower minimum during the first 90 consecutive days of employment. The Minnesota "youth minimum" has been \$4.90 since August 2005.³

Federal law allows employers to count tips in applying the full minimum wage, subject to a lower minimum for tipped employees' direct pay. Minnesota, however, prohibits employers from counting tips for purposes of either the state or federal minimum.⁴

The following are the report's major findings.

Trends in minimum wage relative to inflation and other wages

- From its inception in 1974, the Minnesota minimum wage roughly followed its U.S. counterpart through 2004. However, as previously noted, the Minnesota minimum has stood at \$6.15 from 2005 to present while the U.S. minimum has risen from \$5.15 to \$7.25.
- The inflation-adjusted levels of the U.S. and Minnesota minimum wages have fallen since the 1970s, although relatively little *overall* change has occurred since the 1980s.
- The U.S. minimum wage has fallen relative to average hourly earnings since the 1970s (similar data is unavailable for Minnesota). Adjusted for inflation, U.S. average hourly earnings were at about the same level in 2010 as in 1970.

Trends in Minnesota's minimum-wage population

- The proportion of Minnesota's hourly workers paid the effective full minimum wage or less varied from 7.2 percent in 1997

³ The federal youth minimum has been \$4.25 since September 1997.

⁴ Minnesota Statutes §177.24, subd. 2 (Appendix A).

to 1.9 percent in 2004 and to 6.6 percent for August 2009 through July 2010, the first full effective year of the current federal minimum of \$7.25.⁵ In that year, an estimated 95,000 hourly workers in Minnesota were paid the minimum or less, out of the total estimated hourly workforce of 1.45 million.

- Among Minnesota's hourly workers at or below the minimum wage, the proportion receiving overtime pay, tips or commissions varied from 28 percent in 1997 to 62 percent in 2004 and to 29 percent for August 2009 through July 2010.⁶ This proportion has been relatively high when the minimum has been relatively low, and vice versa.

Characteristics of Minnesota's minimum-wage workers for August 2009 through July 2010

The following estimates pertain to Minnesota for August 2009 through July 2010, during which the effective full minimum wage was the federal level of \$7.25.

Industry

- Thirty-seven percent of hourly workers in eating and drinking places were paid the minimum wage or less, by far the highest percentage among industries. About 43 percent of all hourly workers paid the minimum or less were in eating and drinking places.
- Among hourly workers at the minimum or less, those in eating and drinking places were the most likely to receive overtime pay, tips and commissions (OTC) (52 percent).

⁵ Partly because of a modification in estimation procedure, the estimated percentages for recent years differ from those in the prior report. Further, because of certain estimation issues, the last year in the trend in the present report is the same as in the prior report. See Appendix B, p. 20.

⁶ Partly because of a modification in estimation procedure, the estimated percentages for recent years differ from those in the prior report. See Appendix B, p. 21.

Occupation

- Among occupations, food preparation and serving had the highest proportion of hourly workers paid the minimum wage or less (32 percent). About 43 percent of all hourly workers paid the minimum or less were in this occupation.
- Food preparation and serving also showed the highest percentage of workers with OTC among hourly workers paid the minimum or less (51 percent).

Age and gender

- Among 15- to 19-year-old hourly workers, 28.0 percent earned \$7.25 an hour or less, compared with 3.4 percent of 25- to 54-year-olds and 3.3 percent of those 55 and older.
- Sixty-one percent of all hourly workers paid the minimum or less were 15 to 24 years old.
- Among female hourly workers, 7.7 percent earned the minimum wage or less, compared with 5.3 percent of men.

Full-time/part-time status

- Among part-time hourly workers, 15.2 percent earned the minimum wage or less, compared with 2.7 percent of full-time hourly workers.
- Part-time workers made up 72 percent of all workers paid the minimum or less, while accounting for 31 percent of the hourly workforce.

Education

- Among hourly workers with less than a high-school education, 20.3 percent were paid the minimum wage or less, compared with 5.5 percent for those with a high-school degree and 4.7 for those with at least some college.
- Those without a high-school degree made up 32 percent of all hourly workers at or below the minimum, even though they comprised only 10 percent of the hourly workforce.

Marital status

- Workers paid the minimum wage or less comprised 10.1 percent of unmarried hourly workers, as opposed to 2.7 percent of those who were married.

Poverty status

- Thirteen percent of hourly workers living below the poverty line were paid the minimum wage or less, as opposed to 5.9 percent of those above the poverty line.

- Workers below the poverty line made up 18 percent of all hourly workers paid the minimum or less, while accounting for only 9 percent of all hourly workers.

Metropolitan residence

- Workers paid the minimum wage or less accounted for 8.2 percent of hourly workers in nonmetropolitan Minnesota, as opposed to 5.9 percent in metropolitan areas.⁷

⁷ Partly because of a modification in estimation procedure, the estimated metropolitan-nonmetropolitan difference is greater than in the prior report. The difference is also greater because of the difference in the year under consideration. See Appendix B, p. 22.

Introduction

The federal minimum wage was enacted in 1938 as a means of raising the earnings of low-wage workers. Initially, coverage was limited to employees engaged in interstate commerce or in the production of goods for interstate commerce. Coverage has since been expanded to include most of the labor force. From its initial level of 25 cents an hour, the federal minimum has been raised about two dozen times. It stood at \$5.15 from 1997 to 2007, and was then raised in three increments reaching its current level of \$7.25 on July 24, 2009.

Minnesota's minimum wage took effect in 1974 and has roughly followed the federal minimum since that time, with some exceptions most notably for the past few years. The state's minimum wage was equal to its federal counterpart from 1997 to 2005, when it was raised to its current level of \$6.15. The effective minimum is the higher of the applicable state and federal levels. Thus, for nonexempt workers in Minnesota, the current effective minimum is the federal level of \$7.25. For the period August 2009 through July 2010, as indicated later in this report, an estimated 95,000 workers in Minnesota were paid the effective full minimum wage or less,⁸ or 6.6 percent of the estimated total of 1.45 million hourly workers.

As policymakers consider the minimum wage, a number of questions arise: How has the minimum wage changed over time relative to inflation? Where does it stand relative to other wages and how has this changed? What proportion of workers are paid the minimum wage or less? What are the characteristics and circumstances of these workers, and in what occupations and industries are they most commonly found?

This report, part of an occasional series, presents statistics about minimum-wage workers in Minnesota. Specifically, it deals with those hourly workers in the state who are paid the effective full minimum wage or less. The report

first presents trends in the federal and state minimum wages relative to inflation, and in the federal minimum relative to other wages.⁹ It then presents trends for 1997 to the present regarding hourly workers in Minnesota who are paid the effective minimum wage or less, and descriptive statistics regarding these workers for August 2009 through July 2010, the first full year of effect of the current federal minimum of \$7.25.¹⁰ Appendix A contains Minnesota's minimum-wage law. Appendix B describes data and estimation procedures.

Exemptions and lower minimums

Both federal and state law provide several exemptions from minimum-wage coverage.¹¹ For example, Minnesota exempts some salaried and minor employees in agriculture, seasonal camp staff, elected government officials and several other groups. Both Minnesota and federal law exempt certain executive, administrative and professional staff and traveling salespeople. A worker may be subject to either the federal or state minimum wage, or both or neither, depending on whether he or she meets the respective exemption conditions.

Lower minimum-wage levels apply to some workers. Workers whose employers have annual revenues less than \$500,000 are generally not covered under federal law if they are not involved in interstate commerce;¹² however, small employers in Minnesota are subject to a

⁹ Similar data is unavailable at the state level.

¹⁰ Overtime pay, tips and commissions are excluded from the hourly pay in the data used. Also, tips are excluded from wages for purposes of Minnesota's minimum-wage law (see Appendix A). Workers may have reported wages less than the full effective minimum because they may be exempt, a lower minimum than the full minimum may apply to them, they may be paid less than the applicable minimum illegally or their hourly earnings may be misreported.

¹¹ The Minnesota exemption categories are in Appendix A. The federal exemption categories are at www.dol.gov/elaws/esa/flsa/screen75.asp.

¹² Individuals are still covered if they work for a hospital, business providing medical or nursing care for residents, school or preschool, or government agency. See www.dol.gov/whd/regs/compliance/whdfs14.pdf.

⁸ See next section regarding the full minimum wage and lower minimums in certain situations.

lower minimum. Since August 2005, this “small employer” minimum has been \$5.25 for employers with revenues less than \$625,000. For workers younger than age 20, both federal and state law provide a lower minimum during the first 90 consecutive days of employment. The federal “youth minimum” has been \$4.25 an hour since September 1997. The Minnesota youth minimum has been \$4.90 since August 2005. Special federal and state rules also apply to workers with disabilities.¹³

Federal law allows employers to count tips in applying the full minimum wage, subject to a lower minimum for tipped employees’ direct pay. Minnesota, however, prohibits employers from counting tips for purposes of either the state or federal minimum.¹⁴

The full minimum wage at the federal or state level is the amount that is *not* reduced on account of one of these situations.

Data and estimation technique

All figures in this report regarding Minnesota’s hourly workers at or below the minimum wage are estimates derived from the Current Population Survey (CPS). The CPS, conducted monthly by the U.S. Census for the U.S. Bureau of Labor Statistics, provides data about the labor market experience of U.S. households. This report combines the monthly data for each year. Because of sample size issues, the statistics in

the report are derived with methods that reduce sampling variation by using multiple years of data and/or a combination of Minnesota and U.S. data. See Appendix B for details.

Because of the increase in the Minnesota minimum wage in August 2005 and the increases in the federal minimum on July 24 of 2007, 2008 and 2009, the report uses years running from August through July as the time unit of analysis. The CPS data pertains to the week containing the 12th of each month, so the July data for 2007, 2008 and 2009 reflects the federal minimum in effect before the increase occurring on July 24 of each of those years.

Because of modifications in estimation procedures, some estimates differ from those in prior reports.¹⁵

Focus on hourly workers

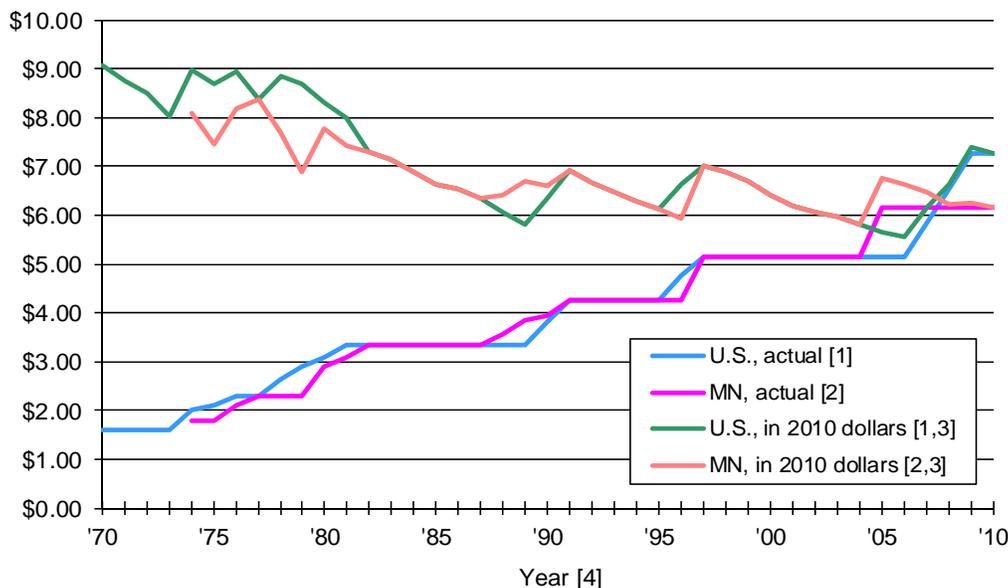
This report is limited to hourly workers for three reasons: First, reported weekly earnings (used to estimate hourly pay for salaried workers) are unrealistically low for a significant number of salaried workers. Second, the weekly earnings figure includes overtime pay, tips and commissions, in contrast with the hourly pay figure used for hourly workers, which does not. Third, many salaried workers are exempt from the federal and state minimum-wage laws as executive, administrative and professional employees.

¹³ For more information about the federal provisions, see www.dol.gov/whd/minwage/q-a.htm#.

¹⁴ See Appendix A.

¹⁵ The estimates concerned are in Figures 4, 5 and 13 (pp. 5, 6 and 14).

Figure 1 Full minimum wage, actual and inflation-adjusted, Minnesota and the United States, 1970–2010



Effective date	New minimum wage level		Effective date	New minimum wage level	
	United States [1]	Minnesota [2]		United States [1]	Minnesota [2]
2/1/68	\$1.60		1/1/88		\$3.55
1/1/74		\$1.80	1/1/89		\$3.85
5/1/74	\$2.00		1/1/90		\$3.95
1/1/75	\$2.10		4/1/90	\$3.80	
1/1/76	\$2.30		1/1/91		\$4.25
10/1/76		\$2.10	4/1/91	\$4.25	
9/15/77		\$2.30	10/1/96	\$4.75	
1/1/78	\$2.65		9/1/97	\$5.15	\$5.15
1/1/79	\$2.90		8/1/05		\$6.15
1/1/80	\$3.10	\$2.90	7/24/07	\$5.85	
1/1/81	\$3.35	\$3.10	7/24/08	\$6.55	
1/1/82		\$3.35	7/24/09	\$7.25	

1. Data for the United States is from the U.S. Department of Labor (www.dol.gov/whd/minwage/chart.htm).
2. Data for Minnesota is from internal records at DLI. Minnesota's first minimum wage took effect Jan. 1, 1974.
3. The inflation-adjustment factor for both the U.S. and Minnesota minimum wages is the Consumer Price Index for All Urban Consumers (CPI-U) for Minneapolis-St. Paul. CPI-U data is from the U.S. Bureau of Labor Statistics (www.bls.gov/data/#prices).
4. The minimum wage shown for each year in the graph is the level in effect as of Dec. 31 of that year.

The minimum wage and inflation

From its inception in 1974, the Minnesota minimum wage roughly followed its U.S. counterpart through 2004. From 2005 to present, however, the Minnesota minimum has stood at \$6.15 while the U.S. minimum has risen from \$5.15 to \$7.25. The inflation-adjusted levels of the U.S. and Minnesota minimum wages have fallen since the 1970s.

- The full Minnesota minimum wage rose from \$1.80 in 1974 to \$6.15 in 2005, where it now

stands. The U.S. minimum rose from \$1.60 in 1974 to \$7.25 in 2009, its current level.

- In 2010 dollars, the Minnesota minimum fell from \$8.07 in 1974 to \$6.15 in 2010, while the U.S. minimum fell from \$8.97 to \$7.25 (see note 3 in figure).
- The decreases in the inflation-adjusted minimum wages for Minnesota and the U.S. occurred primarily before the late-1980s. Since that time, the inflation-adjusted rates have changed relatively little overall, with periodic legislated increases being roughly offset by inflation.

The minimum wage and average hourly earnings: U.S. data

Another perspective on the minimum wage is its level in relation to other wages. Hourly wage data is available for the U.S. but not for Minnesota for the period concerned here.¹⁶ Because of similarities in relevant trends between Minnesota and the U.S.,¹⁷ Figures 2 and 3 present U.S. trends as general approximations for their Minnesota counterparts. Apart from any similarities, the U.S. trends also stand as a context for Minnesota trends.

U.S. average hourly earnings relative to inflation

Average hourly earnings for the U.S. rose consistently from 1970 to 2010 (Figure 2). Adjusted for inflation, however, they were at about the same level in 2010 as in 1970.

- In 2010 dollars, U.S. average hourly earnings fell from a plateau above \$19.00 in the early and middle 1970s to a low-point near \$16.50 for 1993 to 1995, but then turned upward, reaching \$18.98 in 2010.

U.S. minimum wage relative to average hourly earnings

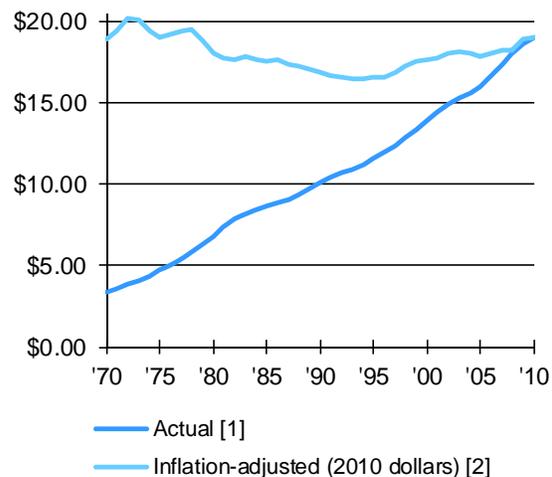
The U.S. full minimum wage fell from 48 percent of average hourly earnings in 1970 to 38 percent in 2010 (Figure 3).

- The longest periods of decrease were 1981 to 1989 and 1997 to 2006, during which the federal minimum itself was stationary.
- After three consecutive increases in 2007 to 2009, the federal minimum in 2010 was at the same point relative to average hourly earnings — 38 percent — as in 1986.

¹⁶ Data sources considered were the Occupational Employment Statistics survey, the Current Employment Statistics survey and the Quarterly Census of Employment and Wages, all conducted by the U.S. Bureau of Labor Statistics (BLS), and the Current Population Survey, conducted by BLS and the U.S. Census Bureau.

¹⁷ From 1975 to 2010, the overall average weekly wages of Minnesota and the U.S. grew at average annual rates of 4.63 and 4.50 percent, respectively (data from the BLS Quarterly Census of Employment and Wages). From 1970 to 2010, the Consumer Price Index for All Urban Consumers grew at an average annual rate of 4.41 percent for Minnesota and 4.43 percent for the U.S. (data from BLS). As shown in Figure 1, the Minnesota minimum wage has roughly followed its U.S. counterpart, with the exception of the past few years.

Figure 2 Average hourly earnings, actual and inflation-adjusted, United States, 1970–2010



1. Data is from the Current Employment Statistics survey of the U.S. Bureau of Labor Statistics (www.bls.gov/ces/). The figure used here is net of overtime pay in manufacturing.
2. The inflation-adjustment factor is the Consumer Price Index for All Urban Consumers (CPI-U) for the United States. CPI-U data is from the U.S. Bureau of Labor Statistics (www.bls.gov/data/#prices).

Figure 3 Full minimum wage as percentage of average hourly earnings, United States, 1970–2010



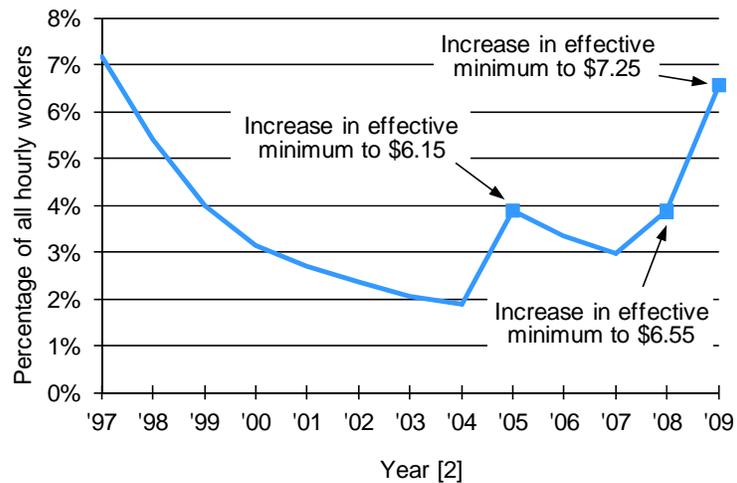
1. Minimum wage data is from the U.S. Department of Labor (www.dol.gov/whd/minwage/chart.htm). Average hourly earnings data is from the Current Employment Statistics survey of the U.S. Bureau of Labor Statistics (www.bls.gov/ces/). The earnings figure used here is net of overtime pay in manufacturing.

Minnesota workers at or below the minimum wage

In Minnesota, because of rising overall wage levels over time, the number and percentage of hourly workers earning the minimum wage or less have fallen over time when the minimum wage has been stationary. Increases in the minimum, when they have occurred, have raised the number and percentage of hourly workers earning the minimum or less.

- The number of hourly workers earning the full effective minimum wage or less ranged from an estimated 103,000 in 1997 to 30,000 in 1994 and to 95,000 in 2009. The 2009 figure is out of an estimated 1.45 million total hourly workers.
- Because of increases in the federal minimum wage to \$6.55 in 2008 and to \$7.25 in 2009, the percentage of Minnesota’s hourly workers earning the full effective minimum or less rose from an estimated 3.0 percent in 2007 to 6.6 percent in 2009.¹⁸
- Because the full effective minimum wage remained at \$5.15 from 1997 to 2004, the percentage of Minnesota’s hourly workers earning that wage or less fell from an estimated 7.2 percent in 1997 to 1.9 percent in 2004.

Figure 4 Hourly workers at or below the full effective minimum wage as percentage of all hourly workers, Minnesota, 1997–2009 [1,2]



Year [2]	Full minimum wage [3]			Hourly workers at or below full minimum wage [4]	
	United States	Minnesota	Effective level [5]	Number (1,000s)	Pctg. of all
					hourly workers
8/97-7/98	\$5.15 [6]	\$5.15 [6]	\$5.15 [6]	103	7.2%
8/98-7/99	5.15	5.15	5.15	79	5.4
8/99-7/00	5.15	5.15	5.15	60	4.0
8/00-7/01	5.15	5.15	5.15	47	3.1
8/01-7/02	5.15	5.15	5.15	41	2.7
8/02-7/03	5.15	5.15	5.15	36	2.4
8/03-7/04	5.15	5.15	5.15	32	2.0
8/04-7/05	5.15	5.15	5.15	30	1.9
8/05-7/06	5.15	6.15	6.15	61	3.9
8/06-7/07	5.15	6.15	6.15	52	3.3
8/07-7/08	5.85	6.15	6.15	46	3.0
8/08-7/09	6.55	6.15	6.55	58	3.9
8/09-7/10	7.25	6.15	7.25	95	6.6

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. *Wage data from another source is used to reduce sampling variation in these estimates. Partly because different wage data was used in this report than in prior reports, the present estimates differ from those in prior reports, particularly for recent years. Further, because of certain estimation issues, the last year shown in this figure is the same as in the prior report. See Appendix B.*
2. Each year is the 12-month period beginning with August of the year indicated.
3. See p. 2 (Data and estimation technique).
4. This is based on the worker's hourly rate of pay at his or her main job, excluding overtime pay, tips and commissions.
5. The effective minimum-wage level is the higher of the state and federal levels.
6. The state and federal minimum-wage levels of \$5.15 an hour took effect Sep. 1, 1997. The prior state and federal minimums were \$4.25 and \$4.75, respectively.

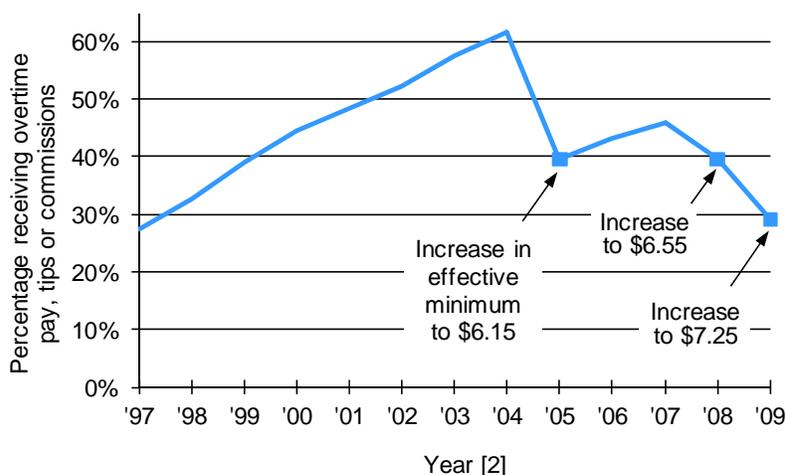
¹⁸ See note 2 in figure.

Overtime pay, tips and commissions

As indicated in note 4 of Figure 4, minimum-wage status is determined in this report according to the worker's hourly rate of pay excluding overtime pay, tips and commissions (OTC). In 2009, an estimated 29 percent of hourly workers at or below the minimum wage received OTC.

- Among hourly workers at or below the minimum wage, the percentage who receive OTC has risen when the minimum wage has been stationary — and thus falling relative to other wages — and has fallen when the minimum has increased. This is because among lower-wage hourly workers, the percentage with OTC is higher at lower wage levels.
- Changes over time in the number of hourly workers at or below the minimum wage have taken place primarily among workers *not* receiving OTC. For example, from 1997 to 2004, when the effective minimum was stationary at \$5.15, the number of hourly workers at or below the minimum who received OTC fell from 28,000 to 18,000, while the number *not* receiving OTC fell from 74,000 to 11,000.

Figure 5 Percentage receiving overtime pay, tips or commissions among hourly workers at or below the minimum wage, Minnesota, 1997–2009 [1]



	Full minimum wage [3]			Hourly workers at or below full minimum wage			
				Usually receive overtime pay, tips or commissions?			
				Yes		No	
	United States	Minnesota	Effective level [4]	Number (1,000s)	Pctg.	Number (1,000s)	Pctg.
8/97-7/98	\$5.15 [5]	\$5.15 [5]	\$5.15 [5]	28	27.5%	74	72.5%
8/98-7/99	5.15	5.15	5.15	26	32.7	53	67.3
8/99-7/00	5.15	5.15	5.15	23	38.9	37	61.1
8/00-7/01	5.15	5.15	5.15	21	44.5	26	55.5
8/01-7/02	5.15	5.15	5.15	20	48.2	21	51.8
8/02-7/03	5.15	5.15	5.15	19	52.2	17	47.8
8/03-7/04	5.15	5.15	5.15	18	57.3	13	42.7
8/04-7/05	5.15	5.15	5.15	18	61.6	11	38.4
8/05-7/06	5.15	6.15	6.15	24	39.5	37	60.5
8/06-7/07	5.15	6.15	6.15	23	43.0	30	57.0
8/07-7/08	5.85	6.15	6.15	21	45.8	25	54.2
8/08-7/09	6.55	6.15	6.55	23	39.6	35	60.4
8/09-7/10	7.25	6.15	7.25	28	29.1	68	70.9

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. *Wage data from another source is used to reduce sampling variation in these estimates. Partly because different wage data was used in this report than in prior reports, the present estimates differ from those in prior reports, particularly for recent years. Further, because of certain estimation issues, the last year shown in this figure is the same as in prior reports. See Appendix B.*
2. Each year is the 12-month period beginning with August of the year indicated.
3. See p. 2 (Data and estimation technique).
4. The effective minimum-wage level is the higher of the state and federal levels.
5. The state and federal minimum-wage levels of \$5.15 an hour took effect Sep. 1, 1997. The prior state and federal minimums were \$4.25 and \$4.75, respectively.

Figure 6 Hourly workers at or below the minimum wage and percentage receiving overtime pay, tips or commissions by industry, Minnesota, August 2009 – July 2010 [1]

Industry group [2]	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour			
		Number (1,000s)	Percentage among workers in industry	Percentage among all hourly workers at or below \$7.25/hour	Pctg. of these workers who receive overtime pay, tips or commissions
Total, 15 years and older	1,454	95	6.6%	100.0%	29.1%
Eating and drinking places	110	41	37.0	42.9	52.0
Private household services	8	1	13.2	1.1	12.6
Arts, entertainment and recreation	32	4	11.5	3.8	30.9
Agriculture, forestry, fishing and hunting	11	1	9.8	1.1	3.4
Retail trade	203	16	8.0	17.0	7.2
Hotels, motels and other accommodation	18	1	7.9	1.5	33.3
Social assistance	41	3	7.6	3.3	4.5
Other services	50	3	7.0	3.6	28.5
Mgmt., adm. and support, and waste mgmt. servs.	56	3	5.0	2.9	8.0
Education services	100	5	4.5	4.7	5.9
Information	29	1	4.0	1.2	8.2
Real estate, rental and leasing	15	1	3.9	.6	8.4
Residential facilities	52	2	3.8	2.1	12.9
Wholesale trade	35	1	2.8	1.0	12.7
Health care excl. hospital and residential servs.	93	3	2.8	2.7	8.7
Transportation and warehousing	55	1	2.3	1.3	11.1
Public administration [3]	57	1	2.0	1.2	23.1
Manufacturing	213	4	1.9	4.1	9.7
Finance and insurance	49	1	1.4	.7	16.1
Professional, scientific and technical servs.	46	1	1.4	.6	8.0
Hospitals	77	1	1.3	1.1	10.1
Construction	90	1	1.1	1.0	6.6
Utilities	11	~	.6	.1	[4]
Mining	4	~	.1	.0	[4]

"~" = fewer than 500 workers.

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p.2 (Data and estimation technique)).
2. Except for the public administration division (see note 3), industries include the private and public sectors.
3. The public administration division is limited to those government employees not classifiable under other industries, such as construction or education services.
4. Percentages are not given for these industries because of small sample size.

Industry

Among Minnesota industries, eating and drinking places have the greatest prevalence of hourly workers at or below the minimum wage. This industry also shows the highest percentage of workers receiving OTC among those paid the minimum wage or less.

- For August 2009 through July 2010, the proportion of hourly workers earning the minimum wage or less was highest by far in eating and drinking places, at 37 percent. The next highest percentages were in private

household services (13 percent) and arts, entertainment and recreation (12 percent).

- About 43 percent of all hourly workers paid the minimum wage or less were employed in eating and drinking places; 17 percent were in retail trade.
- Among hourly workers paid the minimum wage or less, counting industries with at least 2,000 of these workers, the percentage receiving OTC was highest in eating and drinking places (52 percent), arts, entertainment and recreation (31 percent) and "other" services (29 percent).

Figure 7 Hourly workers at or below the minimum wage and percentage receiving overtime pay, tips or commissions by occupation, Minnesota, August 2009 – July 2010 [1]

Occupation group	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour			
		Number (1,000s)	Percentage among workers in occupation	Percentage among all hourly workers at or below \$7.25/hour	Pctg. of these workers who receive overtime pay, tips or commissions
Total, 15 years and older	1,454	95	6.6%	100.0%	29.1%
Food preparation and serving	128	41	32.1	43.0	50.5
Personal care and service	57	7	12.5	7.4	26.1
Farming, fishing and forestry	10	1	12.2	1.2	3.0
Sales and related occupations	142	15	10.5	15.7	10.4
Building and grounds cleaning and maintenance	66	5	7.7	5.4	8.5
Transportation and material moving	107	6	5.6	6.3	19.2
Health care support	46	2	5.0	2.4	12.1
Protective service	25	1	4.5	1.2	32.1
Education, training and library	56	2	3.5	2.1	2.5
Office and administrative support	246	7	3.0	7.7	6.0
Arts, design, entertainment, sports and media	20	1	2.6	.5	8.9
Production	152	4	2.5	4.0	8.5
Community and social service	24	~	1.8	.4	4.5
Construction and extraction	80	1	1.1	.9	5.6
Installation, maintenance and repair	59	~	.6	.4	16.5
Management, professional and technical [2]	237	1	.6	1.4	26.4

"~" = fewer than 500 workers.

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p.2 (Data and estimation technique)).
2. Includes management occupations; business and financial occupations; computer and mathematical science occupations; architectural and engineering occupations; life, physical and social science occupations; legal occupations; and health care practitioner and technical occupations. The estimated percentage of hourly workers at or below \$7.25 an hour in these groups ranges from 0.4 to 1.2 percent.

Occupation

Among Minnesota occupations, food preparation and serving has the greatest prevalence of hourly workers at or below the minimum wage. This occupation also shows the highest percentage of workers receiving OTC among those paid the minimum wage or less.

- For August 2009 through July 2010, the proportion of hourly workers earning the minimum wage or less was highest by far in food preparation and serving, at 32 percent. The next highest percentages were in personal care and service (13 percent),

farming, fishing and forestry (12 percent), and sales and related occupations (11 percent).

- About 43 percent of all hourly workers paid the minimum wage or less were employed in food preparation and serving occupations; 16 percent were in sales and related occupations.
- Among hourly workers paid the minimum wage or less, counting occupations with at least 2,000 of these workers, the percentage receiving OTC was highest in food preparation and serving (51 percent) and personal care and service (26 percent).

Figure 8 Hourly workers at or below the minimum wage by age and gender, Minnesota, August 2009 – July 2010 [1]

Age and gender	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
15-19 years	121	34	28.0	35.6
20-24 years	218	24	10.9	24.9
25-54 years	891	30	3.4	31.8
55 years and older	224	7	3.3	7.8
Men	678	36	5.3	37.5
15-19 years	58	14	24.2	14.8
20-24 years	109	9	8.4	9.6
25-54 years	419	10	2.4	10.7
55 years and older	92	2	2.6	2.5
Women	776	60	7.7	62.5
15-19 years	63	20	31.5	20.8
20-24 years	109	15	13.4	15.3
25-54 years	472	20	4.3	21.1
55 years and older	132	5	3.8	5.3

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)).

Age and gender

Among hourly workers, young workers and women are more likely than others to be paid the minimum wage or less. Older workers are about as likely as those in their middle years to be at or below the minimum wage.

- Among 15- to 19-year-old hourly workers, 28.0 percent earned \$7.25 an hour or less for August 2009 through July 2010, compared with 3.4 percent of 25- to 54-year-olds and 3.3 percent of those 55 and older.
- As a result, 15- to 19-year-olds comprised roughly 36 percent of all hourly workers at or below the minimum wage, even though they

made up only 8 percent of the hourly workforce. Combining the two youngest groups, 15- to 24-year-olds made up 61 percent of all hourly workers paid the minimum or less.

- Although only 3.4 percent of 25- to 54-year-olds were paid the minimum wage or less, they made up 32 percent of all hourly workers at or below the minimum wage.
- Women were more likely than men to be paid the minimum wage or less (7.7 versus 5.3 percent). Because of this and the fact that they made up 53 percent of all hourly workers, women accounted for 63 percent of all hourly workers at or below the minimum.

Figure 9 Hourly workers at or below the minimum wage by full-time/part-time status, gender and age, Minnesota, August 2009 – July 2010 [1]

Full-time/part-time status, gender and age	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
Full time [2]	1,004	27	2.7	28.1
Men	535	11	2.0	11.4
Women	469	16	3.4	16.6
15-19 years	24	3	11.9	3.0
20-24 years	130	8	5.8	7.9
25-54 years	705	14	2.0	15.0
55 years and older	145	2	1.4	2.2
Part time [2]	450	69	15.2	71.9
Men	143	25	17.4	26.1
Women	307	44	14.2	45.8
15-19 years	98	31	31.9	32.6
20-24 years	88	16	18.4	17.0
25-54 years	186	16	8.6	16.8
55 years and older	79	5	6.7	5.6

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)).

2. Full-time workers are defined as those usually working 35 or more hours a week.

Full-time/part-time status

Part-time workers are much more likely than full-time workers to be paid the minimum wage or less.

- Among part-time hourly workers, 15.2 percent were paid \$7.25 an hour or less for August 2009 through July 2010, compared with 2.7 percent of full-time workers.
- Part-time workers made up 72 percent of all hourly workers at or below the minimum

wage, even though they accounted for only 31 percent of the hourly workforce.

- Among full-time hourly workers, women were more likely than men to be paid the minimum wage or less (3.4 percent versus 2.0 percent). Among part-time workers, however, men were more likely than women to be at or below the minimum (17.4 versus 14.2 percent). Explaining this difference would require a subclassification by additional factors.

Figure 10 Hourly workers at or below the minimum wage by education, gender and age, Minnesota, August 2009 – July 2010 [1]

Education, gender and age	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
Less than high school	152	31	20.3	32.3
Men	81	13	16.1	13.7
Women	71	18	25.1	18.6
15-19 years	72	24	33.8	25.7
20-24 years	13	1	10.6	1.4
25-54 years	54	4	7.2	4.1
55 years and older	13	1	8.1	1.1
High school only	430	24	5.5	25.0
Men	218	8	3.7	8.6
Women	212	16	7.4	16.4
15-19 years	26	5	17.8	4.9
20-24 years	57	5	9.2	5.5
25-54 years	266	11	4.0	11.1
55 years and older	81	3	4.1	3.5
At least some college	872	41	4.7	42.7
Men	379	15	3.8	15.3
Women	493	26	5.3	27.4
15-19 years	23	5	21.1	5.0
20-24 years	148	17	11.5	18.0
25-54 years	571	16	2.8	16.5
55 years and older	131	3	2.3	3.2

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)).

Education

The least-educated workers are the most likely to be paid the minimum wage or less.

- Workers receiving the minimum wage or less accounted for 20.3 percent of those hourly workers with less than a high-school education, compared with 5.5 percent for those with a high-school degree and 4.7 percent for those with at least some college.
- Although workers with at least some college were the least likely to be paid the minimum wage or less, they accounted for 43 percent of all hourly workers at or below the minimum because they made up 60 percent of the hourly workforce.
- Those without a high-school degree made up 32 percent of all workers at or below the minimum, even though they comprised only 10 percent of the hourly workforce.

Figure 11 Hourly workers at or below the minimum wage by marital status, gender and age, Minnesota, August 2009 – July 2010 [1]

Marital status, gender and age	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
Married, spouse present	695	19	2.7	19.6
Men	308	5	1.6	5.1
Women	387	14	3.6	14.5
15-19 years	~	[2]	[2]	[2]
20-24 years	21	1	6.7	1.5
25-54 years	521	13	2.5	13.9
55 years and older	153	4	2.6	4.2
Other marital status	759	77	10.1	80.4
Men	370	31	8.4	32.4
Women	389	46	11.8	48.0
15-19 years	121	34	28.0	35.5
20-24 years	197	22	11.3	23.4
25-54 years	369	17	4.6	17.9
55 years and older	72	3	4.8	3.6

"~" = fewer than 500 workers.

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)).
2. Estimates not given because of small sample size.

Marital status

Unmarried workers are more likely to be paid the minimum wage or less than are married workers.

- Workers paid the minimum wage or less comprised 10.1 percent of unmarried hourly workers, as opposed to 2.7 percent of those who were married.
- Unmarried workers accounted for 80 percent of all hourly workers paid the minimum wage or less, even though they made up only 52 percent of the hourly workforce.
- Unmarried women accounted for 48 percent of all hourly workers at or below the minimum, even though they accounted for only 27 percent of the hourly workforce.

Figure 12 Hourly workers at or below the minimum wage by poverty status, gender and age, Minnesota, August 2009 – July 2010 [1]

Poverty, status, gender and age	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
At or below poverty line [2]	131	17	13.0	17.8
Men	60	6	10.7	6.7
Women	71	11	14.9	11.1
15-19 years	14	4	29.8	4.4
20-24 years	35	5	14.9	5.5
25-54 years	73	7	9.0	6.8
55 years and older	9	1	11.3	1.1
Above poverty line [2]	1,323	78	5.9	82.2
Men	618	29	4.7	30.8
Women	705	49	6.9	51.4
15-19 years	107	30	27.7	31.2
20-24 years	183	18	10.1	19.4
25-54 years	818	24	2.9	24.9
55 years and older	215	6	3.0	6.7

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)).
2. The poverty line is established and published annually by the U.S. Census Bureau. It depends on household size and is applied to total household income. The 2010 poverty line for a family of four, for example, was \$22,314. For statistical purposes, the poverty status of each household member is that of the household. Official poverty lines are available at www.census.gov/hhes/www/poverty/data/threshld/index.html.

Poverty status

Workers paid the minimum wage or less are more prevalent among those in poverty than among other hourly workers.

- Workers at or below the minimum wage accounted for 13.0 percent of hourly workers

living below the poverty line (see note 2 in Figure 12), as opposed to 5.9 percent of those above the poverty line.

- Workers below the poverty line made up 9 percent of the hourly workforce, but they accounted for 18 percent of those paid the minimum wage or less.

Figure 13 Hourly workers at or below the minimum wage by metropolitan residence, gender and age, Minnesota, August 2009 – July 2010 [1]

Metropolitan residence, gender and age	Total hourly workers (1,000s)	Hourly workers at or below \$7.25 an hour		
		Number (1,000s)	Percentage	Percentage among all hourly workers at or below \$7.25/hour
Total, 15 years and older	1,454	95	6.6%	100.0%
Metropolitan [2]	1,027	60	5.9	63.4
Men	482	24	5.1	25.7
Women	545	36	6.6	37.7
15-19 years	83	20	24.7	21.4
20-24 years	156	15	9.8	16.0
25-54 years	642	20	3.2	21.5
55 years and older	147	4	2.9	4.4
Nonmetropolitan [2]	427	35	8.2	36.6
Men	196	11	5.8	11.8
Women	231	24	10.2	24.8
15-19 years	39	13	34.9	14.1
20-24 years	62	8	13.6	8.8
25-54 years	249	10	3.9	10.3
55 years and older	77	3	4.1	3.3

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics. Details in Appendix B. The full effective minimum-wage level for the period concerned was the federal level of \$7.25 an hour (see Figure 1 and p. 2 (Data and estimation technique)). *Partly because of a modification in estimation procedure, the estimated percentage of hourly workers at or below the minimum differs more between metropolitan and nonmetropolitan areas in this report than in the prior report. See Appendix B.*

2. Metropolitan areas include the following metropolitan statistical areas (MSAs) defined by the Census Bureau: the Minneapolis-St. Paul-Bloomington MSA (Minnesota portion: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties); the Duluth MSA (Minnesota portion: St. Louis County only; Carlton County not in sample); the Fargo MSA (Minnesota portion: Clay County); and the St. Cloud MSA (Stearns and Benton Counties). The Rochester and Grand Forks MSAs are not in the sample, nor is the Houston County portion of the La Crosse MSA.

Metropolitan residence

Workers at or below the minimum wage were more prevalent in nonmetropolitan Minnesota than in the state's metropolitan areas (see note 2 in Figure 13).

- Workers paid the minimum wage or less accounted for 8.2 percent of hourly workers in nonmetropolitan Minnesota, as opposed to 5.9 percent in metropolitan areas.
- Despite this difference, because metropolitan Minnesota made up 71 percent of the state's

hourly workforce, it accounted for 63 percent of the state's hourly workers at or below the minimum wage.

- Nonmetropolitan areas showed more of a gender difference than did metropolitan areas with regard to minimum-wage status. For nonmetropolitan areas, the proportions of hourly workers at or below the minimum were 10.2 for women and 5.8 percent for men; for metropolitan areas, they were 6.6 and 5.1 percent, respectively.

Appendix A

Minnesota minimum-wage statute

The following is Minnesota Statutes §177.23, 177.24 and 177.28 as of February 2010.¹⁹

177.23 Definitions.

Subdivision 1. **Scope.** Unless the language or context clearly indicates that a different meaning is intended, the following terms, for the purposes of sections 177.21 to 177.35, have the meanings given to them in this section.

Subd. 2. **Department.** “Department” means the Department of Labor and Industry.

Subd. 3. **Commissioner.** “Commissioner” means the commissioner of labor and industry or authorized designee or representative.

Subd. 4. **Wage.** “Wage” means compensation due to an employee by reason of employment, payable in:

- (1) legal tender of the United States;
- (2) check on banks convertible into cash on demand at full face value;
- (3) except for instances of written objection to the employer by the employee, direct deposit to the employee’s choice of demand deposit account; or
- (4) an electronic fund transfer to a payroll card account that meets all of the requirements of section 177.255, subject to allowances permitted by rules of the department under section 177.28.

Subd. 5. **Employ.** “Employ” means to permit to work.

Subd. 6. **Employer.** “Employer” means any individual, partnership, association, corporation, business trust, or any person or group of persons acting directly or indirectly in the interest of an employer in relation to an employee.

Subd. 7. **Employee.** “Employee” means any individual employed by an employer but does not include:

- (1) two or fewer specified individuals employed at any given time in agriculture on a farming unit or operation who are paid a salary;
- (2) any individual employed in agriculture on a farming unit or operation who is paid a salary greater than the individual would be paid if the individual worked 48 hours at the state minimum wage plus 17 hours at 1-1/2 times the state minimum wage per week;
- (3) an individual under 18 who is employed in agriculture on a farm to perform services other than corn detasseling or hand field work when one or both of that minor hand field worker’s parents or physical custodians are also hand field workers;
- (4) for purposes of section 177.24, an individual under 18 who is employed as a corn detasseler;
- (5) any staff member employed on a seasonal basis by an organization for work in an organized resident or day camp operating under a permit issued under section 144.72;
- (6) any individual employed in a bona fide executive, administrative, or professional capacity, or a salesperson who conducts no more than 20 percent of sales on the premises of the employer;
- (7) any individual who renders service gratuitously for a nonprofit organization;

¹⁹ Taken from the Minnesota Office of the Revisor of Statutes website, www.revisor.mn.gov/statutes/?id=177, Feb. 10, 2010.

(8) any individual who serves as an elected official for a political subdivision or who serves on any governmental board, commission, committee or other similar body, or who renders service gratuitously for a political subdivision;

(9) any individual employed by a political subdivision to provide police or fire protection services or employed by an entity whose principal purpose is to provide police or fire protection services to a political subdivision;

(10) any individual employed by a political subdivision who is ineligible for membership in the Public Employees Retirement Association under section 353.01, subdivision 2b, clause (1), (2), (4), or (9);

(11) any driver employed by an employer engaged in the business of operating taxicabs;

(12) any individual engaged in babysitting as a sole practitioner;

(13) for the purpose of section 177.25, any individual employed on a seasonal basis in a carnival, circus, fair, or ski facility;

(14) any individual under 18 working less than 20 hours per workweek for a municipality as part of a recreational program;

(15) any individual employed by the state as a natural resource manager 1, 2, or 3 (conservation officer);

(16) any individual in a position for which the United States Department of Transportation has power to establish qualifications and maximum hours of service under United States Code, title 49, section 31502;

(17) any individual employed as a seafarer. The term “seafarer” means a master of a vessel or any person subject to the authority, direction, and control of the master who is exempt from federal overtime standards under United States Code, title 29, section 213(b)(6), including but not limited to pilots, sailors, engineers, radio operators, firefighters, security guards, pursers, surgeons, cooks, and stewards;

(18) any individual employed by a county in a single-family residence owned by a county home school as authorized under section 260B.060 if the residence is an extension facility of that county home school, and if the individual as part of the employment duties resides at the residence for the purpose of supervising children as defined by section 260C.007, subdivision 4; or

(19) nuns, monks, priests, lay brothers, lay sisters, ministers, deacons, and other members of religious orders who serve pursuant to their religious obligations in schools, hospitals, and other nonprofit institutions operated by the church or religious order.

Subd. 8. Occupation. “Occupation” means any occupation, service, trade, business, industry, or branch or group of industries or employment or class of employment in which employees are gainfully employed.

Subd. 9. Gratuities. “Gratuities” means monetary contributions received directly or indirectly by an employee from a guest, patron, or customer for services rendered and includes an obligatory charge assessed to customers, guests or patrons which might reasonably be construed by the guest, customer, or patron as being a payment for personal services rendered by an employee and for which no clear and conspicuous notice is given by the employer to the customer, guest, or patron that the charge is not the property of the employee.

Subd. 10. On-site employee; hours worked. With respect to any caretaker, manager, or other on-site employee of a residential building or buildings whose principal place of residence is in the residential building, including a caretaker, manager, or other on-site employee who receives a principal place of residence as full or partial compensation for duties performed for an employer, the term “hours worked” includes time when the caretaker, manager, or other on-site employee is performing any duties of employment, but does not mean time when the caretaker, manager, or other on-site employee is on the premises and available to perform duties of employment and is not performing duties of employment.

Subd. 11. Companionship services; hours.

With respect to an individual who is (1) employed to provide companionship services to individuals who, because of age or infirmity, are unable to care for their own needs; (2) employed to stay overnight in the home of such an aged or infirm individual; and (3) paid the minimum wage or more for at least four hours associated with the overnight stay, the term “hours” for the purposes of requiring the payment of minimum wages and overtime premiums under sections 177.24 and 177.25, shall not include nighttime hours, from 10:00 p.m. to 9:00 a.m., up to a total of eight hours per night, during which the employee is available to perform duties for the aged or infirm individual, but is not in fact performing such duties and is free to sleep and otherwise engage in normal private pursuits in the aged or infirm individual’s home. For the purposes of this subdivision, the term “companionship services” is defined in Code of Federal Regulations, title 29, sections 552.6 and 552.106 as of March 1, 1984.

History:

1973 c 721 s 3; 1974 c 406 s 88; 1975 c 399 s 1; 1977 c 369 s 1; 1978 c 586 s 1; 1978 c 731 s 1; 1979 c 281 s 1; 1980 c 415 s 1; 1982 c 424 s 46-48; 1982 c 625 s 14; 1983 c 60 s 1; 1983 c 122 s 1; 1984 c 614 s 1; 1984 c 628 art 4 s 1; 1Sp1985 c 13 s 274,275; 1986 c 390 s 2; 1986 c 444; 1990 c 418 s 1; 1992 c 464 art 1 s 24; 1999 c 139 art 4 s 2; 2001 c 178 art 1 s 44; 2005 c 10 art 1 s 33; 2005 c 158 s 1,4; 2007 c 87 s 1; 2008 c 168 s 1

177.24 Payment of minimum wages.

Subdivision 1. **Amount.** (a) For purposes of this subdivision, the terms defined in this paragraph have the meanings given them.

(1) “Large employer” means an enterprise whose annual gross volume of sales made or business done is not less than \$625,000 (exclusive of excise taxes at the retail level that are separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21 to 177.35.

(2) “Small employer” means an enterprise whose annual gross volume of sales made or business done is less than \$625,000 (exclusive

of excise taxes at the retail level that are separately stated) and covered by the Minnesota Fair Labor Standards Act, sections 177.21 to 177.35.

(b) Except as otherwise provided in sections 177.21 to 177.35, every large employer must pay each employee wages at a rate of at least \$5.15 an hour beginning September 1, 1997, and at a rate of at least \$6.15 an hour beginning August 1, 2005. Every small employer must pay each employee at a rate of at least \$4.90 an hour beginning January 1, 1998, and at a rate of at least \$5.25 an hour beginning August 1, 2005.

(c) Notwithstanding paragraph (b), during the first 90 consecutive days of employment, an employer may pay an employee under the age of 20 years a wage of \$4.90 an hour. No employer may take any action to displace any employee, including a partial displacement through a reduction in hours, wages, or employment benefits, in order to hire an employee at the wage authorized in this paragraph.

Subd. 1a. [Expired]

Subd. 2. **Gratuities not applied.** No employer may directly or indirectly credit, apply, or utilize gratuities towards payment of the minimum wage set by this section or federal law.

Subd. 3. **Sharing of gratuities.** For purposes of this chapter, any gratuity received by an employee or deposited in or about a place of business for personal services rendered by an employee is the sole property of the employee. No employer may require an employee to contribute or share a gratuity received by the employee with the employer or other employees or to contribute any or all of the gratuity to a fund or pool operated for the benefit of the employer or employees. This section does not prevent an employee from voluntarily and individually sharing gratuities with other employees. The agreement to share gratuities must be made by the employees free of any employer participation. The commissioner may require the employer to pay restitution in the amount of the gratuities diverted. If the records maintained by the employer do not provide sufficient information to determine the exact

amount of gratuities diverted, the commissioner may make a determination of gratuities diverted based on available evidence and mediate a settlement with the employer.

Subd. 4. Unreimbursed expenses deducted.

Deductions, direct or indirect, from wages or gratuities not authorized by this subdivision may only be taken as authorized by sections [177.28](#), [subdivision 3](#), [181.06](#), and [181.79](#). Deductions, direct or indirect, for up to the full cost of the uniform or equipment as listed below, may not exceed \$50 or, if a motor vehicle dealer licensed under section [168.27](#) furnishes uniforms or clothing described in clause (1) on an ongoing basis, may not exceed the lesser of 50 percent of the dealer's reasonable expense or \$25 per month, including nonhome maintenance. No deductions, direct or indirect, may be made for the items listed below which when subtracted from wages would reduce the wages below the minimum wage:

- (1) purchased or rented uniforms or specially designed clothing required by the employer, by the nature of the employment, or by statute as a condition of employment, which is not generally appropriate for use except in that employment;
- (2) purchased or rented equipment used in employment, except tools of a trade, a motor vehicle, or any other equipment which may be used outside the employment;
- (3) consumable supplies required in the course of that employment;
- (4) travel expenses in the course of employment except those incurred in traveling to and from the employee's residence and place of employment.

Subd. 5. Expense reimbursement. An employer, at the termination of an employee's employment, must reimburse the full amount deducted, directly or indirectly, for any of the items listed in subdivision 4, except for a motor vehicle dealer's rental and maintenance deduction for uniforms or clothing. When reimbursement is made, the employer may require the employee to surrender any existing

items for which the employer provided reimbursement.

History:

[1973 c 721 s 4](#); [1976 c 165 s 1](#); [1977 c 183 s 1](#); [1977 c 369 s 2](#); [1979 c 281 s 2](#); [1981 c 87 s 1,2](#); [1984 c 628 art 4 s 1](#); [1Sp1985 c 13 s 276-278](#); [1986 c 444](#); [1987 c 324 s 1](#); [1987 c 384 art 2 s 45](#); [1990 c 418 s 2-4](#); [1996 c 305 art 1 s 49,50](#); [2Sp1997 c 1 s 1](#); [2005 c 44 s 1](#); [2009 c 69 s 1,2](#)

177.28 Power to make rules.

Subdivision 1. General authority. The commissioner may adopt rules, including definitions of terms, to carry out the purposes of sections [177.21](#) to [177.44](#), to prevent the circumvention or evasion of those sections, and to safeguard the minimum wage and overtime rates established by sections [177.24](#) and [177.25](#).

Subd. 2. [Repealed, [1988 c 629 s 64](#)]

Subd. 3. Rules required. The commissioner shall adopt rules under sections [177.21](#) to [177.35](#) defining and governing:

- (1) salespeople who conduct no more than 20 percent of their sales on the premises of the employer;
- (2) allowances as part of the wage rates for board, lodging, and other facilities or services furnished by the employer and used by the employees;
- (3) bonuses;
- (4) part-time rates;
- (5) special pay for special or extra work;
- (6) procedures in contested cases;
- (7) other facilities or services furnished by employers and used by employees; and
- (8) other special items usual in a particular employer-employee relationship.

Subd. 4. [Repealed, [1996 c 305 art 1 s 52](#)]

Subd. 5. **Rules regarding people with disabilities.** In order to prevent curtailment of opportunities for employment, avoid undue hardship, and safeguard the minimum wage rates under sections 177.24 and 177.25, the department shall also issue rules providing for the employment of disabled workers at wages lower than the wage rates applicable under sections 177.24 and 177.25, under permits and for periods of time as specified therein. The rules must provide for the employment of learners and apprentices at wages lower than the wage rates applicable under sections 177.24 and 177.25, under permits and subject to limitations on number, proportion, length of learning period, occupations, and other conditions as the department may prescribe. The rules must provide that where a disabled person is performing or is being considered for employment where work must be performed

which is equal to work performed by a nondisabled person, the disabled person must be paid the same wage as a nondisabled person with similar experience and skill.

Subd. 6. **Administrative Procedure Act to apply.** The rules are subject to the provisions of chapter 14.

History:

1973 c 721 s 8; 1976 c 165 s 2; 1977 c 369 s 3; 1982 c 424 s 50; 1984 c 628 art 4 s 1; 1984 c 636 s 1; 1Sp1985 c 13 s 280; 1986 c 444; 2005 c 56 s 1; 2007 c 135 art 3 s 9

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Appendix B

Data and estimation technique

This appendix describes the estimation procedures used for Figures 4 through 13 of this report — those figures where estimation is used. The descriptions are at a general level. More detail is available upon request from the Research and Statistics unit of the Department of Labor and Industry (DLI).

The statistics in Figures 4 through 13 are derived from the Current Population Survey (CPS), which is conducted monthly by the U.S. Census for the U.S. Bureau of Labor Statistics. The estimation procedures are used to reduce the sampling error that would result from small sample size if the numbers were computed directly from the Minnesota data. Estimates with sufficient statistical reliability cannot be directly calculated from the Minnesota data for any but the broadest categories in this report.

Figure 4 — The percentage of Minnesota hourly workers at or below the effective full minimum wage for each year was estimated using Minnesota data for August 1997 through July 2010. A statistical relationship was estimated between the hourly wage level at different points in the lower end of the wage distribution and the percentage of workers at or below that wage level.²⁰ In this estimation, the hourly wage level was expressed as a percentage of the overall state median hourly wage.²¹ This statistical relationship was then used to estimate the percentage of hourly workers at or below the effective minimum wage for each year, given the level of the minimum as a percentage of the median wage.

²⁰ Only those wage levels were used that were at least as great as the both the Minnesota and U.S. full minimum-wage levels for the year in question.

²¹ The median hourly wage level came from the Occupational Employment Statistics survey, conducted by the U.S. Bureau of Labor Statistics.

Minnesota's total number of hourly workers at or below the minimum wage for each year was estimated by applying the percentage below the minimum (estimated as just described) to the state's total number of hourly workers. The latter was estimated because it fluctuates in the sample data from year to year. This was done by first estimating the trend in the number of hourly workers as a percentage of all wage-and-salary workers, and then applying the trend to the calculated number of wage-and-salary workers for each year.

Change in estimates from prior report: The use of the state median hourly wage in estimating the percentage of hourly workers at or below the minimum wage represents a change from prior reports, in which the statewide average weekly wage (SAWW) was used.²² The change to the median hourly wage was made primarily because the minimum wage is an hourly wage while the SAWW is a weekly wage reflecting both hourly earnings and hours per week.²³ Because of the recent recession, the paths of weekly and hourly earnings diverged significantly in the past few years on account of changes in average weekly hours. Primarily because of this, the estimated percentage of hourly workers at or below the minimum for recent years is higher in the present report than in the prior report. For example, the current estimate for August 2008 through July 2009 is 3.9 percent instead of 3.1 percent, and for August 2009 through July 2010 it is 6.6 percent instead of 4.5 percent.

²² The SAWW, from the Department of Employment and Economic Development, is the average weekly wage of nonfederal workers covered under unemployment insurance. It is used by insurers and DLI to adjust certain workers' compensation benefits and by DLI to adjust provider fee limits.

²³ The change was also made because the median is not affected by the upper end of the wage distribution as the average is, and is therefore likely to bear a more stable relationship to the minimum wage than does the average.

Another reason for the difference for the past year is that a projected version of the SAWW was used in prior reports to allow a more recent year to be included in the analysis. Such a projection is not done in the present report for the median hourly earnings number and will not be done in future reports. Consequently, the last year in the present report is the same as in last year's report.²⁴

Figure 5 — The percentage of hourly workers at or below the minimum wage who received overtime pay, tips or commissions (OTC) each year was estimated with a similar statistical technique to that used in Figure 4. The difference was that the outcome variable was the percentage receiving OTC among hourly workers at or below the minimum wage, rather than the percentage of hourly workers at or below the minimum. The number of hourly workers at or below the minimum who received OTC for each year was estimated by applying the estimated percentage receiving OTC among those at or below the minimum to the estimated number of workers at or below the minimum from Figure 4.

Change in estimates from prior report: The estimates for recent years in Figure 5 differ from those in the prior report for the same reasons discussed with respect to Figure 4.

Figures 6 and 7 — Minnesota's total number of hourly workers for August 2009 through July 2010 was estimated as described for Figure 4. The total number of hourly workers by industry or occupation was estimated by applying the percentage of hourly workers by industry or occupation for August 2005 through July 2010 to this estimated total. The five-year percentage was used to reduce sampling variation.

The total number of hourly workers at or below the minimum wage was the number estimated for Figure 4.

The number of hourly workers at or below the minimum for each industry or occupation was estimated using, as the starting point, the U.S. ratio of such workers to total hourly workers by

industry or occupation, averaged over August 2005 through July 2010.²⁵ Because workers at or below the minimum make up a larger proportion of the U.S. hourly workforce than of the Minnesota hourly workforce, the Minnesota estimates were scaled proportionately downward so that the sum of the estimated numbers for the different industries and occupations was equal to Minnesota's estimated total number of hourly workers at or below the minimum.

A similar technique was used to estimate the number of hourly workers at or below the minimum wage who received overtime pay, tips or commissions by industry or occupation.

Because of issues related to Minnesota's prohibition of lower minimum wage for tipped employees, the estimates for eating and drinking places (in Figure 6) and for food preparation and serving occupations (in Figure 7) were benchmarked to numbers estimated solely from Minnesota data, and the estimates for the remaining industry and occupation groups were correspondingly adjusted.

Figures 8 to 13 — The total numbers of hourly workers and of hourly workers at or below the minimum wage for August 2009 through July 2010 were computed as described for the preceding figures.

The total number of hourly workers for each group in each figure (e.g., 16- to 19-year-old males in Figure 8) was estimated with the same technique as for industries and occupations in Figures 6 and 7, using Minnesota data only.

To produce estimates of the numbers of hourly workers at or below the minimum wage for the different subgroups that would add up across Figures 8 to 13, it was necessary to first estimate the numbers of hourly workers in all the "mini-cells" defined by all the categories in these

²⁴ More detail is available on request from DLI Research and Statistics.

²⁵ The U.S. ratio for each industry and occupation was actually estimated using a technique similar to that used for estimating the proportion of Minnesota's hourly workers receiving the minimum wage or less for Figure 1. In this process, only those wage levels were used that were at least as great as both the federal minimum wage and the applicable state minimum.

figures.²⁶ This was done with both Minnesota and U.S. data for August 2005 through July 2010 in such a way that the totals for the categories in each figure (e.g., 16- to 19-year-old males in Figure 8) were equal to the totals previously estimated.

The number of workers at or below the minimum in each mini-cell was estimated using the U.S. percentage of such workers among all hourly workers in that mini-cell as the starting point, using data for August 2005 through July 2010. Again, since Minnesota's overall percentage of hourly workers at or below the minimum was less than for the U.S., the Minnesota estimates were scaled proportionately downward so that the resulting total number of hourly workers at or below the minimum for the state was equal to the previously estimated number. The numbers of hourly workers at or below the minimum in the categories in Figures 8 to 13 were then derived by adding across the appropriate mini-cells.

An examination of the data reveals a major difference between Minnesota and the U.S. regarding the metropolitan-nonmetropolitan difference in the proportion of hourly workers

paid the minimum wage or less. For the U.S., the metro-nonmetro difference is fairly small, but for Minnesota, the percentage at or below the minimum is substantially larger in nonmetro than in metro areas. Therefore, the estimates for metro and nonmetro areas were benchmarked to numbers estimated solely from Minnesota data. This was accomplished by adjusting the estimated numbers of workers at or below the minimum in the mini-cells for metro and nonmetro areas.

Change in estimates from prior report: The benchmarking of the metropolitan and nonmetropolitan estimates to Minnesota-only data as just described was not done in prior reports. Partly for this reason, the estimated percentage of hourly workers at or below the minimum differs more between metropolitan and nonmetropolitan areas in this report than in the prior report. The estimates also differ between the two reports because the effective minimum wage was higher in the period concerned in the present report (\$7.25, for August 2009 through July 2010) than in the prior report (\$6.55, for August 2008 through July 2009).

²⁶ An example of one these "mini-cells" is 20- to 54-year-old women, employed part-time, with some college, married, above the poverty line, in metropolitan areas.