

# Minimum Wage Research

Custom Research for Private Company, Inc.

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Outside Knowledge

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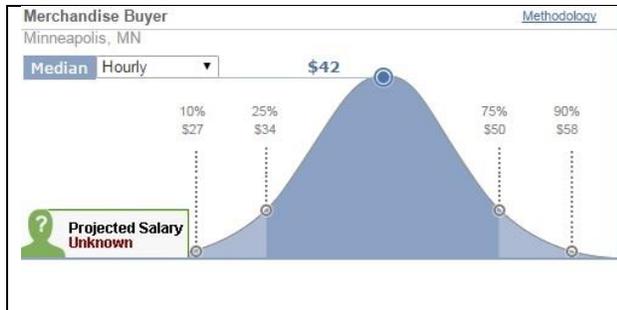


## Summary:

- Divided perspectives on minimum wage increases:
  - Some believe it will force closure
  - Others believe keeping employees happy and invested in company equals low turnover and better customer service, which in turn creates higher profit
  
- Many small businesses already are paying more than minimum wage.
  
- Small businesses are more likely to raise prices (as much as 30%) to offset increased wages, rather than reducing the workforce or cutting hours.
  
- Incremental increases in pay expected as a build-up to new legislation
  - The majority of small business owners support increasing the federal minimum wage to \$10.10 per hour and adjusting it yearly to reflect the cost of living: 57% of small business owners support increasing the federal minimum wage of \$7.25 in three stages over two and a half years to \$10.10, and believe that it should be adjusted annually to keep pace with the cost of living.
  
- Starting on August 1, 2014, Minnesota will match federal definitions for small and large employers.
  - Large employers have gross sales over **\$500,000** and **small employers have gross sales under that amount.**
  - This replaces the previous state definition that set \$625,000 as the dividing line between large and smaller employers.
  - Minnesota's minimum wage law covers full-time and part-time employees, whether they are hourly, salaried or commissioned.  
<http://www.mnbudgetproject.org/research-analysis/economic-security/poverty-income/about-the-minimum-wage>
  
- If more than one minimum wage (federal or state) applies, the employee must be paid the highest minimum wage.
  
- **Minimum wage rates apply to all hours worked, whether part time or full time.**

Pay Rates	
<b>Provision</b>	<b>New law - Minnesota</b>
Large employer wage	\$8.00/hour on Aug. 1, 2014 \$9.00/hour on Aug. 1, 2015 \$9.50/hour on Aug. 1, 2016
Small employer wage	\$6.50/hour on Aug. 1, 2014 \$7.25/hour on Aug. 1, 2015 \$7.75/hour on Aug. 1, 2016
90-day training wage (under 20 years of age)	\$6.50/hour on Aug. 1, 2014 \$7.25/hour on Aug. 1, 2015 \$7.75/hour on Aug. 1, 2016
Youth wage (under 18 years of age)	\$6.50/hour on Aug. 1, 2014* federal minimum may apply \$7.25/hour on Aug. 1, 2015 \$7.75/hour on Aug. 1, 2016
Inflation increase	Inflation indexing begins Jan. 1, 2018
<a href="http://www.dli.mn.gov/LS/minwage.asp">http://www.dli.mn.gov/LS/minwage.asp</a>	

Average Weekly Wages	Industry	Ownership	Year	Q1	Q2	Q3
Hennepin County	Health and Personal Care Stores (446)	Private	2014	\$728	\$756	\$685
Hennepin County	Women's Clothing Stores (44812)	Private	2014	\$315	\$319	\$327
Hennepin County	Shoe Stores (4482)	Private	2014	\$386	\$395	\$398
<a href="https://apps.deed.state.mn.us/lmi/qcew/ResultsDisp.aspx">https://apps.deed.state.mn.us/lmi/qcew/ResultsDisp.aspx</a>						



## Resources:

- <http://www.raisetheminimumwage.com/pages/qanda>
- [http://www.dli.mn.gov/LS/Pdf/minwage\\_er\\_rates.pdf](http://www.dli.mn.gov/LS/Pdf/minwage_er_rates.pdf)
- [http://www.bls.gov/oes/current/oes\\_mn.htm#41-0000](http://www.bls.gov/oes/current/oes_mn.htm#41-0000)
- <http://www.mnbudgetproject.org/research-analysis/economic-security/poverty-income/about-the-minimum-wage>

- Walmart announced that it will raise all of its full-time and part-time employees' pay to at least \$9 an hour starting in April. The lowest wage will rise to \$10 an hour by February 2016.  
[www.thinkprogress.org](http://www.thinkprogress.org)

- Entrepreneurs understand the economic benefits raising the minimum wage can deliver, and they believe it will be good for business and the economy. The vast majority of small business owners already pay all of their employees more than minimum wage, indicating that small businesses recognize the benefits of investing in higher wages for a more productive and stable workforce.
- On top of the fact that small businesses agree we need to raise the minimum wage to \$10.10 per hour and move forward with yearly adjustments based on inflation, they also believe that doing so will positively impact small firms by providing consumers with more purchasing power. More demand for small businesses' goods and services is the driving force behind their growth, and if we can provide small firms with increased demand, they will be more likely to expand and create new jobs.  
<http://www.smallbusinessmajority.org/small-business-research/minimum-wage/small-business-support-increasing-minimum-wage.php>

- Studies have repeatedly concluded that while small minimum wage hikes may result in relatively few job losses, they ultimately come at a cost to the workers who keep their job and to low-skilled workers who can't find a job. When employers are faced with increased mandated labor costs, they invariably find ways to cut other labor costs. In response to a moderately higher minimum wage, employers often reduce benefits or reduce hours.  
<http://washingtonpolicy.org/sites/default/files/Shannon%20Job%20Growth.pdf>

- A wage of \$9.50 per hour translates to \$19,760 for a full-time worker.  
<http://watchdog.org/137884/minnesota-minimum-wage-hike/>

- **Employers may respond to a higher minimum wage by passing on the added costs to consumers in the form of higher prices.**
- **In a purely competitive economy, where all firms are experiencing the same increase in labor costs in response to a minimum-wage increase, economic theory predicts that at least a portion of the cost increase will be passed through to consumers.**

- Sara Lemos has conducted a comprehensive review of the 30 or so academic papers on the price effects of the minimum wage. She concludes: "Despite the different methodologies, data periods and data sources, most studies reviewed above found that a 10% US minimum wage increase raises food prices by no more than 4% and overall prices by no more than 0.4%"; and "[t]he main policy recommendation deriving from such findings is that policy makers can use the minimum wage to increase the wages of the poor, without destroying too many jobs or causing too much inflation."
- Neumark and Wascher agree with Lemos's assessment about the likely price effects (while disagreeing with her conclusions about the overall usefulness of the minimum wage): "Both because of the relatively small share of production costs accounted for by minimum wage labor and because of the limited spillovers from a minimum wage increase to wages of other workers, the effect of a minimum wage increase on the overall price level is likely to be small."<sup>64</sup>
- Other recent research by Daniel Aaronson, Eric French, and James MacDonald on restaurant pricing, a sector with a high share of low-wage workers suggests that the price effects are likely to be lower than the upper bounds suggested by Lemos. Aaronson, French, and MacDonald "find that a 10 percent increase in the minimum wage increases prices by roughly 0.7 percent."  
<http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>