

Percent of food-prep & serving jobs that pay < \$9.50

MT 68%



ND 59%

Source: Bureau of Labor Statistics

Minimum wage from page 3

## Not all minimum wage jobs are created equal

Federal regulations include exemptions that allow employers to pay certain types of workers less than the minimum wage, including youth and farm workers. But the largest population is workers at restaurants and bars who also receive tips. Federal law allows employers to pay these workers \$2.13 an hour, though states are allowed to set their own rules. Minnesota and Montana are two of just seven states that do not allow employers to pay tipped workers less than minimum wage.

### Minimum wages in Ninth District states

	Minimum wage	Cost of living adjustment?	State minimum tied to federal minimum	Minimum wage for tipped workers <sup>2</sup>	Tip credit against minimum wage <sup>5</sup>
Minnesota	\$ 9.50 <sup>1</sup>	Yes	No	\$ 7.25	n/a
Montana	\$ 7.90	Yes	No	\$ 7.90 <sup>3</sup>	n/a
North Dakota	\$ 7.25	No	No	\$ 4.86	\$ 2.39 <sup>6</sup>
South Dakota	\$ 7.25	No	No	\$ 2.13	\$ 5.13 <sup>7</sup>
Wisconsin	\$ 7.25	No	No	\$ 2.33 <sup>4</sup>	\$ 4.92
United States	\$ 7.25	14 states	13 states	\$ 2.13	\$ 5.13

<sup>1</sup> Passed in 2014, fully implemented by 2016.

<sup>2</sup> Federal definition — must earn \$30 in tips or commissions in a month, though some states do not specify the amount.

<sup>3</sup> In Montana, establishments with less than \$110,000 in receipts are allowed to pay \$4.00/hour.

<sup>4</sup> In Wisconsin, minimum wage for tipped workers under 20 is \$2.13.

<sup>5</sup> Tip credit against minimum wage is the amount employers are allowed to claim against payroll for tax purposes.

<sup>6</sup> In North Dakota, tip credit is 33 percent of prevailing minimum wage.

<sup>7</sup> In South Dakota, the listed maximum tip credit includes allowable amount for tips, food and lodging combined, not tips alone.

Source: U.S. Department of Labor

Many states, even those with minimums higher than the federal level, are not standing pat. The National Conference of State Legislatures reports that 34 states have considered or are currently considering increases to the state minimum wage. The National Employment Law Project estimates that 120 cities nationwide have enacted rules requiring higher wages for businesses, though many target only businesses that receive public contracts.

In South Dakota, a measure to increase the state's minimum wage is on the November 2014 ballot as an initiated state statute. If passed by the electorate, the measure would automatically increase the minimum wage from \$7.25 per hour to \$8.50 beginning Jan. 1, 2015, and would include an annual cost-of-living adjustment. The measure also would set the wage of tipped workers at half that of the minimum wage, raising that hourly pay from \$2.13 to \$4.25.

These widespread efforts have given rise to more research on the effect of

higher minimums on workforce earnings. For example, a report earlier this year by the Congressional Budget Office found that a \$10.10 minimum would push up earnings for more than 16 million workers—about 12 percent of all job holders. A December study by the Economic Policy Institute came to a similar conclusion. (Studies like the CBO's also discuss potential negative effects on total employment; the CBO, for example, estimates that a \$10.10 minimum would lower total employment by a half million workers. A full analysis of these employment trade-offs is outside the scope of this article.)

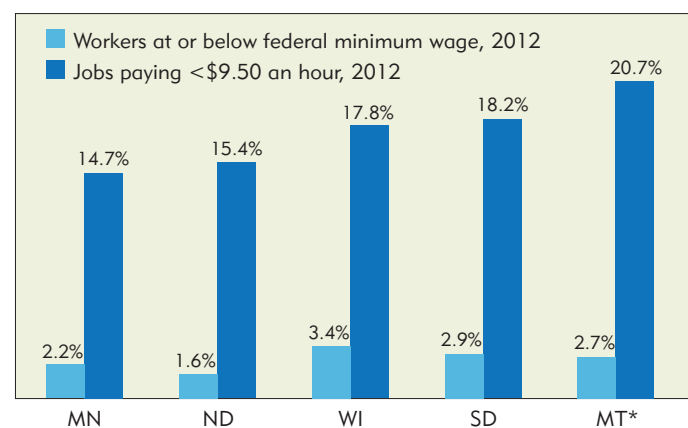
## The more, the merrier?

Other state-level data suggest similar earnings effects on low-wage workers. A December study by the Minnesota Department of Employment and Economic Development investigated the number of jobs paying less than \$9.50 an hour using the federal Occupational Employment

Chart 7

### Not a lot at minimum wage, but many just above it

Low-wage workers in Ninth District states, as a percent of total employment



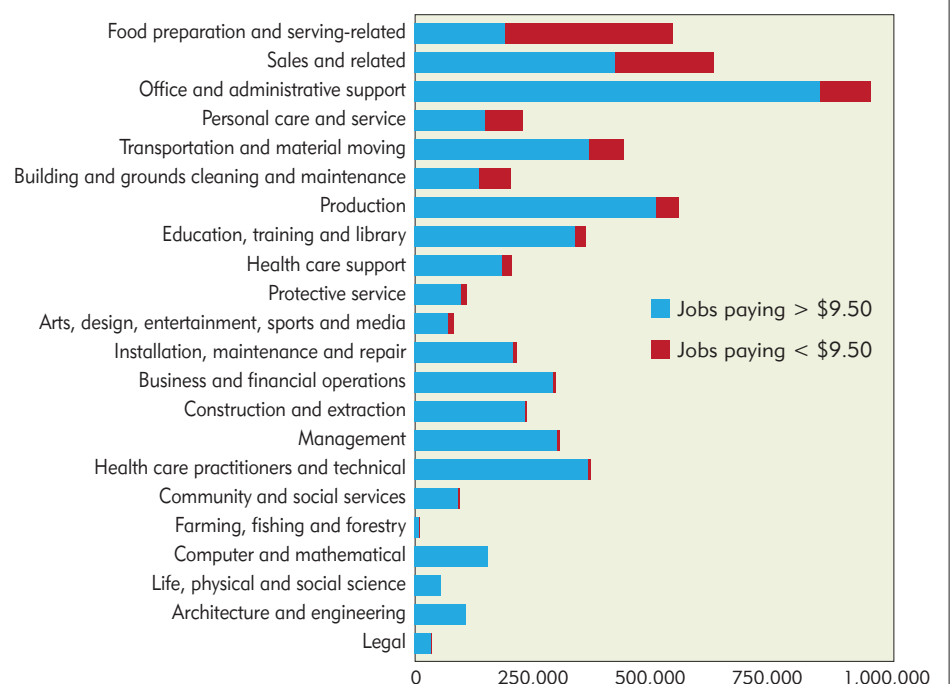
\*Montana's percentage of minimum wage workers is calculated separately from state (not federal) data given the state's minimum wage in 2013 of \$7.80. BLS estimates for workers at or below minimum wage at the state level are lower than estimates made by some state labor offices (e.g., Minnesota). However, most states do not publish minimum wage worker estimates, so BLS data for states were used for consistency.

Sources: Bureau of Labor Statistics for minimum wage estimates; state labor information offices for jobs paying < \$9.50

Chart 8

### Food, retail and office jobs dominate low-wage jobs

Employment by occupation and wage  
Ninth District states\* (cumulative, 2012)



\*Minnesota, Montana, North Dakota, South Dakota, Wisconsin

Source: Special tabulations of the BLS Occupational Employment Statistics by labor market information offices in each Ninth District state

Survey (OES), which is administered by state labor agencies. It found 388,000 such jobs in Minnesota in the first quarter 2013, or 14.7 percent of total employment. It also found considerable regional variation, from a low of 12.5 percent of total employment in the Twin Cities met-

ro to almost 20 percent in northeast and southwest regions of the state.

At the request of the *fedgazette*, state labor information offices in other district states provided similar state-level OES data on jobs paying less than \$9.50. Across the district in 2012, the