Minnesota makes history with largest minimum wage hike

- Article by: Baird Helgeson
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Gov. Mark Dayton signed into law the largest minimum wage increase in state history Monday, giving raises to more than 325,000 Minnesotans and making good on a signature Democratic pledge during an election year.

The move to a $9.50 base hourly wage catapults the state from one of the lowest minimum wages to one of the highest once it is fully phased in by 2016. The state's base wage will be tied to inflation starting in 2018, ensuring the buying power of the state's lowest-paid workers keeps better pace with the cost of living.

"Minnesotans who work full time should be able to earn enough money to lift their families out of poverty, and through hard work and additional training, achieve the middle-class American dream," the DFL governor said, surrounded by legislators, workers and labor leaders at a ceremonial bill-signing in the State Capitol rotunda. "These are people, good Minnesotans all over the state, who just want to work and get paid something that is fair."cfcvfa

The sharp wage hike puts Minnesota at the forefront of a major initiative by President Obama, who has failed to persuade Congress to raise the federal minimum wage to $10.10 and instead is pressing his case state by state. The first wave of increase starts Aug. 1, when Minnesota's minimum wage rises to $8 per hour.

"I applaud Governor Dayton and the Minnesota Legislature for increasing their state's minimum wage and giving more hardworking Minnesotans the raise they deserve," President Obama said in a statement.

The mandatory pay raise has angered some Republicans and business owners who say the higher wage could force them to lay off workers and become a drag on the state's economic recovery.

"It's really frustrating for me," said Joe Harms, an owner of Mississippi Pub, a riverfront bar and restaurant in Inver Grove Heights. "They are ramming it down everybody's throat. Now I have to look at my expenses and see how many hours I can give out."

Alleviating financial stresses

Minnesotans who are making the state's minimum wage say the raise will alleviate some of the financial strain of living on so little.

"I have always been in this struggle to earn a better wage," said Lucila Dominguez Velasquez, who works in the cleaning industry. "The cost of food, of rent, public transportation have always been going up."

Rachel Shelton, of New Hope, worked for years at or near the minimum wage.

"Fifty to $100 a month might not seem like a lot to most people, but it helps to pay your food and helps to pay your rent on time," said Shelton, 49. "It means a lot. It can save you a lot of sleepless nights, because it is always such a struggle."

The struggle to pass the measure into law created a rift among DFLers who control the House and Senate. Some DFLers from outstate Minnesota worried that tying the minimum wage to inflation could send labor costs spiraling and put a chokehold on already struggling businesses, particularly in border communities.
Democrats eventually brokered a deal under enormous pressure from labor leaders and activists, along with poll after poll showing strong public support for the increase. To appease concerns about runaway wage hikes, Democrats agreed to give state leaders the power to suspend the automatic increases if the economy sours.

“We believe that all Minnesotans deserve the dignity of supporting themselves and their families through hard work,” said state Rep. Ryan Winkler, DFL-Golden Valley, who was a chief negotiator of the minimum wage effort. “Raising the minimum wage and indexing it to inflation is an important step to create a rising floor for all wages that will benefit hundreds of thousands of Minnesotans who work hard and deserve to get ahead.”

At $6.15 per hour, Minnesota has one of the lowest minimum wages in the nation, lower than neighboring Wisconsin, Iowa, North Dakota and South Dakota. Minnesota is one of only four states with a minimum wage below the national rate of $7.25 per hour.

State officials estimate that the $9.50 base wage will put an additional $472 million in the pockets of Minnesota’s lowest-wage workers each year. Supporters say the increase in consumer spending is expected to help local businesses in communities across the state, and provide a secondary boost to Minnesota’s economy.

‘Lift up the working poor’

“Today represents a big step forward for low-wage workers in our community,” said Sen. Jeff Hayden, DFL-Minneapolis, who was a chief supporter of the wage-hike measure. “We rely on these workers every day, yet many of them cannot support their own families. Raising the minimum wage is part of a larger effort to lift up the working poor and ensure all Minnesotans have the opportunity to earn enough to get by.”

A Minnesotan who earns $6.15 per hour working full time earns an annual salary of $12,792 — about $7,000 below the poverty line. Raising the minimum wage to $9.50 per hour brings that same worker’s salary within $30 of closing that gap.

To help small businesses, the new law establishes lower minimum wage requirements for small employers and young workers. The minimum hourly wage for smaller employers in the state will top out at $7.75 in 2016.

Some Republicans have threatened to rescind the higher wage if they return to power at the Capitol, saying the higher wage will be a blow to the economy.

“After weeks of political backroom dealing, Democrats finally reached a deal that will take more money from Minnesota businesses and put thousands of Minnesotans out of work,” said state Rep. Pat Garofalo, R-Farmington.

Dayton sharply criticized Republicans and some business groups who say the higher wage could drive some businesses to leave the state.

“The opposite is true,” Dayton said, noting that Minnesota businesses created 155,000 new jobs since he took office more than three years ago. These employers and the people who are working “speak louder than the empty political rhetoric.”

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Living Wage Calculator

Search for the Living Wage Calculator: livingwage.mit.edu

1. Locate the current minimum wage and living wage for the area of Florida Nickel and Dimed focuses on in Chapter 1. You choose the family structure you would like to.

   Number of people ______
   Minimum Wage ________ Living Wage ________
   What is the cost of food?
   What is the cost of housing?
   What is the cost of transportation?
   What is the cost of medical care?

2. Locate the information for this area of Minnesota...

   Number of people ______
   Minimum Wage ________ Living Wage ________
   What is the cost of food?
   What is the cost of housing?
   What is the cost of transportation?
   What is the cost of medical care?

3. Do some research...what part of the country has the least expensive costs for basic needs?

   Number of people ______
   Number of people ______
   Minimum Wage ________ Living Wage ________
   What is the cost of food?
   What is the cost of housing?
   What is the cost of transportation?
   What is the cost of medical care?
   Location: ________________________  State
Jigsaw Activity Summary Sheet

Maximum Divide on Minimum Wage
Minnesota Makes History with Largest Minimum Wage Hike

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<tr>
<th>Maximum Divide Pros/Cons</th>
<th>Maximum Divide Increase History/Legislature</th>
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After learning about the other readings, what connections can you make from one article to another? What differences? How does this relate to your understanding of minimum wage and budgeting in *Nickel and Dimed*?