

# MINNESOTA MINIMUM-WAGE REPORT

## Research report: Understanding the minimum wage in Minnesota

By David Berry, DLI Research and Statistics, Aug. 3, 2018

### Contents

- [Introduction and summary](#)
- [The minimum wage and inflation](#)
- [The minimum wage and full-time earners](#)
- [The minimum wage and other wages: United States](#)
- [The minimum wage and other wages: Minnesota outside of Minneapolis](#)
- [The minimum wage and other wages: Minneapolis](#)
- [Appendix](#)
- [Contact](#)

### Introduction and summary

On the surface, the question "how high is the minimum wage?" has an easy answer. The full federal minimum wage is \$7.25 an hour; as of Jan. 1, 2018, the full Minnesota minimum wage is \$9.65; as of July 1, 2018, the full Minneapolis minimum wage is \$11.25. (The "full" minimum wage is the level that applies in the absence of reductions that occur in certain circumstances.<sup>1</sup>)

However, to truly understand the minimum wage in Minnesota, it is essential to look at how its level compares with prices and other wages and how this has changed over time. This report presents data that speaks to these questions.

Throughout, it should be kept in mind that at any place and time, the effective minimum wage – the level that employers are required to pay to covered employees – is the highest of the federal, state and local levels (if there is a local minimum wage).

The following is a summary of findings.

- Although the U.S. and Minnesota minimum wages have both risen over the years, their trends look quite different when adjusted for inflation (Figure 1). (Note: When this report adjusts the minimum wage for inflation, it is adjusting for increases in the cost of living.)
- Full-time annual earnings at the effective minimum wage in 2018 were \$20,100 outside of Minneapolis and \$23,400 in Minneapolis. Adjusted for inflation, the figure for Minnesota

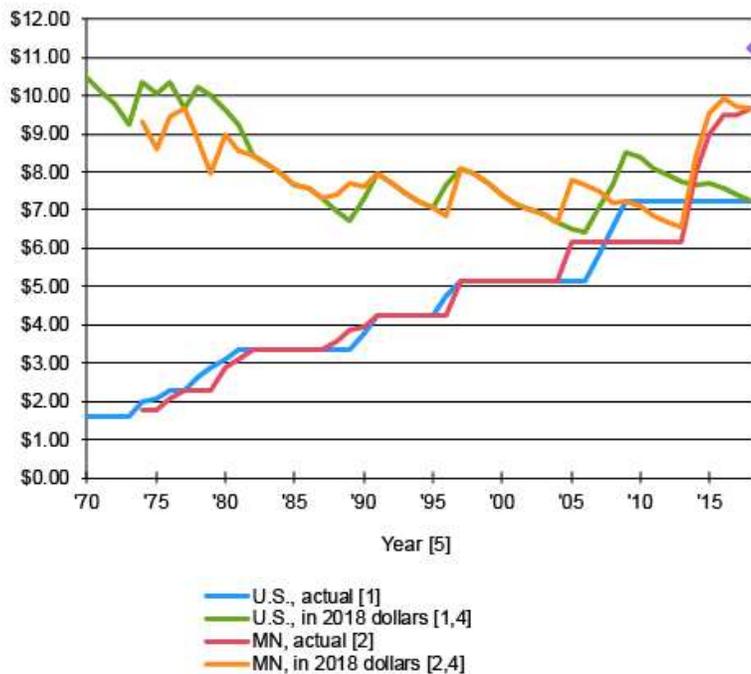
outside of Minneapolis was somewhat below the 1970s, while the figure for Minneapolis was somewhat above the 1970s (Figure 2).

- As a percentage of average hourly earnings, the federal minimum wage has fallen since the 1970s (Figure 3).
- As a percentage of average hourly earnings in manufacturing, the full effective minimum wage in Minnesota outside of Minneapolis was at about the same level for 2016 through 2018 as in the 1970s (Figure 4).
- As a percentage of average hourly earnings in manufacturing, the full effective minimum wage in Minneapolis was higher for 2018 than at any time since 1970 (Figure 5).

### **The minimum wage and inflation**

Figure 1 shows the full U.S. and Minnesota minimum wages from 1970 to 2018 – at their actual levels and adjusted for inflation (in 2018 dollars).<sup>2</sup> It also shows the new Minneapolis minimum wage at its level for July 1, 2018.

**Figure 1**  
**Full minimum wage, actual and inflation-adjusted,**  
**Minnesota and the United States, 1970-2018**



1. Data for the United States is from the U.S. Department of Labor ([www.dol.gov/whd/minwage/chart.htm](http://www.dol.gov/whd/minwage/chart.htm)).
2. Data for Minnesota is from internal records at DLI and Minnesota Statutes §177.24, subd. 1 (Appendix A). Minnesota's first minimum wage took effect Jan. 1, 1974.
3. Data for Minneapolis is from <http://minimumwage.minneapolismn.gov>.
4. 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 the Minneapolis-St. Paul metropolitan area. CPI-U data is from the U.S. Bureau of Labor Statistics ([www.bls.gov/data/#prices](http://www.bls.gov/data/#prices)). It is projected for 2018.
5. The minimum wage shown for each year in the graph is the level in effect on Dec. 31 of that year.

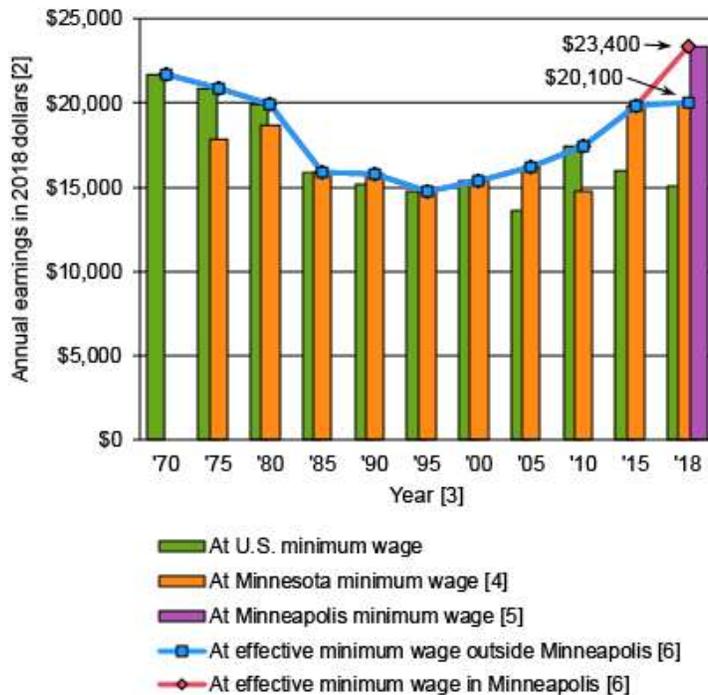
The U.S. full minimum wage rose from \$1.60 in 1968 to \$7.25 in 2009 and has remained at that level since. The Minnesota full minimum rose from \$1.80 in 1974 to \$9.65 in January 2018. The Minneapolis minimum wage, which took effect at \$10.00 on Jan. 1, 2018, is \$11.25 as of July 1, 2018. Currently, outside of Minneapolis, the full effective minimum wage is the state level of \$9.65 because it is higher than the federal level of \$7.25.

When adjusted for inflation, the Minnesota minimum is currently higher than for most years since its inception in 1974. It is somewhat below the level reached by the U.S. minimum in some years during the 1970s. The current U.S. minimum of \$7.25, adjusted for inflation, is significantly below its levels of the 1970s. The level that will be attained by the Minneapolis minimum wage on July 1, 2018, \$11.25, is greater than those reached by the inflation-adjusted U.S. and Minnesota minimums at any point since 1970, including, notably, the peak inflation-adjusted years of the U.S. minimum during the 1970s.

## The minimum wage and full-time earners

Figure 2 shows the inflation-adjusted annual earnings of full-time minimum-wage workers in Minnesota from 1970 to 2018.<sup>3</sup>

**Figure 2**  
Full-time annual earnings at the full effective minimum wage in Minnesota, inflation-adjusted, 1970-2018 [1]



1. Data from Figure 1. The notes in that figure apply. The full minimum wage is the minimum that applies without reductions for such factors as worker age or employer size.
2. The inflation-adjusted full minimum wage was translated to inflation-adjusted full-time annual earnings using an annual hours figure of 2,080.
3. The minimum wage shown for each year, and used to compute annual earnings, is the level in effect on Dec. 31 of that year.
4. Minnesota's first minimum wage took effect Jan. 1, 1974.
5. Minneapolis' first minimum wage took effect Jan. 1, 2018.
6. The effective minimum wage is the highest of the federal, state and local minimum wages.

At the U.S. minimum wage, inflation-adjusted full-time annual earnings fell from \$21,800 in 1970 to \$15,100 in 2018. This occurred because inflation outpaced increases in the U.S. minimum wage. At the Minnesota minimum wage, inflation-adjusted full-time annual earnings fell from \$17,900 in 1975 to \$14,800 in 2010, but increased to \$20,100 by 2018.

For workers outside of Minneapolis, the full-time earnings level at the effective minimum wage in 2018 – \$20,100 – was about the same as the effective inflation-adjusted level for 1980 (the U.S. minimum) but below the levels of 1970 and 1975.

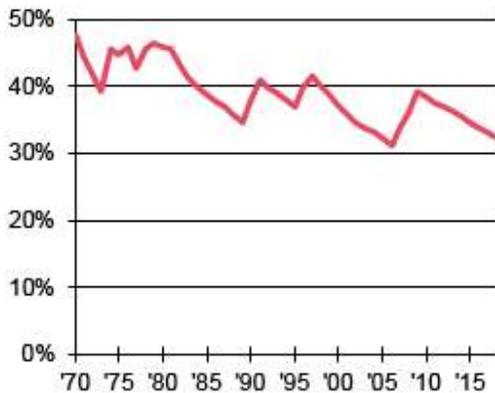
For workers employed in Minneapolis, full-time earnings at the minimum-wage level attained on July 1, 2018 – \$23,400 – are larger than at the effective minimum wage in any other year in the period shown.

## The minimum wage and other wages: United States

Figure 3 presents the trend in the U.S. minimum wage relative to U.S. average hourly earnings; this serves as a backdrop to similar data for Minnesota.

**Figure 3**

**Full federal minimum wage as percentage of average hourly earnings of private-sector nonfarm production and nonsupervisory workers, United States, 1970-2018 [1]**



1. Minimum wage data is from the U.S. Department of Labor ([www.dol.gov/whd/minwage/chart.htm](http://www.dol.gov/whd/minwage/chart.htm)). The minimum wage used for each year is the level in effect on Dec. 31 of that year. Average hourly earnings data is from the Current Employment Statistics survey of the U.S. Bureau of Labor Statistics ([www.bls.gov/ces](http://www.bls.gov/ces)). The earnings figures used here are net of overtime pay in manufacturing. The 2018 earnings figure is projected.

Despite periodic increases, the U.S. full minimum wage has generally been lower as a percentage of average hourly earnings after 1980 than it was before that year. The periods of decrease relative to average hourly earnings occurred when the federal minimum was stationary; the longest such periods were 1981 to 1989 and 1997 to 2006. Despite three consecutive increases in 2007 to 2009, the federal minimum as a percentage of average hourly earnings was lower in 2018 – 32 percent – than at any point in the period shown other than 2005 and 2006.

## The minimum wage and other wages: Minnesota outside of Minneapolis

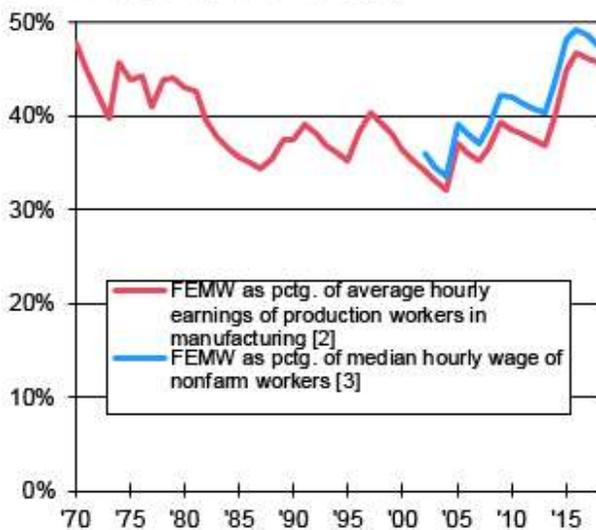
Minnesota is similar to the United States with respect to the long-term trend in the minimum wage relative to other wages.

Over the past several decades, Minnesota's full effective minimum wage (FEMW) has sometimes been the federal minimum and sometimes the state minimum, depending on which of the two was higher (see Figure 1).<sup>4</sup> With the increases in the state full minimum to \$8.00, \$9.00, \$9.50 and \$9.65 in

2014, 2015, 2016 and 2018, respectively, those levels became the effective levels for Minnesota (or Minnesota outside of Minneapolis for 2018) for those years. The current federal minimum of \$7.25 was the effective minimum in Minnesota just before the state increase to \$8.00 in 2014.

Figure 4 shows the trend in the FEMW for Minnesota (outside of Minneapolis) as a percentage of average hourly earnings of production workers in manufacturing (for the state) and as a percentage of the median hourly wage of nonfarm workers (for the state).<sup>5</sup>

**Figure 4**  
**Full effective minimum wage as percentage of two different wage indices, Minnesota outside of Minneapolis, 1970-2018 [1]**



FEMW = full effective minimum wage.

1. This figure excludes the Minneapolis minimum wage (which took effect in 2018). The minimum wage used for each year is the level in effect on Dec. 31 of that year. Figure 1 gives the history of U.S. and Minnesota minimum wage changes (with sources) for the period concerned.
2. Average hourly earnings of production workers in manufacturing is from the Current Employment Statistics survey of the U.S. Bureau of Labor Statistics ([www.bls.gov/ces](http://www.bls.gov/ces)) and the Minnesota Department of Employment and Economic Development. A three-year moving average is used. The 2018 figure is projected.
3. The median hourly wage of nonfarm workers is from the Occupational Employment Statistics survey of the U.S. Bureau of Labor Statistics ([www.bls.gov/oes](http://www.bls.gov/oes)). The data applies to May of each year and is not available before 2002. The 2018 figure is projected.

Despite periodic increases in Minnesota's FEMW, it fell, relative to average hourly earnings of production workers in manufacturing, from 48 percent in 1970 to 32 percent in 2004. Because of increases after 2004, the FEMW rose relative to average hourly earnings of production workers in manufacturing. With the increase to \$9.50 in 2016, the FEMW was 47 percent of this average hourly earnings index. Since the FEMW remained at \$9.50 in 2017, it fell slightly relative to average hourly earnings in

that year (to 46 percent). Because of the increase in the Minnesota minimum to \$9.65 in 2018, the FEMW remained at 46 percent of average hourly earnings in that year.

The FEMW was at about the same level, as a percentage of average hourly earnings, from 2015 to 2018 as in the 1970s.

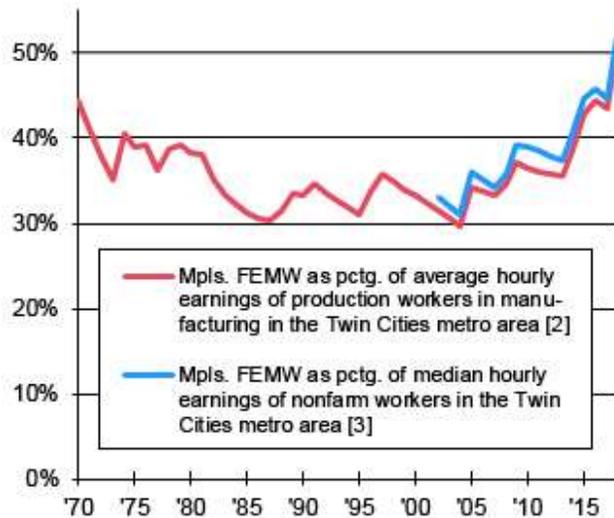
The FEMW is somewhat higher relative to the median hourly wage of nonfarm workers than to the average hourly wage of production workers in manufacturing, but the trend is similar. For 2018, the FEMW was 47 percent of the median hourly wage of nonfarm workers.

### **The minimum wage and other wages: Minneapolis**

Because Minneapolis enacted a minimum wage effective in 2018, it is of interest to examine how this minimum wage, as a percentage of average and median wages, compares with the Minneapolis FEMW in prior years as a percentage of average and median wages. Historical data is not available for wages in Minneapolis itself. Therefore, this analysis uses wages for the Twin Cities metropolitan area as a basis against which to gauge the FEMW in Minneapolis.

Figure 5 shows the FEMW in Minneapolis as a percentage of two wage indices from 1970 to 2018: average hourly earnings in manufacturing (for the Twin Cities metropolitan area) and the median hourly wage of nonfarm workers (for the Twin Cities metro area). This figure is similar to Figure 4 with two exceptions: the FEMW for 2018 is the Minneapolis minimum wage for that year and the wage indices pertain to the Twin Cities metropolitan area rather than to the entire state. Therefore, the trends in Figure 5 closely follow the trends in Figure 4 with the exception of 2018.

**Figure 5**  
**Full effective minimum wage as percentage of two different wage indices, Minneapolis, 1970-2018 [1]**



FEMW = full effective minimum wage.

1. The minimum wage used for each year is the level in effect on Dec. 31 of that year. Figure 1 gives the history of the U.S., Minnesota and Minneapolis minimum wage changes (with sources) for the period concerned.
2. Average hourly earnings of production workers in manufacturing in the Twin Cities metropolitan area is from the Current Employment Statistics survey of the U.S. Bureau of Labor Statistics ([www.bls.gov/ces](http://www.bls.gov/ces)) and the Minnesota Department of Employment and Economic Development. A three-year moving average is used. The 2018 figure is projected.
3. The median hourly wage of nonfarm workers in the Twin Cities metropolitan area is from the Occupational Employment Statistics survey of the U.S. Bureau of Labor Statistics ([www.bls.gov/oes](http://www.bls.gov/oes)). The data applies to May of each year and is not available before 2002. The 2018 figure is projected.

Since the Minneapolis minimum wage took effect in 2018 and reached \$11.25 an hour on July 1 of that year, the Minneapolis FEMW reached 49 percent of average hourly earnings for production workers in Twin Cities metro area manufacturing. This represents a substantial jump from the 43 to 44 percent reached in the prior three years under the Minnesota minimum wage levels. It is also higher than at any point in the period shown.

The Minneapolis FEMW as a percentage of the median hourly wage of nonfarm workers (in the Twin Cities metro area) follows a similar trend (for the period for which it is available) to the Minneapolis FEMW as a percentage of average hourly earnings of production workers in manufacturing (in the Twin Cities metro area).

## Appendix

**Figure A-1**

**Full minimum wage, Minnesota and the United States, 1968-2018**

| New minimum wage level |                   |               | New minimum wage level |                   |               |                 |
|------------------------|-------------------|---------------|------------------------|-------------------|---------------|-----------------|
| Effective date         | United States [1] | Minnesota [2] | Effective date         | United States [1] | Minnesota [2] | Minneapolis [3] |
|                        | 2/1/68            | \$1.60        |                        |                   | 4/1/90        | \$3.80          |
| 1/1/74                 |                   | \$1.80        | 1/1/91                 |                   | \$4.25        |                 |
| 5/1/74                 | \$2.00            |               | 4/1/91                 | \$4.25            |               |                 |
| 1/1/75                 | \$2.10            |               | 10/1/96                | \$4.75            |               |                 |
| 1/1/76                 | \$2.30            |               | 9/1/97                 | \$5.15            | \$5.15        |                 |
| 10/1/76                |                   | \$2.10        | 8/1/05                 |                   | \$6.15        |                 |
| 9/15/77                |                   | \$2.30        | 7/24/07                | \$5.85            |               |                 |
| 1/1/78                 | \$2.65            |               | 7/24/08                | \$6.55            |               |                 |
| 1/1/79                 | \$2.90            |               | 7/24/09                | \$7.25            |               |                 |
| 1/1/80                 | \$3.10            | \$2.90        | 8/1/14                 |                   | \$8.00        |                 |
| 1/1/81                 | \$3.35            | \$3.10        | 8/1/15                 |                   | \$9.00        |                 |
| 1/1/82                 |                   | \$3.35        | 8/1/16                 |                   | \$9.50        |                 |
| 1/1/88                 |                   | \$3.55        | 1/1/18                 |                   | \$9.65        | \$10.00         |
| 1/1/89                 |                   | \$3.85        | 7/1/18                 |                   |               | \$11.25         |
| 1/1/90                 |                   | \$3.95        |                        |                   |               |                 |

1. Data for the United States is from the U.S. Department of Labor ([www.dol.gov/whd/minwage/chart.htm](http://www.dol.gov/whd/minwage/chart.htm)).
2. Data for Minnesota is from internal records at DLI and Minnesota Statutes § 177.24, subd. 1. Minnesota's first minimum wage took effect Jan. 1, 1974.
3. Data for Minneapolis is from <http://minimumwage.minneapolismn.gov>.

**Figure A-2**

**Full-time annual earnings at the full effective minimum wage in Minnesota, inflation-adjusted, 1970-2018 [1]**

| Year [4] | Full minimum wage [2]      |                            |                              | Inflation-adjusted full-time annual earnings (2018 dollars) [3] |              |                               |                                 |                                 |                |          |
|----------|----------------------------|----------------------------|------------------------------|---|--------------|-------------------------------|---------------------------------|---------------------------------|----------------|----------|
|          | United States minimum wage | Minnesota minimum wage [5] | Minneapolis minimum wage [6] | Effective minimum wage [7]                                      |              | At United States minimum wage |                                 | At Minneapolis minimum wage [7] |                |          |
|          |                            |                            |                              | Outside Minnesota   | In Minnesota | At United States minimum wage | At Minneapolis minimum wage [5] | Outside Minnesota               | In Minneapolis |          |
| 1970     | \$1.60                     |                            |                              | \$1.60  | \$1.60       | \$21,800                      |                                 |                                 | \$21,800       | \$21,800 |
| 1975     | \$2.10                     | \$1.80                     |                              | \$2.10  | \$2.10       | \$20,900                      | \$17,900                        |                                 | \$20,900       | \$20,900 |
| 1980     | \$3.10                     | \$2.90                     |                              | \$3.10  | \$3.10       | \$20,000                      | \$18,700                        |                                 | \$20,000       | \$20,000 |
| 1985     | \$3.35                     | \$3.35                     |                              | \$3.35  | \$3.35       | \$15,900                      | \$15,900                        |                                 | \$15,900       | \$15,900 |
| 1990     | \$3.80                     | \$3.95                     |                              | \$3.95  | \$3.95       | \$15,200                      | \$15,800                        |                                 | \$15,800       | \$15,800 |
| 1995     | \$4.25                     | \$4.25                     |                              | \$4.25  | \$4.25       | \$14,700                      | \$14,700                        |                                 | \$14,700       | \$14,700 |
| 2000     | \$5.15                     | \$5.15                     |                              | \$5.15  | \$5.15       | \$15,400                      | \$15,400                        |                                 | \$15,400       | \$15,400 |
| 2005     | \$5.15                     | \$6.15                     |                              | \$6.15  | \$6.15       | \$13,600                      | \$16,200                        |                                 | \$16,200       | \$16,200 |
| 2010     | \$7.25                     | \$6.15                     |                              | \$7.25  | \$7.25       | \$17,400                      | \$14,800                        |                                 | \$17,400       | \$17,400 |
| 2015     | \$7.25                     | \$9.00                     |                              | \$9.00  | \$9.00       | \$16,000                      | \$19,800                        |                                 | \$19,800       | \$19,800 |
| 2018     | \$7.25                     | \$9.65                     | \$11.25                      | \$9.65  | \$11.25      | \$15,100                      | \$20,100                        | \$23,400                        | \$20,100       | \$23,400 |

1. Data from Figure 1. The notes in that figure apply.
2. Not inflation-adjusted. The full minimum wage is the minimum that applies without reductions for such factors as worker age or employer size.
3. The inflation-adjusted full minimum wage was translated to inflation-adjusted full-time annual earnings using an annual hours figure of 2,080.
4. The minimum wage shown for each year, and used to compute annual earnings, is the level in effect on Dec. 31 of that year.
5. Minnesota's first minimum wage took effect Jan. 1, 1974.
6. Minneapolis' first minimum wage took effect Jan. 1, 2018.
7. The effective minimum wage is the highest of the federal, state and local minimum wages.

**Contact**

For more information, contact David Berry at [david.berry@state.mn.us](mailto:david.berry@state.mn.us) or 651-284-5208.

<sup>1</sup>With some exceptions, federal law exempts workers whose employers have less than \$500,000 in annual revenue; Minnesota provides a lower minimum wage for these "small" employers. As of Jan. 1, 2018, the Minnesota small-employer minimum was \$7.87 an hour. For workers younger than age 20, both federal and state law provide a lower minimum during the first 90 consecutive days of employment. Minnesota also provides a lower minimum for workers younger than age 18 regardless of length of employment. As of Jan. 1, 2018, the Minnesota "youth minimum" was \$7.87 an hour. Minneapolis provides a lower minimum wage for employers with 100 or fewer employees than for larger employers. As of July 1, 2018, this lower minimum for small employers was \$10.25 an hour.

Unlike the federal minimum wage, the Minnesota minimum is adjusted annually for inflation in January. The Minneapolis large-employer minimum is being raised in annual steps until it reaches \$15.00 an hour on July 1, 2022, and will be adjusted for inflation every January thereafter. The Minneapolis small-employer minimum is also being raised in annual steps until it is equal to the large-employer minimum as of July 1, 2024, with annual inflation-adjustment thereafter.

See <http://minimumwage.minneapolismn.gov>.

<sup>2</sup>See Appendix Figure A-1 for a listing of the actual minimum-wage values behind Figure 1.

<sup>3</sup>See Appendix Figure A-2 for a listing of the data values behind Figure 2.

<sup>4</sup>The effective minimum-wage level is the higher of the state and federal levels.

<sup>5</sup>For Minnesota, average hourly earnings for the overall nonfarm economy are unavailable for the period concerned here; therefore, hourly earnings of production workers in manufacturing are used instead as the basis against which to gauge the growth of the minimum wage during the past several decades. For the United States, for the period concerned, average hourly earnings of production workers in manufacturing followed a similar trend to average hourly earnings of all production and supervisory workers. Manufacturing accounted for 15.4 percent of all hourly workers in Minnesota from August 2016 to July 2017, making it Minnesota's largest industry by number of workers. The two earnings indices are unavailable for the non-Minneapolis portion of the state.