

Minimum wage is on the rise

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It's official. Come August, the Minnesota minimum wage is going up. Governor Mark Dayton signed an increase to the minimum wage into law. It will rise to \$8 per hour in August, and by 2016 it will reach \$9.50. The new law also pegs the minimum wage to inflation, so it will regularly increase without legislative action. So how will your business be affected?

The Minnesota minimum wage is currently \$6.15 per hour, one of the lowest rates in the country. Because it's less than the federal minimum wage, most employers are required to pay their employees at the national rate of \$7.25 per hour. Once the increased state minimum wage takes effect, employers will be required to pay workers at the new, higher Minnesota rate.

The minimum wage be implemented gradually, going up every August for the next three years. In 2014 it will increase to \$8.00 per hour, in 2015 to \$9.00 per hour, and in 2016 to \$9.50 per hour.

The last time the state minimum wage went up was 2005, but you shouldn't

expect the new rate to be the law of the land for the next decade. In a new move, the legislature decided to peg the minimum wage to inflation. Beginning in 2018, the minimum wage will increase once a year by the rate of inflation. However, it will never increase by more than 2.5 percent, and the Department of Labor and Industry will be able to suspend automatic increases if economic data indicates the "potential for a substantial downturn in the state's economy."

About 350,000 Minnesota workers currently earn less than \$9.50 an hour, and should see their pay increase as the minimum wage does. Even some employees that earn \$9.50 are expected to see wages increases as businesses begin offering higher pay in order to compete with other employers.

Are there exceptions?

Yes, but they are limited. The new law will increase the minimum wage for the majority of workers, but there are a few exceptions.

Small employers currently have a lower minimum wage than their large competitors, and this will still be true

| Date of Increase | Big Employer Minimum (over \$500,000 gross) | Small Employer Minimum (under \$500,000 gross) |
|-------------------------------------|--|---|
| August 1, 2014 | \$8.00 | \$6.50 |
| August 1, 2015 | \$9.00 | \$7.25 |
| August 1, 2016 | \$9.50 | \$7.75 |
| January 1, 2018 – onward | Inflation based increase not more than 2.5 percent | Inflation based increase not more than 2.5 percent |

once the new law kicks in. Under current Minnesota law, any employer with an annual gross volume of sales less than \$625,000 is considered a small employer and is only required to pay employees \$5.25 per hour. The new law limits the gross sales small employers can make to \$500,000 (in line with the federal standard). It also increases the minimum wage for employees at those companies to \$6.50 in 2014, \$7.25 in 2015, and \$7.75 in 2016.

There is also an exemption to the law for a training period for teen employees. During the first 90 days of employment, businesses can pay workers under 20 years old below the minimum wage. The training wage is currently \$4.90 per hour. Once the new law goes into effect in August, it will be the same as the small business minimum wage, reaching \$7.75 per hour in 2016. (It should be noted that the law bans displaying regular employ-

ees by hiring workers at the training wage.)

Although it's unlikely any of the exemptions will apply to your business, there are many other specific categories of workers that are not covered by minimum wage laws—from elected officials to babysitters to seasonal circus workers.

This article provides general information on employment law and does not list all prohibitions, exclusions and regulations.

Do not rely upon this article as legal advice. A qualified attorney must analyze all relevant facts and apply the applicable law to any matter before legal advice can be given. If you would like more information regarding employment law or other legal matters, please contact Patrick McGuinness at Zlimen & McGuinness, PLLC at 651-206-3203 or pmcguinness@zmat-torneys.com