

Minnesota Minimum-wage Report, 2004

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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 2004. Minimum-wage workers are defined in the report as those who earn \$5.15 an hour or less at their main job, excluding overtime pay, tips and commissions.¹ Since September 1997, the minimum wage for most workers in Minnesota has been \$5.15 an hour.² The report deals with minimum-wage workers within the population of all employed wage-and-salary workers age 15 years and older.³ The statistics 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 following are the report's major findings:

Overview

- In 2004, 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, 2.8 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 2004.
- The percentage of Minnesota's minimum-wage workers who also received overtime pay, tips or commissions rose from 20

percent in 1998 to 37 percent in 2004. This increase occurred because the decline in the number of minimum-wage workers took place almost entirely among people who did *not* receive these other types of pay.

- Hourly workers made up 67 percent of Minnesota's minimum-wage workers during 2002 to 2004; nonhourly workers (e.g., those paid by salary or commission) made up the remaining 33 percent.
- Among all Minnesota workers earning \$5.15 an hour or less during 2002 to 2004, 75 percent earned less than \$5.15, with 40 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 2004

Industry

- Among major industries, eating and drinking places had the highest rate of minimum-wage workers, 12.2 percent. About 35 percent of all minimum-wage workers were employed in eating and drinking places.
- The second-highest percentage of minimum-wage workers was in private household services, 10.4 percent.
- Among industries, the percentage of minimum-wage workers with additional earnings from overtime, tips or commissions was highest in eating and drinking places (74 percent) and arts, entertainment and recreation (39 percent).

Occupation

- Among major occupation groups, food preparation and serving occupations had the highest rate of minimum-wage workers at 12.4 percent. About 38 percent of all

¹ Overtime pay, tips and commissions are excluded from the CPS earnings data. Also note that tips are excluded from wages for purposes of the Minnesota minimum-wage law (see Appendix A). 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.

³ The CPS excludes workers younger than 15.

minimum-wage workers were in these occupations.

- The next highest percentages of minimum-wage workers were in personal care and service occupations (6.8 percent) and farming, fishing and forestry occupations (5.7 percent).
- Among occupations, the percentage of minimum-wage workers with additional earnings from overtime, tips or commissions was highest in food preparation and serving (73 percent), personal care and service (28 percent) and sales and related services (25 percent).

Age and gender

- Among 15- 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 1.9 percent of those 55 and older.
- Fifty-one percent of all minimum-wage workers were 15 to 24.
- Among employed women, 2.5 percent were minimum-wage workers, compared with 1.4 percent of men.

Work status

- Among part-time workers, 5.3 percent earned \$5.15 an hour or less, compared with 1.0 percent of full-time workers.
- Part-time workers made up 60 percent of all minimum-wage workers, but only 23 percent of the work force.

Education

- Among workers with less than a high-school education, 6.3 percent were minimum-wage workers, compared with 2.0 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 9 percent of the work force.

Marital status

- Among unmarried workers, 3.2 percent earned \$5.15 an hour or less, as opposed to 1.0 percent of married workers.
- Unmarried workers accounted for 70 percent of all minimum-wage workers as compared with 43 percent of the work force.

Poverty status

- Minimum-wage workers accounted for 5.3 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 6 percent of the overall work force.

Metropolitan residence

- In metropolitan Minnesota, minimum-wage workers made up 1.8 percent of the work force; for the rest of the state, minimum-wage workers were 2.6 percent of the total.

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 2004. 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. Census for the U.S. Bureau of Labor Statistics, provides data on the labor market experience of U.S. households. This report combines the monthly data for each year. 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 are computed with a combination of Minnesota and U.S. data (see Appendix B).

The hourly earnings data from the CPS excludes overtime pay, tips and commissions. Therefore, these forms of earnings do not affect minimum-

wage-worker status in this report.⁴ However, the report presents CPS data on the percentage of minimum-wage workers receiving these other types of income.

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 at their main job, excluding overtime pay, tips and commissions.⁵ Among Minnesota workers earning \$5.15 an hour or less during 2002 to 2004, 75 percent earned less than \$5.15, with 40 percent earning less than \$4.25. Why does this occur?

First, some workers are exempt from the minimum wage.⁶ 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 nonhourly workers than with hourly workers. Among Minnesota workers earning \$5.15 an hour or less during 2002 to 2004, 67 percent were hourly workers and the remaining 33 percent were nonhourly (e.g., salaried, commissioned). Enforcement is clearly

⁴ Also note that tips are excluded from wages for purposes of the minimum-wage law (see Appendix A).

⁵ Overtime pay, tips and commissions are excluded from the CPS earnings data. Also note that tips are excluded from wages for purposes of the Minnesota minimum-wage law (see Appendix A). The term “minimum-wage worker” as used in this report has no implications regarding the degree of compliance with the minimum-wage law.

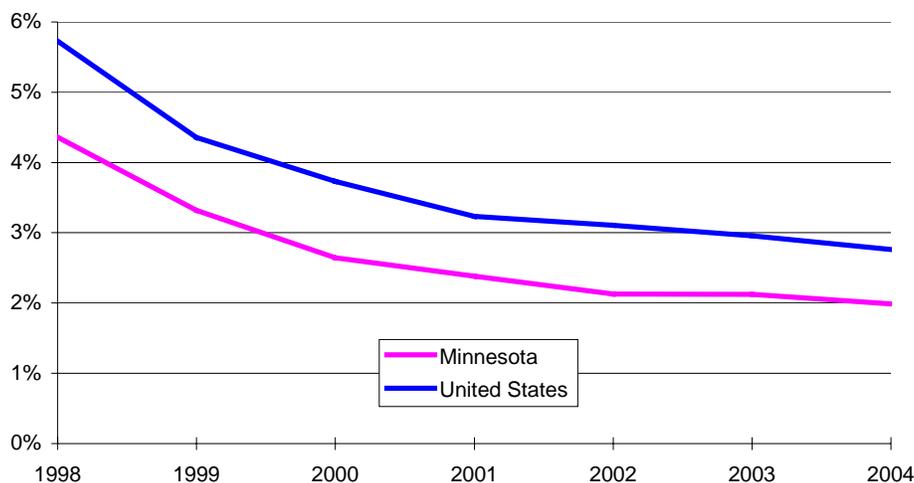
⁶ See Appendix A.

more challenging for nonhourly workers because of the difficulty of monitoring hours worked.

Finally, data-reporting errors may occur. This also seems more likely for nonhourly 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.⁷

⁷ 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, 1998-2004 [1]



	Minnesota		United States	
	Number of workers at or below \$5.15/hour (1,000s)	Pctg. of all wage-and-salary workers	Number of workers at or below \$5.15/hour (1,000s)	Pctg. of all wage-and-salary workers
1998	100	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	52	2.1	3,600	3.0
2004 [2]	49	2.0	3,400	2.8

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.

2. The 2004 figures for Minnesota are preliminary.

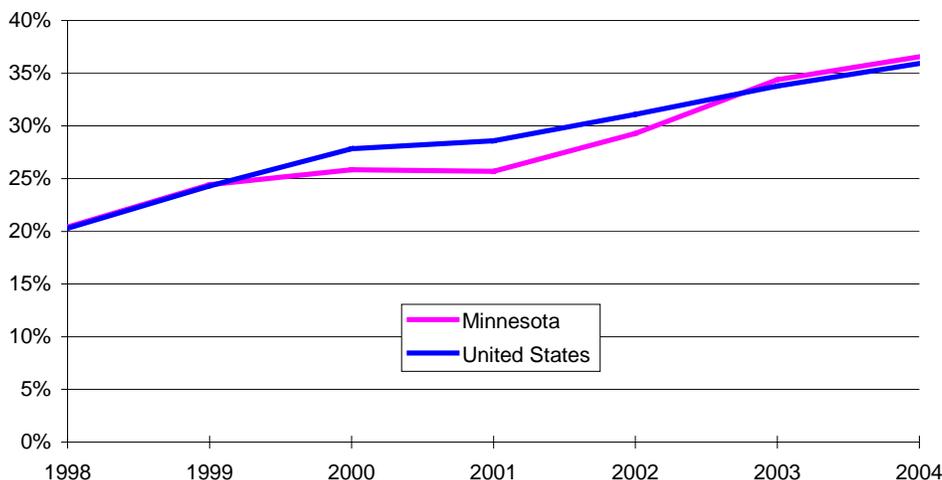
The percentage of minimum-wage workers among wage-and-salary workers has fallen during the past six years in Minnesota and the United States. The percentage of minimum-wage workers has been consistently lower in Minnesota than in the United States.

- 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 2004. 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 2004, the U.S. share of minimum-wage workers was 2.8 percent, as compared with 2.0 percent for Minnesota.

Figure 2
 Percentage of minimum-wage workers receiving overtime pay, tips or commissions,
 Minnesota and the United States, 1998-2004 [1]



	Minnesota					United States				
	Workers at or below \$5.15 an hour					Workers at or below \$5.15 an hour				
	Total (1,000s)	Usually receive overtime pay, tips or commissions?				Total (1,000s)	Usually receive overtime pay, tips or commissions?			
		Yes		No			Yes		No	
Number (1,000s)		Pctg.	Number (1,000s)	Pctg.	Number (1,000s)		Pctg.	Number (1,000s)	Pctg.	
1998	100	20	20.4%	79	79.6%	6,660	1,350	20.3%	5,310	79.7%
1999	77	19	24.4	59	75.6	5,170	1,260	24.3	3,910	75.7
2000	62	16	25.9	46	74.1	4,490	1,250	27.8	3,240	72.2
2001	56	14	25.7	42	74.3	3,890	1,110	28.6	2,780	71.4
2002	50	15	29.3	36	70.7	3,710	1,150	31.1	2,560	68.9
2003	52	18	34.4	34	65.6	3,600	1,220	33.8	2,380	66.2
2004 [2]	49	18	36.5	31	63.5	3,400	1,220	35.9	2,180	64.1

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.
 2. The 2004 figures for Minnesota are preliminary.

The percentage of minimum-wage workers who received overtime pay, tips or commissions (OTC) increased during the past six years. The Minnesota trend was close to the United States trend.

- From 1998 to 2004, the percentage of minimum-wage workers receiving OTC increased from 20 percent to 37 percent in Minnesota, and from 20 percent to 36 percent in the United States.
- These increases for both Minnesota and the United States occurred because the decline in the number of minimum-wage workers took place almost entirely among persons who did *not* receive OTC. In Minnesota, for example, the number of minimum-wage workers receiving OTC fell from about 20,000 to 18,000, while the number of minimum-wage workers *not* receiving OTC fell from 79,000 to 31,000.

Figure 3
Minimum-wage workers and percentage receiving other types of pay
by industry, Minnesota, 2004 [1]

Industry group [2]	Total workers (1,000s)	Workers at or below \$5.15 an hour			
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour	Pctg. of these workers who receive overtime pay, tips or commissions [3]
Total, 15 years and older	2,457	49	2.0%	100.0%	36.5%
Agriculture, forestry, fishing and hunting	16	1	5.3	1.7	2.5
Mining	7	[5]	.3	.0	
Utilities	19	[5]	.5	.2	
Construction	140	1	.8	2.2	
Manufacturing	379	2	.6	4.9	11.5
Wholesale trade	80	1	.9	1.5	
Retail trade	301	5	1.6	9.8	17.7
Transportation and warehousing	93	1	1.1	2.0	
Information	56	1	1.1	1.2	
Finance and insurance	164	1	.7	2.3	
Real estate, rental, and leasing	42	1	2.3	1.9	
Professional, scientific, and technical servs.	127	1	.6	1.7	
Mgmt., adm. and support, and waste mgmt. servs.	79	1	1.8	2.9	13.4
Educational services	231	4	1.6	7.5	4.7
Health care excl. hospital and residential servs.	99	1	.8	1.6	
Hospitals	120	1	.6	1.4	
Residential facilities	56	1	1.9	2.1	
Social assistance	52	2	4.1	4.3	4.5
Arts, entertainment and recreation	43	1	3.5	3.1	39.3
Hotels, motels and other accommodation	18	1	4.0	1.4	
Eating and drinking places	139	17	12.2	35.0	74.4
Private household services	14	1	10.4	3.0	7.3
Other services	96	3	3.4	6.6	28.4
Public administration [4]	87	1	.8	1.5	

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.
2. Except for the public administration division (see note 3), industries include the private and public sectors.
3. Percentages are not given for some industries because of small sample size. The combined percentage for these industries is 18.8 percent.
4. The public administration division is limited to those government employees not classifiable under other industries, such as construction or educational services.
5. Fewer than 500 workers.

Among industry groups, minimum-wage workers are most prevalent in eating and drinking places, as is the percentage of minimum-wage workers receiving OTC.

- Among industry groups, eating and drinking places had the highest rate of minimum-wage workers during 2004, 12.2 percent. About 35 percent of all minimum-wage workers were employed in eating and drinking places.

- Relatively high concentrations of minimum-wage workers were also found in private household services; agriculture, forestry, fishing and hunting; social assistance; and hotels, motels and other accommodation.
- About 74 percent of minimum-wage workers in eating and drinking places received OTC, followed by 39 percent in arts, entertainment and recreation, and 28 percent in other services.

Figure 4
Minimum-wage workers by occupation, Minnesota, 2004 [1]

Occupation group	Total workers (1,000s)	Workers at or below \$5.15 an hour				Pctg. of these workers who receive overtime pay, tips or commissions [2]
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour		
Total, 15 years and older	2,457	49	2.0%	100.0%	36.5%	
Management, professional and technical [3]	679	4	.6	7.8	13.6	
Community and social service	50	1	1.7	1.8		
Education, training and library	149	2	1.3	4.1	2.5	
Arts, design, entertainment, sports and media	42	1	1.9	1.7		
Health care support	57	1	1.9	2.2		
Protective service	30	[4]	1.1	.7		
Food preparation and serving	148	18	12.4	37.6	73.0	
Building and grounds cleaning and maintenance	73	3	3.5	5.3	7.1	
Personal care and service	66	5	6.8	9.3	27.9	
Sales and related services	268	5	1.7	9.4	24.6	
Office and administrative support	360	4	1.0	7.7	7.3	
Farming, fishing and forestry	15	1	5.7	1.8		
Construction and extraction	121	1	.7	1.8		
Installation, maintenance and repair	77	1	.6	1.0		
Production	185	2	1.0	3.7	4.6	
Transportation and material moving	134	2	1.5	4.1	20.0	

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.
2. Percentages are not given for some industries because of small sample size. The combined percentage for these industries is 9.7 percent.
3. 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 0.8 percent.
4. Fewer than 500 workers.

Minimum-wage workers are most prevalent in food preparation and serving occupations, as is the percentage of minimum-wage workers receiving OTC.

- Food preparation and serving occupations had a 12.4 percent rate of minimum-wage workers. About 38 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.

- About 73 percent of minimum-wage workers in food preparation and serving occupations received OTC, followed by 28 percent in personal care and service, and 25 percent in sales and related services.

Figure 5
Minimum-wage workers by gender and age, Minnesota, 2004 [1]

Gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
15-19 years	176	14	7.7	27.7
20-24 years	291	11	3.9	22.9
25-54 years	1,678	18	1.1	37.2
55 years and older	312	6	1.9	12.1
Men	1,238	18	1.4	36.3
15-19 years	82	5	6.1	10.2
20-24 years	151	4	2.9	8.8
25-54 years	859	6	.7	13.0
55 years and older	146	2	1.4	4.3
Women	1,219	31	2.5	63.7
15-19 years	95	9	9.0	17.5
20-24 years	140	7	4.9	14.1
25-54 years	819	12	1.4	24.2
55 years and older	166	4	2.3	7.9

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.

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 15- 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 1.9 percent of those 55 and older.
- As a result, 15- to 19-year-olds comprised roughly 28 percent of all minimum-wage workers even though they made up only 7 percent of the work force. Combining the two youngest groups, 15- to 24-year-olds made up 51 percent of all minimum-wage workers.
- Although 25- to 54-year-olds were least likely to be minimum-wage workers, they made up 37 percent of all minimum-wage workers because they accounted for 68 percent of the work force.
- Women were more likely than men to be minimum-wage workers (2.5 vs. 1.4 percent), and therefore accounted for 64 percent of all minimum-wage workers.

Figure 6
Minimum-wage workers by work status, gender and age, Minnesota, 2004 [1]

Work status, gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
Full time [2]	1,902	20	1.0	40.1
Men	1,065	8	.8	17.3
Women	837	11	1.3	22.8
15-19 years	38	2	4.7	3.6
20-24 years	200	5	2.5	10.4
25-54 years	1,445	10	.7	21.4
55 years and older	219	2	1.0	4.7
Part time [2]	555	29	5.3	59.9
Men	173	9	5.4	19.1
Women	382	20	5.2	40.8
15-19 years	139	12	8.5	24.1
20-24 years	91	6	6.7	12.5
25-54 years	233	8	3.3	15.8
55 years and older	92	4	4.0	7.5

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.

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, 5.3 percent earned \$5.15 an hour or less, compared with 1.0 percent of full-time workers.
- Part-time workers made up 60 percent of all minimum-wage workers, even though they

accounted for only 23 percent of the work force.

- Among part-time workers, men were about as likely as women to be minimum-wage workers (5.4 vs. 5.2 percent). Among full-time workers, women were more likely to be minimum-wage workers (1.3 percent vs. 0.8 percent for men).

Figure 7
Minimum-wage workers by education, gender and age, Minnesota, 2004 [1]

Education, gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
Less than high school	211	13	6.3	27.1
Men	112	5	4.7	10.7
Women	99	8	8.1	16.4
15-19 years	112	10	8.8	20.2
20-24 years	18	1	4.5	1.6
25-54 years	60	2	2.8	3.4
55 years and older	21	1	4.3	1.8
High school only	631	13	2.0	25.8
Men	329	4	1.3	8.6
Women	303	8	2.8	17.2
15-19 years	38	2	5.3	4.1
20-24 years	79	3	3.3	5.3
25-54 years	410	6	1.4	12.0
55 years and older	104	2	2.0	4.4
At least some college	1,614	23	1.4	47.1
Men	797	8	1.0	17.1
Women	817	15	1.8	30.1
15-19 years	27	2	6.4	3.5
20-24 years	194	8	4.0	16.0
25-54 years	1,207	11	.9	21.8
55 years and older	187	3	1.6	5.9

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.

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

- Minimum-wage workers comprised 6.3 percent of workers with less than a high-school education, compared with 2.0 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 9 percent of the work force.

Figure 8
Minimum-wage workers by marital status, gender and age, Minnesota, 2004 [1]

Marital status, gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
Married, spouse present	1,400	15	1.0	29.8
Men	723	5	.7	9.6
Women	677	10	1.5	20.2
15-19 years	0	[2]	5.8	.0
20-24 years	41	1	2.4	2.0
25-54 years	1,139	10	.9	20.4
55 years and older	219	4	1.6	7.3
Other marital status	1,057	34	3.2	70.2
Men	515	13	2.5	26.7
Women	542	21	3.9	43.5
15-19 years	176	14	7.7	27.7
20-24 years	250	10	4.1	20.9
25-54 years	539	8	1.5	16.8
55 years and older	92	2	2.5	4.8

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.

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 3.2 percent of unmarried workers, as opposed to 1.0 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 work force.

- Unmarried women made up 44 percent of all minimum-wage workers even though they accounted for only 22 percent of the work force.

Figure 9
Minimum-wage workers by poverty status, gender and age, Minnesota, 2004 [1]

Poverty, status, gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
At or below poverty line [2]	139	7	5.3	15.2
Men	69	3	4.2	5.9
Women	71	5	6.4	9.3
15-19 years	17	1	8.9	3.0
20-24 years	42	2	5.5	4.7
25-54 years	73	3	4.1	6.1
55 years and older	8	1	7.9	1.3
Above poverty line [2]	2,317	41	1.8	84.8
Men	1,169	15	1.3	30.4
Women	1,148	27	2.3	54.4
15-19 years	160	12	7.5	24.7
20-24 years	249	9	3.6	18.2
25-54 years	1,605	15	.9	31.1
55 years and older	303	5	1.7	10.8

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.
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 5.3 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 6 percent of the overall work force.

Figure 10
Minimum-wage workers by metropolitan residence, gender and age, Minnesota, 2004 [1]

Metropolitan residence, gender and age	Total workers (1,000s)	Workers at or below \$5.15 an hour		
		Number (1,000s)	Percentage	Percentage among all workers at or below \$5.15/hour
Total, 15 years and older	2,457	49	2.0%	100.0%
Metropolitan [2]	1,886	34	1.8	70.0
Men	961	13	1.3	26.3
Women	925	21	2.3	43.7
15-19 years	128	9	6.7	17.5
20-24 years	232	9	3.8	17.8
25-54 years	1,303	13	1.0	27.3
55 years and older	222	4	1.6	7.3
Nonmetropolitan [2]	571	15	2.6	30.0
Men	277	5	1.8	10.0
Women	294	10	3.3	20.0
15-19 years	49	5	10.2	10.2
20-24 years	59	2	4.2	5.1
25-54 years	375	5	1.3	9.9
55 years and older	89	2	2.6	4.8

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.
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.

Minimum-wage workers are more prevalent in nonmetropolitan Minnesota than in the state's metropolitan areas (see note 2 in figure).

- In metropolitan Minnesota, minimum-wage workers constituted 1.8 percent of the work

force; for the rest of the state, minimum-wage workers were 2.6 percent of the total.

- Nonmetro Minnesota accounted for 30 percent of all minimum-wage workers even though it had only 23 percent of the work force.

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, committee or other similar body, or who renders service gratuitously for a political subdivision;

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

- (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. Census for the U.S. Bureau of Labor Statistics. During 2004, the survey included an average of some 55,000 households nationwide and 1,100 in Minnesota.

The universe of workers in this report is employed wage-and-salary workers age 15 and older.⁹ Wages for hourly workers were available directly from the CPS data. For nonhourly 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.

Figures 1 and 2 (Minnesota and the United States, 1998-2004). The U.S. data was calculated directly from the CPS. For Minnesota, the percentage of minimum-wage workers (Figure 1) and the percentage of minimum-wage workers receiving overtime pay, tips or commissions (OTC) (Figure 2) were calculated as three-year moving averages of the respective Minnesota data. For example, the 2003 percentage is the average of 2002 to 2004. Minnesota's percentages for 1998 and 2004 (the endpoints of each series) were extrapolated from adjacent years using the respective U.S. data. For example, Minnesota's 2004 percentage of

minimum-wage workers was estimated by multiplying the state's 2003 percentage (the three-year average) by the ratio of the U.S. percentage for 2004 to the U.S. percentage for 2003. Minnesota's total number of minimum-wage workers for each year was estimated by applying the estimated percentage of minimum-wage workers to the state's total number of workers computed directly from the CPS. Minnesota's number of minimum-wage workers receiving OTC for each year was estimated by applying the estimated percentage of minimum-wage workers receiving OTC to the state's estimated total number of minimum-wage workers.

Figures 3 and 4 (Minnesota, 2004).

Minnesota's grand total number of workers was calculated directly from the CPS data. For the total number of workers by industry or occupation, the first step was to compute, for each industry or occupation, the percentage of total state workers in that industry or occupation for 2003 and 2004. The two-year average was used to reduce sampling variation.¹⁰ This percentage was then applied to Minnesota's total number of workers for 2004 to estimate the number of workers in the industry or occupation for 2004.

The total number of minimum-wage workers for 2004 is the number computed in Figure 1.

The number of minimum-wage workers in each industry or occupation was estimated using, as the starting point, the U.S. ratio of minimum-wage workers to total workers by industry or occupation, averaged over 2003 and 2004 (see note 10). Because minimum-wage workers make

⁹ The survey excludes workers younger than 15.

¹⁰ The 2003-2004 average was used instead of the preferred three-year average (2002-2004) because of industry and occupation coding changes that took effect in the 2003 data. A three-year average will be used beginning with next year's report.

up a larger proportion of the U.S. work force than of the Minnesota work force (2.8 percent vs. 2.0 percent for 2004), 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 total number of minimum-wage workers.

Figures 5 -10 (Minnesota, 2004). 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 group (e.g., 16- to 19-year-old males) was estimated with the same technique as for industries and occupations in Figures 3 and 4, except that the percentage of total workers in each group was calculated over 2002-2004 instead of 2003-2004 (see note 10).

As in Figures 3 and 4, the number of minimum-wage workers in each group was estimated using the U.S. ratio of minimum-wage workers to total workers by group as the starting point, using the 2002-2004 average in this case. 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. To maintain consistency across tables (given the use of the same age and gender categories in different tables), the procedure was actually more detailed than described here.¹¹

¹¹ Further explanation is available from DLI Research and Statistics, (651) 284-5025.