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The Minimum Wage Hike Initiatives

Legal Update

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Minimum wage hike initiatives continue to garner press attention and momentum nationwide. Lobbying and pressure on the national, state and local levels continues, and a growing number of states and cities have responded. Some states - including Arizona, California, New York, Oregon, Vermont, and Washington - have already raised their minimum wage to \$10 or above and have instituted lock-step increases over the next years to higher levels. The District of Columbia has taken a similar approach. Major cities - including Chicago, Flagstaff, Los Angeles, San Diego, San Francisco, San Jose, Portland (ME), New York, and Seattle - are also leading the charge with minimum wage increases of \$10 or more and additional scheduled increases in the coming years. In addition, a number of major companies - most recently Target Corporation - have independently taken steps to raise the minimum wage in their workforces.

Minneapolis has recently joined the pack taking the lock-step increase approach. St. Paul is also now considering the issue.

On June 30, 2017, the Minneapolis City Council passed an ordinance raising minimum wage rates over a seven-year period, ultimately to a minimum wage rate of \$15 an hour by July 2024 for all covered employers. The first minimum wage increases go into effect for large employers on January 1, 2018, and for small employers on July 1, 2018.

Which Employers are Covered?

The ordinance applies to private employers with one or more employees and to the City of Minneapolis. The applicable minimum wage rates and effective dates, depending on the size of the employer, are set forth in the chart below.

Employers who have subminimum wage certificates for workers with disabilities are exempt as to those workers.

Which Employees are Covered?

Employees are entitled to the minimum wage rates under the ordinance for all time worked within the geographic boundaries of Minneapolis. An employee who is typically based outside of the city and who performs work in the city on an occasional basis is covered by the ordinance if the employee in a particular week works at least two hours in the city. Time spent traveling through the city, with no employment-related or commercial stops, does not count as time worked within the city.

Special rates apply to youths in city-approved training programs for their first 90 days of employment and for employees with disabilities covered by subminimum wage certificates.

Independent contractors are not covered.

What Wage is Required?

The Minneapolis ordinance provides for annual lock-step rate increases until the \$15 minimum wage rate is achieved for large businesses effective July 1, 2022, and for small businesses effective July 1, 2024. The base wage rates are as follows:

Date

Large Business (more than 100 employees)

Small Business (100 or fewer employees)

January 1, 2018

\$10.00 an hour

No required increase

July 1, 2018

\$11.25 an hour

\$10.25 an hour

July 1, 2019

\$12.25 an hour

\$11.00 an hour

July 1, 2020

\$13.25 an hour

\$11.75 an hour

July 1, 2021

\$14.25 an hour

\$12.50 an hour

July 1, 2022

\$15.00 an hour

\$13.50 an hour

July 1, 2023

\$15.00 an hour plus adjustment for inflation

\$14.50 an hour

July 1, 2024 forward

\$15.00 an hour plus adjustment for inflation

\$15.00 an hour plus adjustment for inflation

Employers may not offset gratuities their employees receive against the hourly minimum wage requirement.

For purposes of determining large or small business status of an employer, all employees are counted, including employees who work outside the city. The business size is determined based on the average number of employees who worked for the employer during the previous calendar year. For new businesses, the business size is determined based upon the average number of employees during the first 90 days after the first employee begins work. Franchisee employers that are part of a franchise with more than 10 locations nationwide are considered large businesses.

Are There Additional Requirements and Protections?

The ordinance has a number of additional requirements and protections, including posting and record-retention requirements. The ordinance also contains broad protections against retaliation and provides a process for enforcement of rights and the assessment of damages and penalties in the event of a violation.