

Minnesota Minimum-wage Report, 2003

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Executive Summary

This report, part of an annual series, is a statistical description of Minnesota's population of minimum-wage workers during 2003. The report considers minimum-wage workers within the population of all employed wage-and-salary workers age 16 years and older. Minimum-wage workers are defined in the report as those who earn \$5.15 an hour or less at their main job.¹ Since September 1997, the minimum wage for most workers in Minnesota has been \$5.15 an hour.²

The following are the report's major findings:

Overview

- In 2003, there were an estimated 49,000 minimum-wage workers in Minnesota, or 2.0 percent of all wage-and-salary workers in the state.
- By comparison, 3.0 percent of U.S. wage-and-salary workers earned \$5.15 an hour or less.
- Because of overall wage growth, the percentage of the state's wage-and-salary workers at or below \$5.15 an hour fell from 4.4 percent in 1998 (the first full year of the current \$5.15 minimum) to 2.0 percent in 2002.
- Hourly workers made up 61 percent of Minnesota's minimum-wage workers during 2001 to 2003; nonhourly, or salaried, workers made up the remaining 39 percent.
- Among all Minnesota workers earning \$5.15 an hour or less during 2001 to 2003, 79 percent earned less than \$5.15, with 43 percent earning less than \$4.25. Possible reasons include coverage exemptions, a

lower minimum for some workers, illegal situations, and data errors.

Detailed estimates for 2003

Age and gender

- Among 16- to 19-year-olds in Minnesota, 7.7 percent earned \$5.15 an hour or less, compared with 1.1 percent of 25- to 54-year-olds and 2.1 percent of those 55 and older.
- Forty-five percent of all minimum-wage workers were 16- to 24.
- Among employed women, 2.6 percent were minimum-wage workers, compared with 1.5 percent of men.

Work status

- Among part-time workers, 5.4 percent earned \$5.15 an hour or less, compared with 1.1 percent of full-time workers.
- Part-time workers made up 59 percent of all minimum-wage workers, but only 22 percent of the work force.

Education

- Among workers with less than a high-school education, 6.4 percent were minimum-wage workers, compared with 2.1 percent for those with a high-school degree and 1.4 for those with at least some college.
- Those without a high-school degree made up 27 percent of all minimum-wage workers, even though they comprised only 8 percent of the workforce.

¹ The term "minimum-wage worker" as used in this report has no implications regarding the degree of compliance with the minimum-wage law.

² See Appendix A for exceptions.

Marital status

- Among unmarried workers, 3.3 percent earned \$5.15 an hour or less, as opposed to 1.1 percent of married workers.
- Unmarried workers accounted for 70 percent of all minimum-wage workers as compared with 43 percent of the workforce.

Poverty status

- Minimum-wage workers accounted for 5.8 percent of workers living below the poverty line, as opposed to 1.8 percent of workers above the poverty line.
- Workers below the poverty line made up 15 percent of all minimum-wage workers, as opposed to 9 percent of the overall workforce.

Metropolitan residence

- In metropolitan Minnesota (Twin Cities and Duluth areas), minimum-wage workers made up 1.8 percent of the workforce; for the rest of the state, minimum-wage workers were 2.6 percent of the total.

Industry

- Among major industries, eating and drinking places had the highest rate of minimum-wage workers, 12.3 percent. About 34 percent of all minimum-wage workers were employed in eating and drinking places. (Tips are not included in the calculations for this report.³)
- The second-highest percentage of minimum-wage workers was in private household services, 9.9 percent.

Occupation

- Among major occupation groups, food preparation and serving occupations had the highest rate of minimum-wage workers at

12.5 percent. About 36 percent of minimum-wage workers were in these occupations.

- The next highest percentages of minimum-wage workers were in personal care and service occupations (7.0 percent) and farming, fishing, and forestry occupations (5.4 percent).

³ Tips are excluded from wages for purposes of the Minnesota minimum-wage law (see Appendix A).

Introduction

The federal minimum wage was enacted in 1938 as a means of raising the earnings of low-wage workers. From its initial level of 25 cents, it has been raised several times and now stands at \$5.15. 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. Other than for “small employers” (see below), Minnesota’s minimum wage is currently equal to the federal minimum.

As policy-makers consider the minimum wage, a number of questions arise. One general question concerns the characteristics and circumstances of minimum-wage workers. Are they relatively young or old? What are their family status and family income? In what occupations and industries are they most likely to be found?

This report, part of an annual series, presents a statistical description of minimum-wage workers in Minnesota for 2003. Appendix A contains Minnesota’s minimum-wage law. Appendix B describes data and estimation procedures.

Data and estimation technique

The statistics in this report are estimates computed from the Current Population Survey (CPS). This survey, conducted monthly by the U.S. Bureau of Labor Statistics, provides data on the labor market experience of U.S. households. The Minnesota survey data has too few sample cases to provide reliable estimates of the numbers of minimum-wage workers in different categories in the state. Therefore, the Minnesota estimates were computed with a combination of Minnesota and U.S. data (see Appendix B).

Workers earning less than the minimum wage

Minimum-wage workers are defined in this report as employed wage-and-salary workers

earning \$5.15 an hour or less.⁴ Among Minnesota workers earning \$5.15 an hour or less during 2001 to 2003, 79 percent earned less than \$5.15, with 43 percent earning less than \$4.25. Why does this occur?

First, some workers are exempt from the minimum wage.⁵ Second, some nonexempt workers may legally be paid less than \$5.15 an hour. For “small employers” — those with annual revenues of less than \$500,000 — that are not covered under the federal law, Minnesota provides a minimum of \$4.90 an hour. For workers under age 20, a minimum of \$4.25 an hour may be paid during the first 90 days of employment. Special rules also apply to handicapped workers.

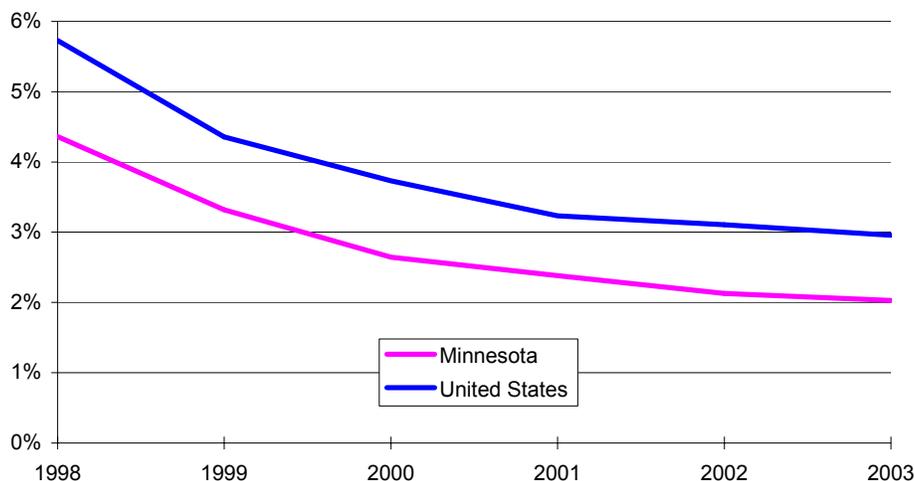
Third, some covered workers may be paid less than the minimum wage illegally. This seems more likely with salaried workers than with hourly workers. Among Minnesota workers earning \$5.15 an hour or less during 2001 to 2003, 61 percent were hourly workers and the remaining 39 percent were salaried. Enforcement is clearly more challenging for salaried workers because of the difficulty of monitoring hours worked. Finally, data-reporting errors may occur. This also seems more likely for salaried workers, whose hourly earnings were calculated by dividing reported weekly pay at the worker’s main job by the reported number of hours worked a week.⁶

⁴ The term “minimum-wage worker” as used in this report has no implications regarding the degree of compliance with the minimum-wage law.

⁵ See Appendix A.

⁶ The usual number of hours worked may be reported with error, or actual hours worked in the survey week may be different from usual hours worked. Note that reporting error may cause reported or calculated wages to be either too low or too high. Thus, it is unknown whether reporting error causes an increase or decrease in the estimated number of minimum-wage workers.

Figure 1
Minimum-wage workers as percentage of all wage-and-salary workers,
Minnesota and the United States, 1998-2003 [1]



	Minnesota		United States	
	Number of workers at or below \$5.15/hr. (1,000s)	Pctg. of all wage-and-salary workers	Number of workers at or below \$5.15/hr. (1,000s)	Percentage wage-and-salary workers
1998	99	4.4%	6,660	5.7%
1999	77	3.3	5,170	4.4
2000	62	2.6	4,490	3.7
2001	56	2.4	3,890	3.2
2002	50	2.1	3,710	3.1
2003 [2]	49	2.0	3,600	3.0

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.
 2. The 2003 figures for Minnesota are preliminary.

The percentage of minimum-wage workers among wage-and-salary workers has fallen over the last five years in Minnesota and the United States. The percentage of minimum-wage workers has been consistently lower in Minnesota than in the United States.

- In Minnesota, the percentage of minimum-wage workers fell from a 4.4-percent share of all wage-and-salary workers in 1998 to 2.0

percent in 2003. This is the combined result of a fixed minimum wage (\$5.15 since Sept. 1, 1997) and generally rising wage levels.

- Minnesota’s share of minimum-wage workers was about a percentage point lower than for the United States for the period shown. For 2003, the U.S. share of minimum-wage workers was 3.0 percent, as compared with 2.0 percent for Minnesota.

Figure 2
Minimum-wage workers by gender and age, Minnesota, 2003 [1]

Gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total, 16 years and older	2,427	49	2.0%	100.0%
16-19 years	171	13	7.7	26.8
20-24 years	275	11	4.1	22.7
25-54 years	1,687	19	1.1	38.0
55 years and older	294	6	2.1	12.5
Men, 16 years and older	1,217	18	1.5	35.9
16-19 years	78	5	6.3	9.9
20-24 years	142	4	2.9	8.3
25-54 years	861	6	.8	13.2
55 years and older	137	2	1.6	4.5
Women, 16 years and older	1,210	32	2.6	64.1
16-19 years	93	8	8.9	16.9
20-24 years	132	7	5.3	14.4
25-54 years	826	12	1.5	24.8
55 years and older	158	4	2.5	8.0

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.

Young workers and women are more likely than others to be minimum-wage workers. Older workers are more likely than those in their middle years to be minimum-wage workers.

- Among 16- to 19-year-olds, 7.7 percent earned \$5.15 an hour or less, compared with 1.1 percent of 25- to 54-year-olds and 2.1 percent of those 55 and older.
- As a result, 16- to 19-year-olds comprised roughly 27 percent of all minimum-wage workers even though they made up only 7 percent of the work force. Combining the two youngest groups, 16- to 24-year-olds made up 49 percent of all minimum-wage workers.
- Although 25- to 54-year-olds were least likely to be minimum-wage workers, they made up 38 percent of all minimum-wage workers because they accounted for 70 percent of the workforce.
- Women were more likely than men to be minimum-wage workers (2.6 vs. 1.5 percent), and therefore accounted for 64 percent of all minimum-wage workers.

Figure 3
Minimum-wage workers by work status, gender and age, Minnesota, 2003 [1]

Work status, gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Full time [2]	1,891	20	1.1	40.7
Men	1,057	9	.8	17.4
Women	835	11	1.4	23.3
16-19 years	39	2	4.7	3.7
20-24 years	187	5	2.6	9.8
25-54 years	1,462	11	.8	22.5
55 years and older	203	2	1.1	4.7
Part time [2]	536	29	5.4	59.3
Men	161	9	5.7	18.6
Women	375	20	5.3	40.8
16-19 years	132	11	8.6	23.1
20-24 years	87	6	7.3	12.9
25-54 years	225	8	3.4	15.5
55 years and older	92	4	4.2	7.8

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.

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

Part-time workers are much more likely than full-time workers to be minimum-wage workers.

- Of part-time workers, 5.4 percent earned \$5.15 an hour or less, compared with 1.1 percent of full-time workers.
- Part-time workers made up 59 percent of all minimum-wage workers, even though they

accounted for only 22 percent of the work force.

- Among part-time workers, men were somewhat more likely than women to be minimum-wage workers (5.7 vs. 5.3 percent). Among full-time workers, women were more likely to be minimum-wage workers (1.4 percent vs. 0.8 percent for men).

Figure 4
Minimum-wage workers by education, gender and age, Minnesota, 2003 [1]

Education, gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Less than high school	205	13	6.4	26.5
Men	110	5	4.8	10.7
Women	95	8	8.2	15.8
16-19 years	105	9	8.8	18.8
20-24 years	17	1	4.8	1.7
25-54 years	60	2	3.1	3.8
55 years and older	22	1	4.8	2.1
High school only	643	13	2.1	27.1
Men	328	4	1.3	8.7
Women	315	9	2.9	18.4
16-19 years	38	2	5.6	4.3
20-24 years	79	3	3.5	5.6
25-54 years	420	6	1.5	12.4
55 years and older	106	2	2.2	4.7
At least some college	1,580	23	1.4	46.5
Men	780	8	1.0	16.6
Women	800	15	1.8	29.9
16-19 years	28	2	6.3	3.6
20-24 years	178	8	4.2	15.4
25-54 years	1,206	11	.9	21.8
55 years and older	167	3	1.7	5.7

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.

Minimum-wage workers are most prevalent among the least educated.

- Minimum-wage workers comprised 6.4 percent of workers with less than a high-school education, compared with 2.1 percent for those with a high-school degree and 1.4 for those with at least some college.
- Because a majority of workers have at least some college education, these people accounted for 47 percent of all minimum-wage workers.
- Those without a high-school degree made up 27 percent of all minimum-wage workers, even though they comprised only 8 percent of the workforce.

Figure 5
Minimum-wage workers by marital status, gender and age, Minnesota, 2003 [1]

Marital status, gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Married, spouse present	1,382	15	1.1	30.5
Men	710	5	.7	9.8
Women	672	10	1.5	20.7
16-19 years	1	[2]	5.2	.1
20-24 years	39	1	2.6	2.1
25-54 years	1,135	10	.9	20.8
55 years and older	207	4	1.8	7.5
Other marital status	1,045	34	3.3	69.5
Men	507	13	2.5	26.1
Women	538	21	4.0	43.4
16-19 years	170	13	7.7	26.7
20-24 years	235	10	4.3	20.6
25-54 years	552	8	1.5	17.2
55 years and older	88	2	2.8	5.0

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.

2. Fewer than 500 workers.

Unmarried workers are more likely to earn \$5.15 an hour or less than are married workers.

- Minimum-wage workers comprised 3.3 percent of unmarried workers, as opposed to 1.1 for those who were married.
- Unmarried workers accounted for 70 percent of all minimum-wage workers even though

they made up only 43 percent of the workforce.

- Unmarried women made up 43 percent of all minimum-wage workers even though they accounted for only 22 percent of the workforce.

Figure 6
Minimum-wage workers by poverty status, gender and age, Minnesota, 2003 [1]

Poverty, status, gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
At or below poverty line [2]	128	7	5.8	15.1
Men	61	3	4.6	5.7
Women	67	5	6.9	9.4
16-19 years	14	1	9.5	2.7
20-24 years	37	2	6.2	4.7
25-54 years	67	3	4.4	6.0
55 years and older	9	1	8.9	1.7
Above poverty line [2]	2,299	42	1.8	84.9
Men	1,156	15	1.3	30.2
Women	1,143	27	2.4	54.7
16-19 years	157	12	7.5	24.1
20-24 years	237	9	3.7	18.0
25-54 years	1,620	16	1.0	32.0
55 years and older	285	5	1.9	10.8

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.

2. The poverty line depends on household size and is applied to total household income. The poverty status of each household member is the same as the poverty status of the household.

Minimum-wage workers are more prevalent among those in poverty than among other workers.

- Minimum-wage workers accounted for 5.8 percent of workers living below the poverty

line, as opposed to 1.8 percent of workers above the poverty line.

- Workers below the poverty line made up 15 percent of all minimum-wage workers, compared with 5 percent of the overall workforce.

Figure 7
Minimum-wage workers by metropolitan residence, gender and age, Minnesota, 2003 [1]

Metropolitan residence, gender and age	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Metropolitan [2]	1,840	34	1.8	68.4
Men	929	12	1.3	25.1
Women	911	21	2.3	43.3
16-19 years	120	8	6.8	16.6
20-24 years	216	8	3.9	17.0
25-54 years	1,294	13	1.0	27.2
55 years and older	209	4	1.8	7.6
Nonmetropolitan [2]	588	16	2.6	31.6
Men	288	5	1.9	10.9
Women	299	10	3.4	20.8
16-19 years	51	5	9.9	10.2
20-24 years	59	3	4.7	5.7
25-54 years	393	5	1.4	10.9
55 years and older	85	2	2.8	4.9

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.
2. The metropolitan areas of Minnesota consist of St. Louis County (which contains Duluth) and that portion of the Twin Cities Metropolitan Statistical Area (MSA) that is in Minnesota: Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington and Wright Counties. The remainder of the Twin Cities MSA is in Wisconsin and is excluded here.

Minimum-wage workers are more prevalent in outstate Minnesota than in the Twin Cities metropolitan area.

- In metropolitan Minnesota, minimum-wage workers constituted 1.8 percent of the workforce; for the rest of the state,

minimum-wage workers were 2.6 percent of the total.

- Nonmetro Minnesota accounted for 32 percent of all minimum-wage workers even though it had only 24 percent of the workforce.

Figure 8
Minimum-wage workers by industry, Minnesota, 2003 [1]

Industry group [2]	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Agriculture, forestry, fishing and hunting	14	1	5.3	1.4
Mining	9	[4]	.2	.0
Utilities	16	[4]	.6	.2
Construction	146	1	.9	2.7
Manufacturing	379	2	.7	5.1
Wholesale trade	72	1	.8	1.1
Retail trade	293	5	1.7	9.9
Transportation and warehousing	95	1	1.1	2.0
Information	53	1	1.0	1.1
Finance and insurance	168	1	.6	2.1
Real estate, rental, and leasing	36	1	2.1	1.5
Professional, scientific, and technical servs.	129	1	.7	1.8
Mgmt., adm. and support, and waste mgmt. servs.	85	2	1.8	3.1
Educational services	236	4	1.7	8.2
Health care ex. hospital and residential servs.	90	1	1.0	1.9
Hospitals	124	1	.8	1.9
Residential facilities	52	1	1.8	1.9
Social assistance	55	2	4.5	5.0
Arts, entertainment and recreation	40	1	3.7	2.9
Hotels, motels and other accommodation	17	1	4.3	1.5
Eating and drinking places	136	17	12.3	33.8
Private household services	14	1	9.9	2.9
Other services	90	3	3.5	6.4
Public administration [3]	80	1	.9	1.5

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.
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 educational services.
4. Fewer than 500 workers.

Among industry groups, minimum-wage workers are most prevalent in eating and drinking places.

household services; agriculture, forestry, fishing and hunting; social assistance; and hotels, motels and other accommodation.

- Among industry groups, eating and drinking places had the highest rate of minimum-wage workers, 12.3 percent. About 34 percent of all minimum-wage workers were employed in eating and drinking places. (Tips are not included in these calculations.⁷)
- Relatively high concentrations of minimum-wage workers were also found in private

⁷ Tips are excluded from wages for purposes of the minimum-wage law (see Appendix A).

Figure 9
Minimum-wage workers by occupation, Minnesota, 2003 [1]

Occupation group	Total workers (1,000s)	Number at or below \$5.15/hour (1,000s)	Percentage at or below \$5.15/hour	Group as percentage of all workers at or below \$5.15/hour
Total	2,427	49	2.0%	100.0%
Management, professional and technical [2]	677	5	.7	9.3
Community and social service	48	1	1.5	1.5
Education, training and library	150	2	1.4	4.4
Arts, design, entertainment, sports and media	41	1	2.1	1.8
Health care support	56	1	2.4	2.7
Protective service	32	[3]	1.2	.8
Food preparation and serving	141	18	12.5	35.7
Building and grounds cleaning and maintenance	70	3	3.8	5.3
Personal care and service	65	5	7.0	9.2
Sales and related services	257	4	1.7	9.0
Office and administrative support	357	4	1.1	7.8
Farming, fishing and forestry	12	1	5.4	1.3
Construction and extraction	127	1	.9	2.2
Installation, maintenance and repair	77	1	.7	1.1
Production	178	2	1.0	3.7
Transportation and material moving	141	2	1.5	4.3

1. Estimated by DLI Research and Statistics with data from the Current Population Survey, conducted by the U.S. Bureau of Labor Statistics. Details in Appendix B.
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 percentages of workers at or below \$5.15 an hour in these groups range from 0.3 to 0.9 percent.
3. Fewer than 500 workers.

Minimum-wage workers are most prevalent in food preparation and serving occupations.

- Food preparation and serving occupations had a 12.5 percent rate of minimum-wage workers. About 36 percent of minimum-wage workers were in these occupations.
- Relatively high concentrations of minimum-wage workers were also found in personal care and service occupations; farming, forestry and fishing occupations; and building and grounds cleaning and maintenance occupations.

Appendix A

Minnesota Minimum-Wage Statute

The following is Minnesota Statutes §177.23, 177.24, and 177.28 as of 2003:⁸

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 legal tender of the United States, check on banks convertible into cash on demand at full face value or, except for instances of written objection to the employer by the employee, direct deposit to the employee's choice of demand deposit account, 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;
- (8) any individual who serves as an elected official for a political subdivision or who serves on any governmental board, commission,

⁸ Taken from the Web site of the Minnesota Office of the Revisor of Statutes, <http://www.revisor.leg.state.mn.us/stats/177/>.

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 U.S. Department of Transportation has power to establish qualifications and maximum hours of service under U.S. Code, title 49, section 304;

(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 U.S. 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.

HIST: 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

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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 \$500,000 (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 \$500,000 (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. Every small employer must pay each employee at a rate of at least \$4.90 an hour beginning January 1, 1998.

(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 \$4.25 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. 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:

(a) 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;

(b) 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;

(c) consumable supplies required in the course of that employment;

(d) 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. When reimbursement is made, the employer may require the employee to surrender any existing items for which the employer provided reimbursement.

HIST: 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

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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 [177.35](#), 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 handicapped. 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

handicapped 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 handicapped person is performing or is being considered for employment where work must be performed which is equal to work performed by a nonhandicapped person, the handicapped person must be paid the same wage as a

nonhandicapped person with similar experience and skill.

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

HIST: 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

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Appendix B

Data and Estimation Technique

The data for this report comes from the Current Population Survey (CPS). The CPS is a monthly survey of U.S. households conducted by the U.S. Bureau of Labor Statistics. During 2003, the survey included an average of some 56,000 households nationwide and 1,040 in Minnesota.

The universe of workers in this report is employed wage-and-salary workers age 16 and older. Wages for hourly workers were available directly from the CPS data. For nonhourly (salaried) workers, wages were calculated by dividing weekly pay at the worker's main job by the usual number of hours worked a week, or, if this was not reported, the number of hours worked in the survey week.

Because of the small numbers of sample cases for Minnesota for most categories in this report, sampling variation is an important issue. To deal with this issue, the statistics for Minnesota in this report were estimated with a combination of Minnesota and U.S. data. The following material describes the estimation of the numbers of workers and minimum-wage workers in the different groups used in the figures.

Figure 1 (Minnesota and the United States, 1998-2003). The U.S. data was calculated directly from the CPS. For Minnesota, the percentage of minimum-wage workers was calculated as a three-year moving average of the Minnesota data. For example, the 2002 percentage is the average of 2001 to 2003. Minnesota's percentages for 1998 and 2003 were extrapolated from adjacent years using the U.S. data. For example, Minnesota's 2003 percentage was estimated by multiplying the 2002 percentage (the average figure) by the proportionate change in the U.S. percentage from 2002 to 2003. Minnesota's total number of minimum-wage workers for each year was estimated by applying the estimated percentage

to the state's total number of workers computed directly from the CPS.

Figures 2-7 (Minnesota, 2003). The grand total number of workers was calculated directly from the CPS data. For the total number of workers by group (e.g. 16- to 19-year-old males), the first step was to compute, for each group, the ratio of the number of workers in that group to the grand total number of workers in Minnesota, averaged over 2001 to 2003. This ratio was then applied to Minnesota's grand total number of workers for 2003 to estimate the number of workers in the group for 2003.

The total number of minimum-wage workers for 2003 is the number computed in Figure 1.

The number of minimum-wage workers in each group was estimated using, as the starting point, the U.S. ratio of minimum-wage workers to total workers by group. Because minimum-wage workers make up a larger proportion of the U.S. workforce than of the Minnesota workforce (3.0 percent vs. 2.0 percent for 2003), the Minnesota estimates were scaled proportionately downward so that the sum of the estimated numbers for the different groups was equal to Minnesota's total number of minimum-wage workers. To maintain consistency across tables (given the use of the same age and gender categories in all of these tables), the procedure was actually more detailed than described here.⁹

Figures 8 and 9 (Minnesota, 2003). The grand total number of workers and the total number of minimum-wage workers were computed as in the other tables. The total number of workers by industry and occupation category was calculated directly from the CPS data. Because of sample-

⁹ Further explanation is available from DLI Research and Statistics, (651) 284-5025.

size concerns, it would have been desirable to use the same technique as in Figures 2-7 to estimate the total number of workers by group. However, this was not done because the industry and occupation coding structure changed in the 2003 data. In future reports, the technique from Figures 2-7 will be used.

As in Figures 2-7, the number of minimum-wage workers in each group (industry or occupation in this case) was estimated using the U.S. ratio of minimum-wage workers to total workers by group as the starting point. Again, the Minnesota estimates were scaled proportionately downward so that the sum of the estimated numbers for the different groups was equal to Minnesota's total number of minimum-wage workers.