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# Minnesota Minimum-wage Report, 2024

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December 2024

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## Introduction and summary

Minnesota’s minimum wage has gone through several legislative changes since it took effect in 1974. In 2005, Minnesota began a series of minimum-wage increases, raising the full state minimum wage from \$5.15 to \$6.15 an hour.<sup>1</sup> From July 2009 through July 2013, the full effective minimum wage was the federal rate of \$7.25 an hour, because the state rate was \$6.15. In 2014, legislation was passed to incrementally increase the full state minimum wage (for large employers), raising it to \$8.00 an hour effective Aug. 1, 2014, to \$9.00 an hour effective Aug. 1, 2015, and to \$9.50 an hour, effective Aug. 1, 2016. A lower rate applied for small-employer and certain youth, training and J-1 visa worker minimum wages. Beginning Jan. 1, 2018, minimum-wage rates were annually indexed for inflation, with annual increases capped at 2.5%. The most recent legislative changes in 2024 increased the cap on inflation-indexing to 5% and eliminated the lower tier minimum wages for small-employers, youth under the age of 18 and J-1 visa workers for hotels, motels and lodging establishments, establishing a single state minimum wage at the large-employer rate. The law retained the lower 90-day training wage for workers under age 20. These changes will take effect Jan. 1, 2025.<sup>2</sup>

In 2018 and 2020, respectively, the cities of Minneapolis and St. Paul introduced their own ordinances that require higher minimum wages than the state rate. With the introduction of municipal minimum wages in Minneapolis and St. Paul (all slated to incrementally reach \$15.00 an hour at various points in the 2020s), minimum wage in Minnesota has become more nuanced, generating considerable discussion and research.<sup>3</sup> The effective minimum wage — the rate employers are required to pay to covered employees — is the highest of any applicable federal, state or local rate.

To understand minimum wages in Minnesota, this report compares municipal minimum wages with the federal and state minimum-wage rates, how these rates have changed and how they will change, relative to prices and other wages over time. This report also addresses the following questions: How does the minimum wage in Minnesota compare to the minimum-wage rates in other states? How have the federal, state and municipal minimum wages changed over time relative to inflation? What proportion of jobs in Minnesota pay the minimum wage or less? Where does the minimum wage stand relative to the poverty level, cost of living and other wages? Some of the data presented in the report is also considered in the context of post-pandemic labor market and inflationary environment.<sup>4</sup>

## Findings

The following is a summary of the report findings. Data sources and methodology are described in [Appendix A](#).

- **Minimum wage in Minnesota compared to other states** — Minnesota is among 34 states and territories in the U.S. that have a minimum wage higher than the federal minimum wage of \$7.25 an hour (Figure 1). Among the 20 states that index their minimum wage for inflation, Minnesota is the only state that uses the Implicit Price Deflator for Personal Consumption Expenditures (PCE) for inflation-indexing. It is also one of four states that have a cap on inflation-indexing.
- **Actual minimum wages for Minnesota, Minneapolis and St. Paul** — The Minnesota minimum wage — \$10.85 an hour for large employers in 2024 — is indexed annually for inflation and will increase to \$11.13 for all employers Jan. 1, 2025. The minimum wages for large employers in Minneapolis and

macro employers in St. Paul reached \$15.57 on Jan. 1, 2024, and indexed for inflation, will increase to \$15.97 Jan. 1, 2025. Minimum wages for small employers in Minneapolis and large employers in St. Paul also reached the same rate July 1, 2024, and will also increase to \$15.97 Jan. 1, 2025. Minimum wages for small and micro employers in St. Paul are \$14.00 and \$12.25 as of July 1, 2024. They will reach \$15.00 in 2025 and 2027, respectively, and will be indexed for inflation thereafter (Figure 2).

- **Actual annual earnings at the minimum wage** — For workers earning the Minnesota minimum hourly wage and working 40 hours a week, annual wages in 2024 are \$22,568 for workers at large employers and \$18,408 for workers at small employers. Effective Jan. 1, 2025, annual wages will be \$23,150 for both large and small employers. As of Jan. 1, 2024, workers at Minneapolis large employers and St. Paul macro employers earn annual full-time wages of \$32,386, which will increase to \$33,218 Jan. 1, 2025. As of July 1, 2024, workers at Minneapolis small employers and St. Paul large employers also earn \$32,386, which will increase to \$33,218 Jan. 1, 2025. Workers at St. Paul small employers earn \$29,120, which will increase to \$31,200 July 1, 2025 (Figure 3).
- **The percentage of jobs at or below the minimum wage** — In 2023, the estimated number of Minnesota jobs paying at or below the minimum wage was around 87,000, or 2.6% of salaried and hourly jobs. The percentage of jobs estimated to be at or below the minimum wage was 6.3% among small employers and 6.0% among large employers in Minneapolis, and 4.4% among small employers and 7.9% among large employers in St. Paul (Figure 4).
- **Inflation-adjusted minimum wages** — Adjusting for inflation, the 2024 Minnesota large-employer minimum wage of \$10.85 an hour is below the average rate of the federal minimum wage for 1960 through 1981, which was equivalent to \$12.37 an hour in 2024 dollars. When the Minneapolis and St. Paul small-employer minimum wages reach \$15.00, they will be higher, adjusting for inflation, than the \$14.42 peak reached by the federal minimum wage in 1968 (Figure 5).
- **Inflation-adjusted annual earnings at the minimum wage** — At the 2024 Minnesota large-employer minimum wage of \$10.85, inflation-adjusted annual earnings for a full-time worker are currently about \$22,568. After the transition periods, full-time annual earnings at the small-employer minimum wages reached \$32,386 in Minneapolis in 2024, and will reach \$32,381 in St. Paul in 2026, in 2024 dollars (Figure 6).
- **The minimum wage relative to the poverty line** — At the Minnesota large-employer minimum wage, full-time annual earnings are above the poverty thresholds for one-person and two-person households, and below the poverty threshold for a three-person household. At the Minneapolis and St. Paul minimum wages for 2028, full-time annual earnings will fall slightly below the poverty threshold for four-person households (Figure 7).
- **The minimum wage relative to living wages** — Based on the MIT Living Wage Calculator, the estimated living wage a worker with no kids would need to earn to afford the basic cost of living is \$21.25 an hour in Minnesota and \$22.49 an hour in the Minneapolis-St. Paul-Bloomington metro area. The estimated

living wage for two adults (one working) with no kids is \$30.24 in Minnesota and \$31.50 in the metro area. The estimated living wage for two adults (one working) with one child is \$36.13 an hour in Minnesota and \$37.55 an hour in the metro area (Figure 8). The estimated living wages exceed the effective minimum wages in Minnesota, Minneapolis and St. Paul in 2024.

- **Households below the poverty level by race/ethnicity** — In Minnesota, 20.6% of Native American households, 18.5% of African American households and 11.6% of Hispanic/Latino households live below the federal poverty level, compared to 4% of white households. African American and Native American households in Minnesota also face a higher poverty rate than the national average for these demographic groups. Additionally, households led by females, with no spouse, are more likely to be below the poverty level in Minnesota. Households led by African American females, with no spouse, have the highest poverty rate, with 36% below the poverty level, followed by Native American females at 31% and Hispanic or Latina females at 28% (Figure 9).
- **The minimum wage relative to hourly earnings in manufacturing** — Relative to average hourly earnings (AHE) of production workers in Minnesota manufacturing, the federal minimum wage peaked at 55% in 1968. At its current rate, the Minnesota minimum wage of \$10.85 is about 38% of manufacturing AHE. After the transition periods in Minneapolis and St. Paul, the \$15.00 small-employer minimum wages in the two cities stand at roughly 55% and 51% of manufacturing AHE, respectively (Figure 10).
- **The minimum wage relative to hourly wages of nonfarm workers** — The 2024 Minnesota large-employer minimum wage of \$10.85, as adjusted for inflation in future years, is running at less than the 10th percentile of hourly wages of nonfarm wage-and-salary workers in Minnesota. After the transition periods in Minneapolis and St. Paul, the small-employer minimum wages in those cities are expected to remain at or below the 10th percentile of overall nonfarm wages in the state. (Figure 11).

## Minimum-wage rates in Minnesota and recent changes to state minimum-wage law

As of Jan. 1, 2024, the Minnesota statewide minimum wage is \$10.85 for large employers and \$8.85 for small employers. The state minimum-wage law was revised in 2024 to eliminate the lower minimum wages for small employers, youth under the age of 18 and J-1 visa workers. The law retained the 90-day training wage for workers under age 20. Under the revised [Minnesota Statutes § 177.24 \(chapter 110, article 6, section 3\)](#), effective Jan. 1, 2025, the state's minimum-wage rates will be indexed for inflation, increasing to \$11.13 for all employers, including large employers, small employers, youth and J-1 visa wages for hotels, motels and lodging establishments. Elimination of the lower tier wages, along with inflation-indexing, results in a 26% increase in the small-employer, youth and J-1 visa minimum wages. The 90-day training wage for workers under age 20 will increase from its current rate of \$8.85 to \$9.08.

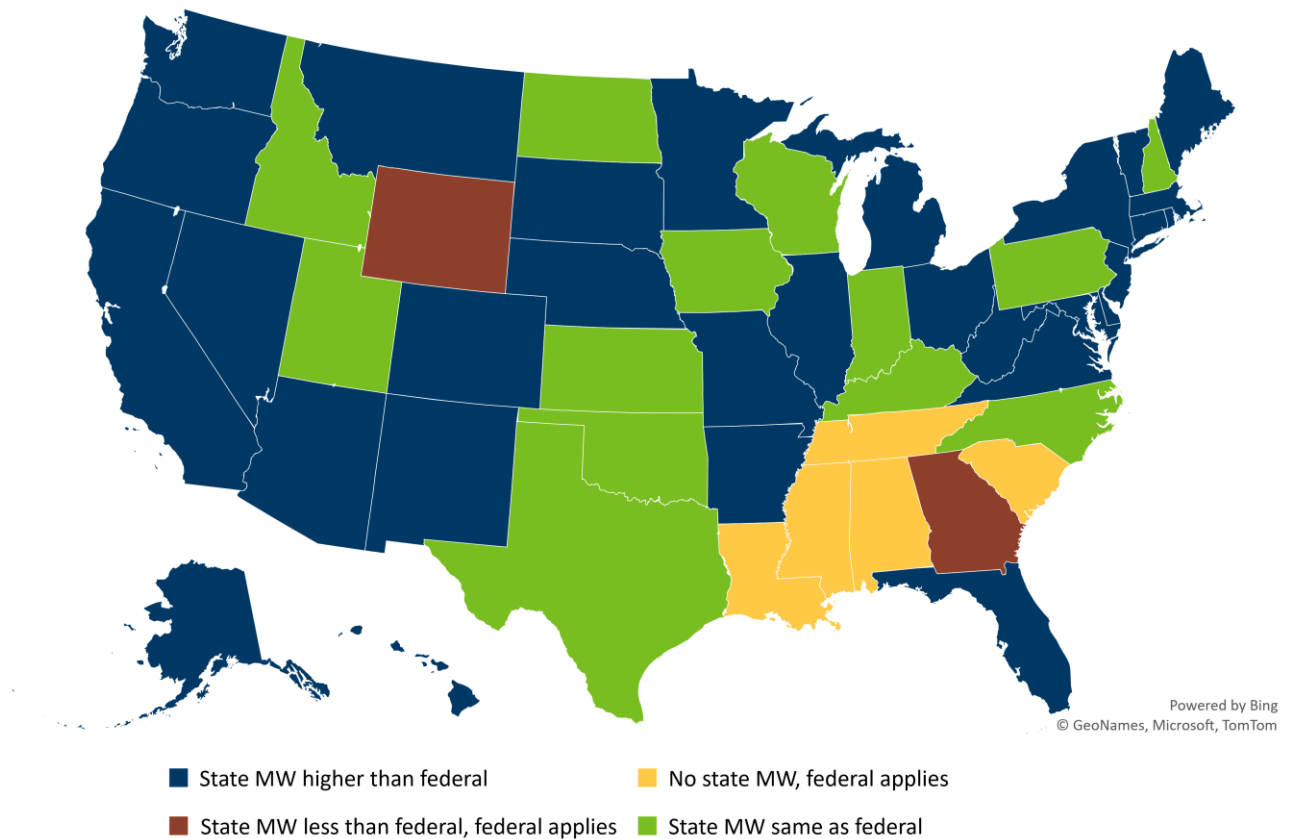
The law revision also increased the cap on annual inflation-indexing. Since Jan. 1, 2018, the state minimum-wage rate has been annually indexed to inflation, using the annual percent change in the PCE. The inflation increase was capped at 2.5%. The 2024 law change raised the inflation cap from 2.5% to 5% for the subsequent years. The minimum wages effective Jan. 1, 2025 will reflect a 2.6% inflation increase.

## Minimum wage in Minnesota compared to the rest of the United States

Minnesota is one of the 34 states and territories that have a minimum wage higher than the federal minimum wage of \$7.25 an hour. The federal minimum wage was last raised in 2009. Since then, many states have taken action to raise their minimum wages. The minimum-wages rates vary vastly among states that have a minimum wage higher than the federal minimum wage. Five states (Alabama, Louisiana, Mississippi, South Carolina and Tennessee) have no state minimum wage; therefore, they use the federal minimum wage. Two states (Georgia and Wyoming) have a state minimum wage that is lower than the federal minimum wage (\$5.15 an hour); the federal minimum wage applies in these states as well. In the recent 2024 elections, voters in Alaska and Missouri voted to increase the minimum wage to \$15 an hour. Figure 1 shows the minimum-wage rates by state.

In addition to states, 63 localities have adopted minimum wages above their state minimum wage. Minneapolis and St. Paul passed ordinances to increase minimum wages to \$15.00 an hour for all employees by 2026 and 2028, respectively.

**Figure 1. Minimum-wage rates by state, as of Jan. 1, 2024**



State	Minimum wage as of Jan. 1 2024	Category
Alaska	\$ 11.73	State MW higher than federal
Arizona	\$ 14.35	State MW higher than federal
Arkansas	\$ 11.00	State MW higher than federal
California	\$ 16.00	State MW higher than federal
Colorado	\$ 14.42	State MW higher than federal
Connecticut	\$ 15.69	State MW higher than federal
Delaware	\$ 13.25	State MW higher than federal
Florida	\$ 12.00	State MW higher than federal
Hawaii	\$ 14.00	State MW higher than federal
Illinois	\$ 14.00	State MW higher than federal
Maine	\$ 14.15	State MW higher than federal
Maryland	\$ 15.00	State MW higher than federal
Massachusetts	\$ 15.00	State MW higher than federal
Michigan	\$ 10.33	State MW higher than federal
Minnesota	\$ 10.85	State MW higher than federal
Missouri	\$ 12.30	State MW higher than federal
Montana	\$ 10.30	State MW higher than federal
Nebraska	\$ 12.00	State MW higher than federal
Nevada	\$ 12.00	State MW higher than federal
New Jersey	\$ 15.30	State MW higher than federal
New Mexico	\$ 12.00	State MW higher than federal
New York	\$ 15.00	State MW higher than federal
Ohio	\$ 10.45	State MW higher than federal
Oregon	\$ 14.70	State MW higher than federal
Rhode Island	\$ 14.00	State MW higher than federal
South Dakota	\$ 11.20	State MW higher than federal
Vermont	\$ 13.67	State MW higher than federal
Virginia	\$ 12.00	State MW higher than federal
Washington	\$ 16.28	State MW higher than federal
Washington D.C.	\$ 17.50	State MW higher than federal
West Virginia	\$ 8.75	State MW higher than federal
Idaho	\$ 7.25	State MW same as federal
Indiana	\$ 7.25	State MW same as federal
Iowa	\$ 7.25	State MW same as federal
Kansas	\$ 7.25	State MW same as federal
Kentucky	\$ 7.25	State MW same as federal
New Hampshire	\$ 7.25	State MW same as federal
North Carolina	\$ 7.25	State MW same as federal
North Dakota	\$ 7.25	State MW same as federal
Oklahoma	\$ 7.25	State MW same as federal
Pennsylvania	\$ 7.25	State MW same as federal
Texas	\$ 7.25	State MW same as federal
Utah	\$ 7.25	State MW same as federal
Wisconsin	\$ 7.25	State MW same as federal
Georgia	\$ 5.15	State MW less than federal, federal applies
Wyoming	\$ 5.15	State MW less than federal, federal applies
Alabama	N/A	No state MW, federal applies
Louisiana	N/A	No state MW, federal applies
Mississippi	N/A	No state MW, federal applies
South Carolina	N/A	No state MW, federal applies
Tennessee	N/A	No state MW, federal applies

Twenty states index their minimum wage for inflation using various inflation-indexing methods. These methods include the Consumer Price Index (CPI), the Employment Cost index (ECI) and the PCE. Each of these indexing methods has deflators representing different regions in the United States, as well as for the U.S. as a whole. Minnesota is the only state that uses the PCE and Connecticut is the only state that uses the ECI to index for inflation. All other states use a variation of the CPI to index for inflation. Of the 20 states that index minimum wage for inflation, four states – California, Minnesota, Nevada and Vermont – have a cap on inflation-indexing, ranging from 3% to 5%. See [Appendix B](#) for a more detailed breakdown of inflation-indexing methods in different states as of Jan. 1, 2024.

## Minimum wage rates in Minneapolis and St. Paul

The cities of Minneapolis and St. Paul have minimum-wage ordinances that require higher minimum wages than the state rate.<sup>5</sup> Minneapolis and St. Paul are slated to reach a minimum-wage rate of \$15.00 an hour at various points in the 2020s, depending on employer size. Minneapolis minimum-wage increases were implemented in phases, starting in 2018. The Minneapolis minimum wage for large employers is \$15.57 as of Jan. 1, 2024, and indexed for inflation, will increase to \$15.97 Jan. 1, 2025. The Minneapolis minimum wage for small employers had a more delayed phase-in, but reached the same rate as large employers July 1, 2024; it will also increase to \$15.97 Jan. 1, 2025. All employers in Minneapolis will pay the same indexed minimum wage rate as of Jan. 1, 2025.

The St. Paul minimum wage took effect in 2020. Minimum wage for macro employers is \$15.57 as of Jan. 1, 2024, and indexed for inflation, will increase to \$15.97 Jan. 1, 2025. Large (non-macro) employers reached the same rate as macro employers July 1, 2024, and will also increase to \$15.97 Jan. 1, 2025. Small and micro employers will reach \$15.00 in 2025 and 2027, respectively. All St. Paul employers will reach the same rate as macro employers (an indexed \$15.00 minimum) by 2028. Given the provisions of the minimum-wage ordinances in Minneapolis and St. Paul, employers of all sizes in the two cities will pay the same indexed minimum wage as of July 1, 2028.

Both Minneapolis and St. Paul ordinances provide that the respective city minimum wages shall be indexed for inflation by the same method used by the Minnesota Department of Labor and Industry (DLI) for the state minimum wage. Figure 2 shows the minimum-wage rates effective in Minnesota and the cities of Minneapolis and St. Paul for 2018 to 2028, as well as the inflation-indexing used in each year.

**Figure 2. Minimum wages effective in Minnesota, Minneapolis and St. Paul, 2018-2028**

Effective date	Minnesota			Minneapolis			St. Paul				
	Large employers (at least \$500,000 in annual revenue)	Small employers (less than \$500,000 in annual revenue)	Inflation-indexing	Large employers (more than 100 employees)	Small employers (100 or fewer employees)	Inflation-indexing	Macro employers (more than 10,000 employees)	Large employers (101 to 10,000 employees)	Small employers (6 to 100 employees)	Micro employers (5 or fewer employees)	Inflation-indexing
1/1/2018	\$9.65	\$7.87	1.56%	\$10.00							
7/1/2018				\$11.25	\$10.25						
1/1/2019	\$9.86	\$8.04	2.16%								
7/1/2019				\$12.25	\$11.00						
1/1/2020	\$10.00	\$8.15	1.41%				\$12.50				
7/1/2020				\$13.25	\$11.75			\$11.50	\$10.00	\$9.25	
1/1/2021	\$10.08	\$8.21	0.77%								
7/1/2021				\$14.25	\$12.50			\$12.50	\$11.00	\$10.00	
1/1/2022	\$10.33	\$8.42	2.50%								
7/1/2022				\$15.00	\$13.50		\$15.00	\$13.50	\$12.00	\$10.75	
1/1/2023	\$10.59	\$8.63	2.50%	\$15.19		1.25%	\$15.19				1.25%
7/1/2023					\$14.50			\$15.00	\$13.00	\$11.50	
1/1/2024	\$10.85	\$8.85	2.50%	\$15.57		2.50%	\$15.57				2.50%
7/1/2024					\$15.57			\$15.57	\$14.00	\$12.25	
1/1/2025	\$11.13	\$11.13	2.60%	\$15.97	\$15.97	2.60%	\$15.97	\$15.97			2.60%
7/1/2025									\$15.00	\$13.25	
7/1/2026									Equal to macro employers	\$14.25	
7/1/2027										\$15.00	
7/1/2028										Equal to macro employers	

### Actual annual earnings at the minimum wage

For workers earning the Minnesota minimum hourly wage and working 40 hours a week, annual wages as of Jan. 1, 2024, are \$22,568 at large employers and \$18,408 at small employers. Effective Jan. 1, 2025, annual wages will be \$23,150 for both large and small employers, because the lower rate for small employers was eliminated by statute.

As of Jan 1, 2024, workers at Minneapolis large employers and St. Paul macro employers earn annual full-time wages of \$32,386, which will increase to \$33,218 Jan. 1, 2025. As of July 1, 2024, workers at Minneapolis small employers and St. Paul large employers also earn \$32,386, which will increase to \$33,218 Jan. 1, 2025. Workers at St. Paul small employers earn \$29,120, which will increase to \$31,200 July 1, 2025. Workers at St. Paul micro employers earn \$25,480, which will increase to \$27,560 July 1, 2025 (Figure 3).



**Figure 3. Annual wage at effective minimum wages in Minnesota, Minneapolis and St. Paul for 2024**

Effective Date	Minnesota		Minneapolis		St. Paul			
	Large employers (at least \$500,000 in annual revenue)	Small employers (less than \$500,000 in annual revenue)	Large employers (more than 100 employees)	Small employers (100 or fewer employees)	Macro employers (more than 10,000 employees)	Large employers (101 to 10,000 employees)	Small employers (6 to 100 employees)	Micro employers (5 or fewer employees)
	1/1/2024	\$22,568	\$18,408	\$32,386		\$32,386		
7/1/2024				\$32,386		\$32,386	\$29,120	\$25,480
1/1/2025	\$23,150	\$23,150	\$33,218	\$33,218	\$33,218	\$33,218		
7/1/2025							\$31,200	\$27,560

### The percentage of jobs at or below the minimum wage

One approach for analyzing the minimum wage in Minnesota is to consider the percentage of jobs at or below the minimum wage – that is, jobs that pay a wage equal to or less than the legally mandated state or city minimum wages. In 2023, the percentage of jobs estimated to be at or below the minimum wage was 6.3% for small employers and 6.0% for large employers in Minneapolis, and 4.4% for small employers and 7.4% for large employers in St. Paul. For the balance of the state, the percentage of jobs at or below the state minimum wage was approximately 1.9%. Combining the estimates for all three areas shows an estimated 87,000 out of 3,345,000, or 2.6% of, salaried and hourly jobs were at or below a given minimum wage in the state of Minnesota in 2023. Figure 4 shows the number and percentage of jobs at or below the minimum wage for Minneapolis, St. Paul and the balance of state for 2023. The estimates for Minneapolis and St. Paul are disaggregated by employer size and shown separately for small and large employers.

**Figure 4. Estimated percentage of jobs at or below minimum wage, Minneapolis, St. Paul and balance of state**

	Total number of jobs	Minimum wage	Jobs at or below minimum wage	
			Number	Percentage
<b>2023</b>				
Minneapolis				
Small employer	116,000	\$14.50	7,000	6.3%
Large employer	236,000	\$15.19	14,000	6.0%
St. Paul				
Small employer	60,000	\$13.00	3,000	4.4%
Large employer	135,000	\$15.00	10,000	7.4%
Balance of state	2,798,000	\$10.59	53,000	1.9%
State total	3,345,000		87,000	2.6%

There are several reasons why some jobs might appear below the effective state or city minimum-wage rates. First, there are various statutory exemptions that exclude certain types of workers, such as agricultural and seasonal workers, from state minimum-wage requirements. A lower minimum wage may also apply in various

circumstances depending on employer size, the age of the worker or other criteria specified in state statute or city ordinances. For instance, workers under age 20 may be paid a lower minimum wage during their first 90 days of training, as specified in state statute. Additionally, depending on location and business size, certain employers, such as those paying the state small-employer minimum wage or the St. Paul micro-employer minimum wage, may have jobs that fall below the minimum wages shown in Figure 4. Another possibility is that some jobs appearing below the minimum wage are the result of data submission errors, misreporting of hourly earnings or other data limitations, as discussed further in [Appendix A](#). Finally, we cannot rule out the possibility that some jobs below the minimum-wage rates may be due to wage theft, employee misclassification or other minimum-wage violations, which cannot be determined in the data presented here.

## Trends in minimum wage relative to inflation, poverty threshold and other wages

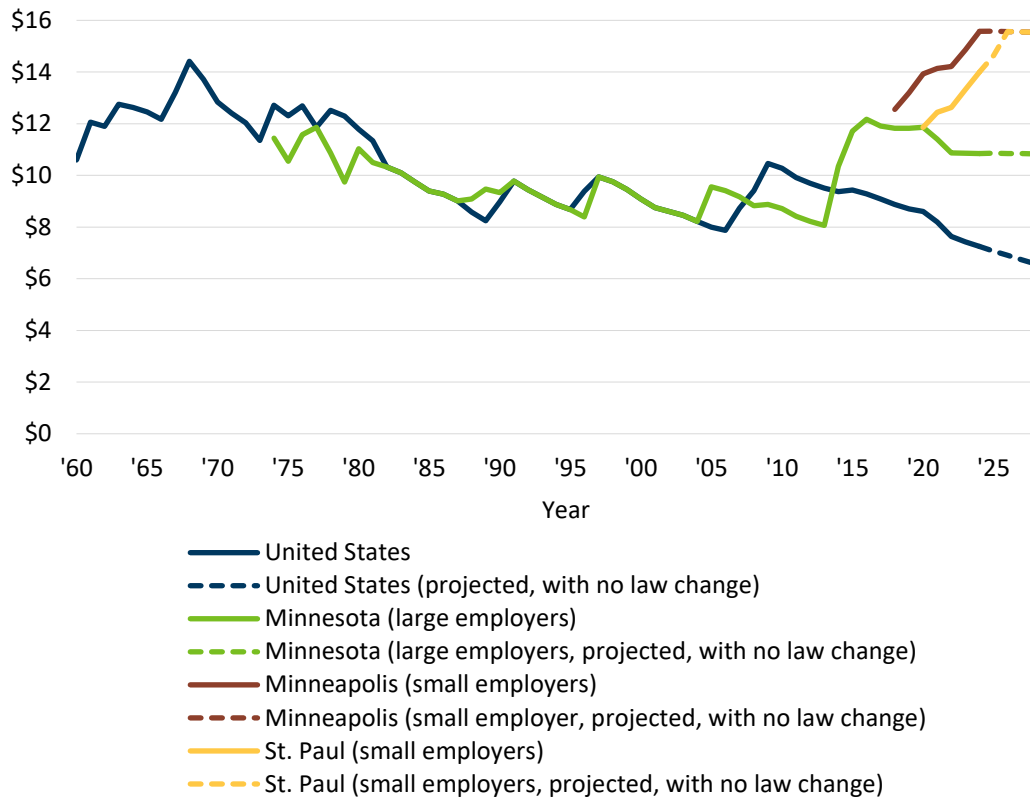
### Inflation-adjusted minimum wages

In 2024 dollars, the federal minimum wage reached a peak of \$14.42 an hour in 1968. The current federal minimum wage of \$7.25 (its rate since 2009) is not indexed for inflation. Therefore, in 2024 dollars, the value of the federal minimum wage is projected to decline to \$6.57 by 2028 in the absence of any statutory increases.

In 2024 dollars, the current large-employer Minnesota minimum wage of \$10.85 is higher than the United States and Minnesota rates of any year from 1982 through 2014, and below the average rate of the federal minimum wage for 1960 through 1981, which was \$12.37. Although the state minimum wage is currently indexed for inflation, the constant-dollar value of the state minimum wage is projected to decrease slightly through 2028. This is because the PCE, which is used under statute to index the state minimum wage, is projected to increase less rapidly than the index used to express the trends in constant-dollar terms, the CPI for All Urban Consumers (CPI-U).

Figure 5 shows the minimum wages for the United States, Minnesota, Minneapolis and St. Paul for 1960 to 2028, adjusted for inflation (in 2024 dollars).

**Figure 5. Minimum wage, inflation-adjusted (2024 dollars), United States, Minnesota, Minneapolis and St. Paul, 1960-2028**



The minimum wages shown in the figure for Minneapolis and St. Paul are the small-employer minimum wages. This is because, in contrast to the provision for the state minimum wage, the small-employer categories for the Minneapolis and St. Paul minimum wages include employers with up to 100 employees. In 2024 dollars, the Minneapolis and St. Paul small-employer minimum wages are projected at \$15.54 an hour for 2028. These values, which are adjusted for projected inflation between 2024 and 2028, are \$1.12 an hour higher than the inflation-adjusted peak value of \$14.42 reached by the federal minimum wage in 1968. As noted above, after the initial transition period, employers of all sizes in the two cities will have the same minimum wage.

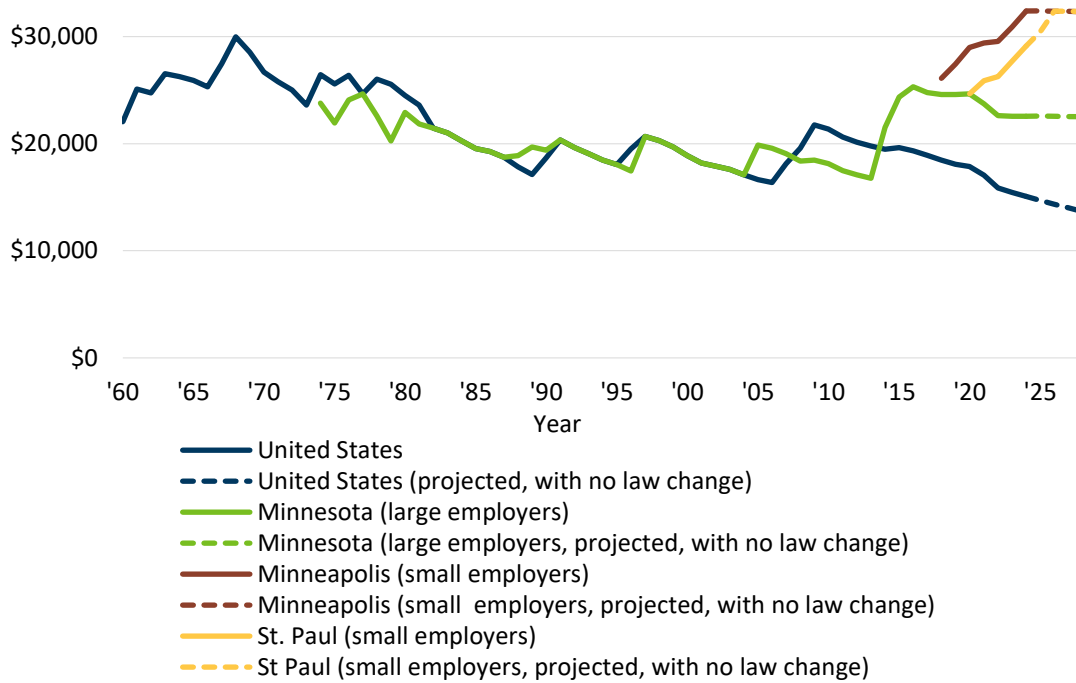
As with the state minimum wage, the constant-dollar values of the Minneapolis and St. Paul minimum wages are projected to decrease slightly over time after inflation-indexing has begun (after 2024 and 2026, respectively, for the small-employer minimum wages in the two cities). As with the state minimum wage, the reason for the decrease is because the PCE is projected to increase less rapidly than the CPI-U.

### Inflation-adjusted annual earnings at the minimum wage

Where the federal and state minimum wages are concerned, inflation-adjusted full-time annual earnings reached a peak of \$29,984 in 1968 at the federal minimum wage. At the state minimum wage (for large employers), full-time inflation-adjusted annual earnings are currently \$22,568 (in 2024 dollars). At the small-employer minimum wages, full-time annual inflation-adjusted earnings are currently \$32,386 in Minneapolis; they are projected to reach \$32,381 in St. Paul in 2026.

Figure 6 shows full-time annual earnings at the minimum wages for the United States, Minnesota, Minneapolis and St. Paul for 1960 to 2028, adjusted for inflation (in 2024 dollars).

**Figure 6. Full-time annual earnings at the minimum wage, inflation-adjusted (2024 dollars), United States, Minnesota, Minneapolis and St. Paul, 1960-2028**

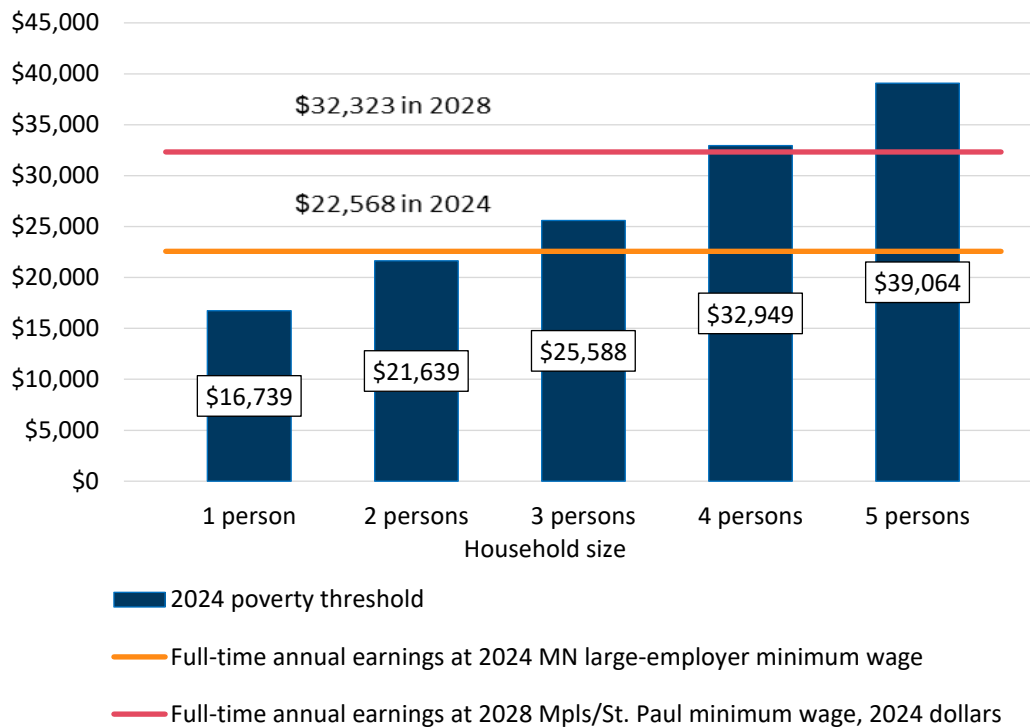


### The minimum wage relative to poverty thresholds

At the Minnesota large-employer minimum wage for 2024, full-time annual earnings — \$22,568 in 2024 dollars — were above the poverty thresholds for one-person and two-person households and somewhat below the poverty threshold for a three-person household. At the 2028 minimum wage for Minneapolis and St. Paul, full-time annual earnings are projected to be slightly under the poverty threshold for four-person households when adjusted to 2024 dollars.

Figure 7 compares minimum-wage earnings to estimated poverty thresholds (projected to 2024) for households of different sizes, from one to five people.

**Figure 7. Full-time annual earnings at the minimum wage, Minnesota for 2024 and Minneapolis/St. Paul projected for 2028 in 2024 dollars, compared with poverty threshold for 2024**



### The minimum wage relative to living wages

To further understand the impact of minimum-wage rates, it is helpful to compare minimum wages with the basic cost of living in the region. The [MIT Living Wage Calculator](#) defines a living wage as “what one full-time worker must earn on an hourly basis to help cover the cost of their family’s minimum basic needs where they live while still being self-sufficient.” The living wage includes the cost of basic necessities, such as food, childcare, health care, housing, transportation, civic engagement and broadband, as well as additional costs associated with income and payroll taxes.

Figure 8 shows the MIT Living Wage Calculator estimates for the hourly rate an individual or household would need to earn to support themselves and/or their family, working full time in Minnesota and the Minneapolis-St. Paul-Bloomington metropolitan area. The estimated living wage a worker with no kids would need to earn to afford the basic cost of living is \$21.25 an hour in Minnesota and \$22.49 an hour in the Minneapolis-St. Paul-Bloomington metro area. The estimated living wage for two adults (one working) with no kids is \$30.24 in Minnesota and \$31.50 in the metro area. The estimated living wage for two adults (one working) with one child, which is the average family size in Minnesota, is \$36.13 an hour in Minnesota and \$37.55 an hour in the metro area. The calculator also provides living wage estimates at the county level in Minnesota.

**Figure 8. Hourly living wages for Minnesota and Minneapolis-St. Paul-Bloomington Metropolitan area**

	Minnesota			Minneapolis-St. Paul-Bloomington metro		
	One adult	Two adults (one working)	Two adults (both working)	One adult	Two adults (one working)	Two adults (both working)
No children	\$21.25	\$30.24	\$15.12	\$22.49	\$31.50	\$15.75
One child	\$41.01	\$36.13	\$22.76	\$43.91	\$37.55	\$24.18
Two children	\$54.16	\$41.02	\$29.42	\$58.51	\$42.52	\$31.48
Three children	\$70.76	\$44.30	\$34.62	\$76.29	\$46.51	\$37.43

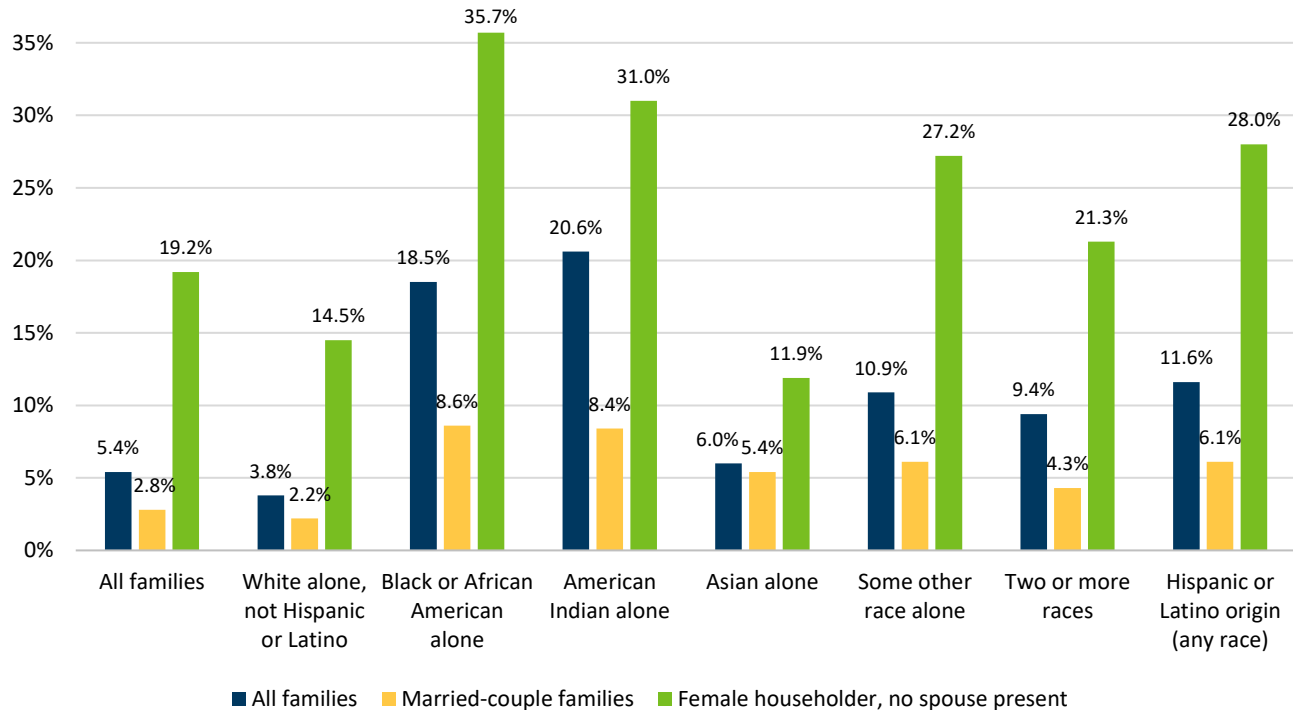
The estimated living wages exceed the effective minimum wages in Minnesota and in Minneapolis and St. Paul in 2024. The hourly living wage for a sole full-time worker is \$10.40 higher than the current hourly statewide minimum wage of \$10.85 and \$6.92 higher than the minimum wage of \$15.57 at Minneapolis and St. Paul large and macro employers. For St. Paul small and micro employers, a sole full-time worker would need to earn an additional \$8.49 and \$10.24, respectively, to afford the basic cost of living in the region.

### Minnesota households below poverty level by race or ethnicity

While most workers in Minnesota's two major cities and the rest of the state earn wages above their respective minimum wages, a significant number of families still struggle with poverty. This is particularly true for minority groups, such as African Americans, Native Americans and those of Hispanic or Latino origin, as well as households led by a female with no spouse. For example, 18.5% of African American households and 11.6% of Hispanic or Latino households in Minnesota live below the federal poverty level, compared to 3.8% of white households (non-Hispanic). Native American households fare worse, with 20.6% living in poverty. Most racial and ethnic households in Minnesota experience lower poverty rates than the national average, except for African American and Native American households that have higher poverty rates than the national average for these demographic groups – about 1.5 and 3.5 percentage points higher, respectively.

Additionally, households led by females with no spouse are more likely to be below the poverty level across all demographic groups in Minnesota (19% versus 5.4% of all households). Households led by African American females with no spouse have the highest poverty rate, with 36% below the poverty level, followed by Native American females at 31% and Hispanic or Latina females at 28% (Figure 9).

Figure 9. Percentage of Minnesota households below the poverty level by race or origin, 2023



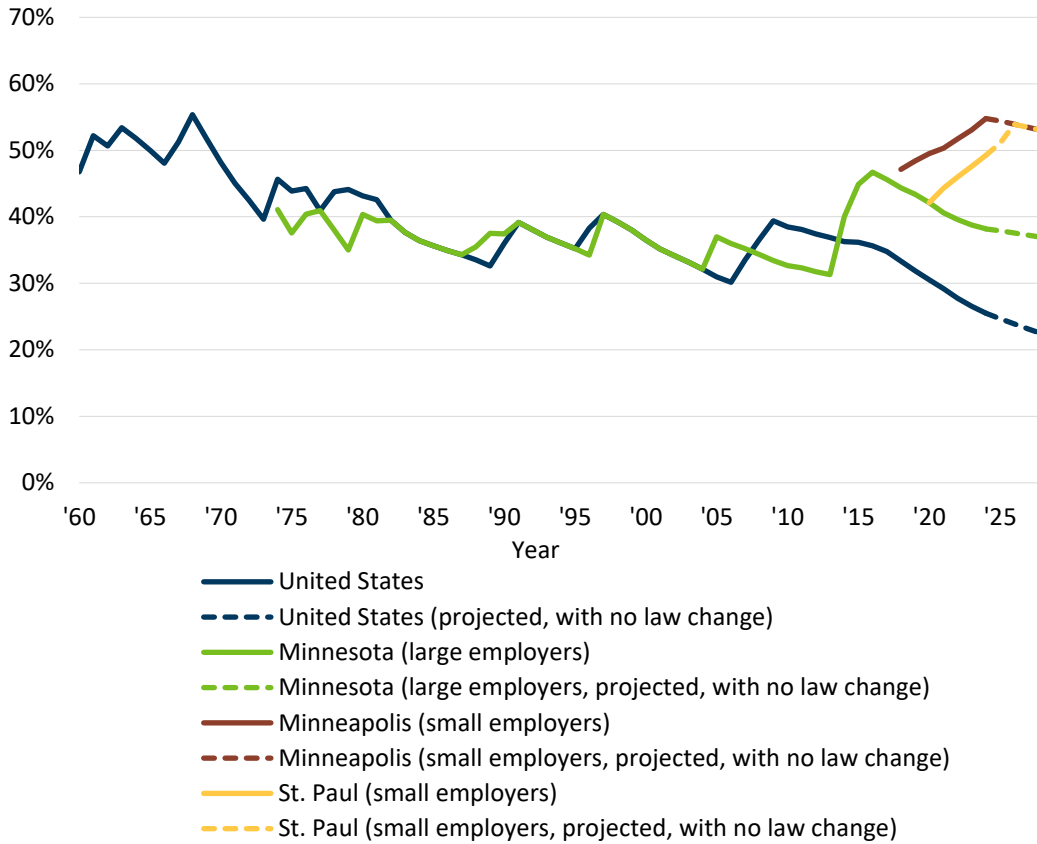
### The minimum wage relative to hourly earnings in manufacturing

It is also relevant to gauge the rate of the minimum wage relative to other wages. As a percentage of manufacturing AHE, the federal minimum wage reached a peak of roughly 55% in 1968. The Minnesota minimum wage for large employers has been less than that level for its entire history. At its current rate, the Minnesota minimum wage of \$10.85 is about 38% of manufacturing AHE, which is projected to be around \$28.41 in 2024.

As for the Minneapolis and St. Paul minimum wages for small employers, the initial rates (\$10.25 in Minneapolis for 2018 and \$10 in St. Paul for 2020) were less than 50% of manufacturing AHE. When the Minneapolis minimum wage for small employers reached \$15.00, it was about 55% of manufacturing AHE – the level reached by the federal minimum wage in 1968. When the St. Paul small-employer minimum reaches \$15.00, it will be about 51% of manufacturing AHE.

Figure 10 expresses the minimum wages of the United States, Minnesota, Minneapolis and St. Paul as percentages of average hourly earnings (AHE) of production workers in Minnesota manufacturing for 1960 to 2028.

**Figure 10. Minimum wages of United States, Minnesota, Minneapolis and St. Paul as percentages of average hourly earnings of production workers in Minnesota manufacturing, 1960-2028**



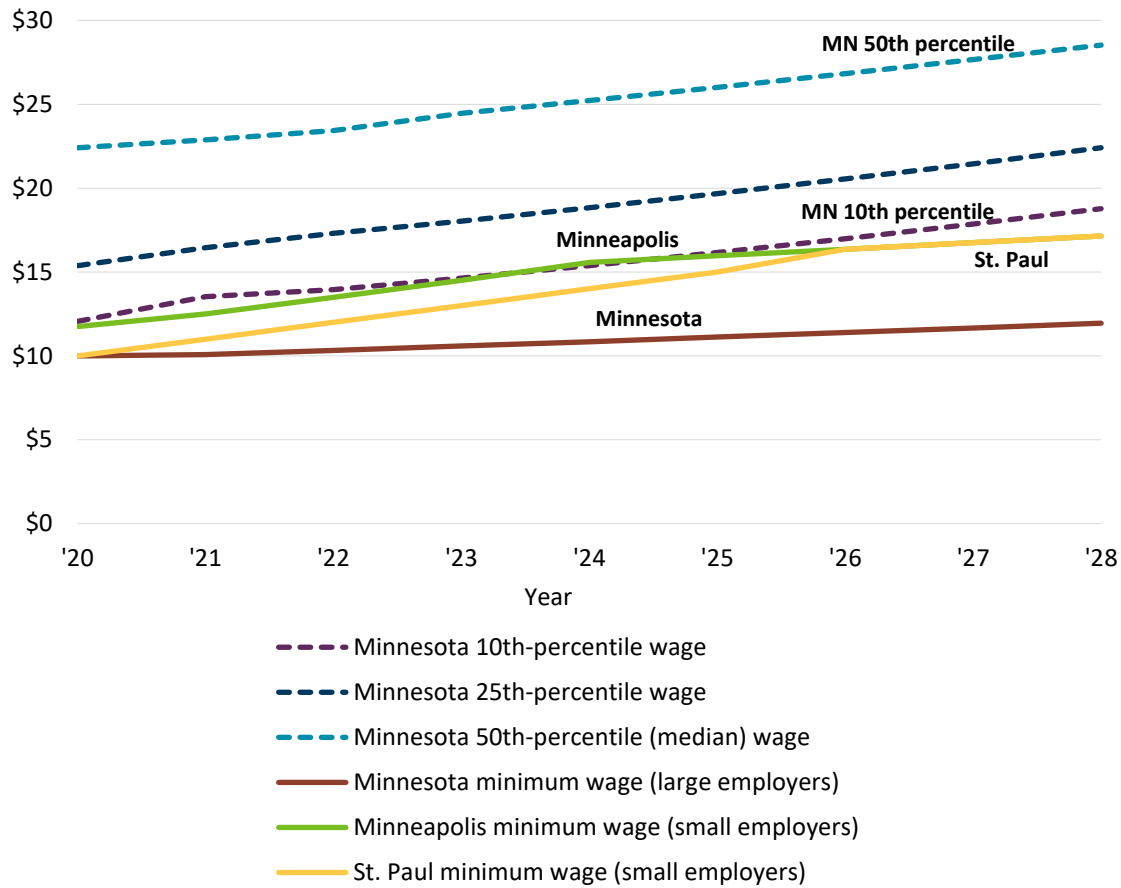
### The minimum wage relative to hourly wages of nonfarm workers

Another perspective considers the minimum wages relative to the hourly wages of nonfarm workers in Minnesota. The 2024 Minnesota large-employer minimum wage of \$10.85, as adjusted for inflation in future years, is running at less than the 10th percentile of hourly wages of nonfarm wage-and-salary workers in Minnesota. The Minneapolis and St. Paul small-employer minimum wages begin at rates below the 10th percentile and then rise, but remain at or below the 10th percentile of overall nonfarm wages in the state. For instance, by 2026, the Minneapolis and St. Paul small-employer wages are projected to reach \$16.35, which will be slightly below the 10th percentile wage of \$16.99 for Minnesota nonfarm wage-and-salary workers.

Figure 11 shows the minimum wages for Minnesota, Minneapolis and St. Paul against different percentile hourly wages for Minnesota nonfarm wage-and-salary workers.



Figure 11. Minnesota, Minneapolis and St. Paul minimum wages and selected Minnesota percentile wages, projected 2024-2028



## Conclusion

This report examines state and local minimum wages and their evolution over time, while contextualizing them within the larger economy and comparing them to federal and other state minimum wages. Additionally, the report analyzes the proportion of jobs at or below the minimum-wage rates in Minnesota, St. Paul and Minneapolis, the minimum wages relative to inflation, poverty threshold, cost of living and other wages, along with other statistics such as Minnesota’s poverty rates by race and ethnicity. An estimated 2.6% of jobs in the state pay at or below the minimum wage. While Minnesota’s state and local minimum wages are higher than the federal wage and those of many states, Minnesota’s poverty rates for certain minority groups are higher than national rates.

# Appendix A

## Data sources and methodology

The following list summarizes the data sources for this report.

- The minimum-wage rates and laws for U.S. states and territories are from the [U.S. Department of Labor](#).
- The minimum-wage data for Minnesota is from [Minnesota Statutes § 177.24, subdivision 1, Minn. Stat. § 177.24 \(chapter 110, article 6, section 3\)](#) and the [Minnesota Department of Labor and Industry \(DLI\)](#). The Minnesota minimum wage historical data presented in several figures is from internal records at DLI (Minnesota's first minimum wage took effect Jan. 1, 1974).
- The minimum-wage data for Minneapolis is from the [Minneapolis Code of Ordinances, Title 2, Chapter 40](#) and the [City of Minneapolis Minimum Wage webpage](#).
- The minimum-wage data for St. Paul is from the [St. Paul Legislative Code, Chapter 224](#).
- Federal minimum-wage data is from the [U.S. Department of Labor](#).
- The 2023 poverty thresholds are from the [U.S. Census Bureau](#) and are adjusted to 2024 using a projection of the nationwide Consumer Price Index for All Urban Consumers (CPI-U), available from the [U.S. Bureau of Labor Statistics](#).
- The living wages for Minnesota and Minneapolis-St. Paul-Bloomington metropolitan area are obtained from the [MIT Living Wage Calculator](#).
- Data for Minnesota households below the poverty level by race or ethnicity are obtained from the 2023 [U.S. Census Bureau American Community Survey](#).
- The average hourly earnings of production workers in manufacturing are obtained from the [Current Employment Statistics survey of the U.S. Bureau of Labor Statistics](#) and the Minnesota Department of Employment and Economic Development (DEED).
- The percentile wages for Minnesota nonfarm wage-and-salary workers are from the [Occupational Employment Statistics survey of the U.S. Bureau of Labor Statistics](#).

In Figure 2, minimum wages are indexed for inflation as follows: The Minnesota minimum wages for small employers (annual revenue of less than \$500,000) and large employers (annual revenue of \$500,000 or more) are indexed for inflation annually using the percent change in the Personal Consumption Expenditures (PCE) produced by the [U.S. Department of Commerce, Bureau of Economic Analysis](#), with new values effective Jan. 1 as provided by Minnesota statute. However, effective Jan. 1, 2025, Minn. Stat. § 177.24 eliminated the lower minimum wages for small employers, youth under the age of 18 and J-1 visa workers, establishing a single rate for all Minnesota employers. The law retained the 90-day training minimum wage for workers under age 20; this rate will increase from \$8.85 to \$9.08 Jan. 1, 2025. The law change also increased the cap on inflation-indexing from 2.5% to 5%.

The minimum wages for Minneapolis large employers (more than 100 employees) and St. Paul macro employers (more than 10,000 employees) are indexed for inflation annually beginning Jan. 1, 2023. Minimum wages for other employers of different sizes in Minneapolis and St. Paul are also indexed for inflation after they reach \$15.00 in various years from 2024 to 2027. Both Minneapolis and St. Paul ordinances provide the respective city minimum wages shall be indexed by the same indexing method used by DLI for the state minimum wage. (In

both cities, the initial adjustment Jan. 1, 2023, was half the adjustment calculated by DLI for the state minimum wage. The full adjustment is applied in each subsequent year thereafter.)

Note the definition of “small employer” is different for Minnesota than for either Minneapolis or St. Paul. For Minnesota, small employers are those with less than \$500,000 in annual revenue. For Minneapolis and St. Paul, small employers are those with 100 or fewer employees (and more than five employees for St. Paul). According to data from the [U.S. Census Bureau](#), businesses in 2012 with one to four employees had an average of \$406,000 in annual revenues. Extrapolating from this, a business with five employees would have an average of more than \$406,000 in annual revenues. Thus, the \$500,000 dividing line between “small” and “large” for Minnesota is at the lower end of “small” for Minneapolis or St. Paul (and near the line between “small” and “micro” for St. Paul). In other words, many employers that would be “large” for Minnesota would be “small” for Minneapolis or St. Paul.

In Figure 3, the various hourly wages shown in Figure 2 are converted to annual wages using 2,080 hours annually (52 weeks multiplied by 40 hours). Annual amounts are only shown for the dates when the respective minimum wages became effective.

In Figure 4, computations for the number and percentage of jobs at or below the minimum wage for Minneapolis, St. Paul and the balance of the state were performed by DEED using wage detail data from the Minnesota Unemployment Insurance System, according to specifications from DLI. The total number of jobs and the number of jobs at or below the minimum wage include hourly and salaried jobs. The percentage of jobs at or below the minimum wage were computed by dividing the number of jobs at or below the minimum wage by the total number of jobs. The state total was computed by adding the total number of jobs for Minneapolis, St. Paul and the balance of the state.

The total number of jobs for Minnesota in 2023 is reported as 3,345,000 jobs in the wage detail data from the Unemployment Insurance System. This is higher than the 2,906,616 jobs reported for the state in the [Quarterly Census of Employment and Wages \(QCEW\)](#). This difference stems from the way jobs are measured in the two systems: QCEW measures jobs at a point in time (the week of the 12th of each of the three months in the quarter), whereas the Unemployment Insurance wage detail data measures all jobs held throughout the quarter. For example, a job held by two different individuals at two different months in the quarter would be counted twice in wage detail data but only once in QCEW.

For Minneapolis and St. Paul, the estimates provided in Figure 4 are broken down by small and large employers. Starting in 2022, DEED refined its estimation approach to determine employer size based on the cities’ definition of small and large employers in their minimum-wage ordinances. Rather than determining employer size based solely on the number of employees at a location, DEED’s approach defines employer size at the level of the parent firm and includes a special categorization for full-service restaurants. However, DEED does not code firms based on franchise status. This is important because both Minneapolis and St. Paul classify franchise businesses as large employers under certain conditions. Although DEED’s estimation partially accounts for franchise businesses, not being able to identify them directly might overestimate the number of small employers in both cities. In addition, there was a small number of businesses in each city that could not be classified by size. Although it is difficult to precisely capture employer size, DLI believes the estimates are close to the actual numbers in each size class in both cities.

An additional issue with the wage detail data, from which these estimates are derived, concerns the computation of hourly wages for individual jobs. The hourly wage is computed by calendar quarter as earnings

for the quarter divided by hours worked for the quarter, both reported by the employer. An examination of the data reveals hours worked are often underreported – in many cases, apparently, because the employer mistakenly reports weekly hours rather than quarterly hours. To the degree this occurs, hourly wages are overstated, so the number and percentage of workers at or below the minimum wage (or any wage threshold) are understated. The degree of understatement is unknown.

In Figures 5, 6, 10 and 11, the minimum wages for Minnesota large employers, Minneapolis small-employers (with 100 employees or fewer) and St. Paul small employers (between six and 100 employees) are projected beyond 2024. The large-employer minimum wage for Minnesota is projected for 2025 to 2028, while the small-employer minimum wage for Minneapolis is projected for 2025 to 2028 and the small-employer minimum wage for St. Paul is projected for 2026 to 2028. The national PCE is used for these projections. Moreover, the minimum wages of different years are “adjusted for inflation” or expressed in 2024 constant dollars using the CPI-U for the Minneapolis-St. Paul metropolitan area, available from the [U.S. Bureau of Labor Statistics](#). The values for 2024 to 2028 are projected from earlier years. The minimum wage used for each year is the rate in effect as of Dec. 31 of that year.

The expression “adjusted for inflation” is used to refer to the statistical adjustment of the minimum-wage amounts for different years to express them in constant 2024 dollars using the CPI-U to analyze how they have changed, and will change, over time in purchasing-power terms. This is different from the indexing of the Minnesota, Minneapolis and St. Paul minimum wages using the PCE under statute and ordinance, which generally increases them each year (or will increase them each year when this provision becomes effective for Minneapolis and St. Paul).

Figure 6 uses the same underlying data as Figure 5, but the inflation-adjusted minimum wages are translated to inflation-adjusted full-time annual earnings using an annual hours figure of 2080. As in Figure 5, there is a slight downward drift in the constant-dollar values of the Minnesota minimum wage after 2020 and of the Minneapolis and St. Paul minimum wages after inflation-indexing has begun for them. The reason is the index used to increase the state and city minimums (PCE) is projected to increase less rapidly than the index used to express the trends in constant-dollar terms (CPI).

In Figure 7, the 2023 poverty thresholds are adjusted to 2024 using a projection of the nationwide CPI-U. Full-time annual earnings at the 2024 Minnesota large-employer minimum wage were computed by multiplying the inflation-adjusted minimum wage of \$10.85 by an annual hours figure of 2,080. Projected full-time annual earnings at the 2028 Minneapolis and St. Paul minimum wages were computed as follows: The minimum wage for 2028 was projected as \$17.15 using the provisions of the Minneapolis and St. Paul ordinances, along with a projection of the PCE. This minimum wage then was adjusted to 2024 dollars using a projection of the CPI-U for the Minneapolis-St. Paul metropolitan area for 2024 to 2028. This value in 2024 dollars was \$15.54, which was then multiplied by 2,080 hours to derive the equivalent full-time annual earnings figure.

In Figure 8, the hourly living wages for Minnesota and the Minneapolis-St. Paul-Bloomington metropolitan area are derived from the MIT Living Wage Calculator. The MIT Living Wage Calculator estimates the hourly employment earnings a full-time worker working 2,080 hours a year would require to meet the costs of their family’s basic needs based on geographically specific costs for food, childcare, health care, housing, transportation, other basic needs – such as clothing, personal care items and broadband – and other costs related to payroll and taxes. This data is provided at the state, county and metro levels, and for different family

types, which vary by the number of children and working adults. More detail about the estimation methodology can be found on the [MIT Living Wage Calculator webpage](#).

In Figure 9, the percentage of Minnesota households (all families, married-couple families and female householders with no spouse) below the poverty level by race or ethnicity are derived from the 2023 U.S. Census Bureau American Community Survey. More detailed information about survey methodology can be found in the [Research and Methodology](#) section of the survey.

In Figure 10, a three-year moving average of hourly earnings of production workers in manufacturing is used. Because this data is only available starting in 1970 for Minnesota, the data was projected for 1960 through 1969 using the trend in average hourly earnings of production workers in manufacturing for the U.S. Manufacturing is used because it is the only industry for which historical data for this time period is available. It would be preferable to use a broader wage measure, ideally the average or median wage of the overall state economy, as the basis for comparison, but such a measure is not available for the period concerned.

In Figure 11, the percentile wages for Minnesota nonfarm wage-and-salary workers are projected for 2024 through 2028. The Minnesota large-employer minimum wage is projected for 2025 to 2028, while the Minneapolis small-employer minimum wage is projected for 2025 to 2028 and the St. Paul small-employer minimum wage is projected for 2026 to 2028, using the methodology described earlier in this section.

# Appendix B

## Minimum wage inflation-indexing methods in different states

### CPI-U

CPI-U refers to the Consumer Price Index for All Urban Consumers and has deflators for the U.S. as a whole, as well as for different regions and urban areas. Montana, Nevada, Oregon, South Dakota, Vermont and Virginia index for inflation using the nationwide CPI-U for the U.S. city average. Alaska and Colorado index their minimum wage for inflation using CPI-U for their respective urban areas. Alaska indexes its minimum wage for inflation using CPI-U for the Anchorage metropolitan area. Colorado uses CPI-U for the Boulder-Denver region. Nebraska uses CPI-U for the Midwest region.

**Table 1. States that use CPI-U for inflation-indexing**

State	Index MW	Deflator	MW cap
Montana	Yes	CPI-U (US)	No cap
Nevada	Yes	CPI-U (US)	3%
Oregon	Yes	CPI-U (US)	No cap
South Dakota	Yes	CPI-U (US)	No cap
Vermont	Yes	CPI-U (US)	5%
Virginia	Yes	CPI-U (US)	No cap
Alaska	Yes	CPI-U (Cities)	No cap
Colorado	Yes	CPI-U (Cities)	No cap
Nebraska	Yes	CPI-U (Midwest)	No cap

### CPI-W

CPI also produces a deflator for urban wage earners and clerical workers (CPI-W). Some states have adopted this indexing method. Arizona, California, Missouri, New Jersey, Ohio and Washington use the nationwide CPI-W for the U.S. city average. Florida, Maine and New York use regional CPI-W deflators for the South Census and Northeastern regions.

**Table 2. States that use CPI-W for inflation-indexing**

State	Index MW	Deflator	MW cap
Arizona	Yes	CPI-W (US)	No cap
California	Yes	CPI-W (US)	3.5%
Missouri	Yes	CPI-W (US)	No cap
New Jersey	Yes	CPI-W (US)	No cap
Ohio	Yes	CPI-W (US)	No cap
Washington	Yes	CPI-W (US)	No cap
Maine	Yes	CPI-W (Northeastern)	No cap
New York	Yes	CPI-W (Northeastern)	No cap
Florida	Yes	CPI-W (South Census)	No cap

## PCE and ECI

Minnesota is the only state that uses the Implicit Price Deflator for Personal Consumption Expenditures (PCE). Connecticut is the only state that uses the Employment Cost Index (ECI) to index for inflation.

**Table 3. States that use ECI and PCE for inflation-indexing**

State	Index MW	Deflator	MW Cap
Connecticut	Yes	ECI	No Cap
Minnesota	Yes	PCE	5.0%

## No inflation-indexing

Of the 30 states with a minimum-wage law, 10 do not index for inflation. Instead, they have a static minimum wage.

**Table 4. States that do not index for inflation**

State	Index MW	Deflator	MW cap
Arkansas	No	N/A	N/A
Delaware	No	N/A	N/A
Hawaii	No	N/A	N/A
Illinois	No	N/A	N/A
Maryland	No	N/A	N/A
Massachusetts	No	N/A	N/A
Michigan	No	N/A	N/A
New Mexico	No	N/A	N/A
Rhode Island	No	N/A	N/A
West Virginia	No	N/A	N/A

## Cap on inflation-indexing

Of the 20 states that index minimum wage for inflation, four states (California, Minnesota, Nevada and Vermont) have a cap; 16 states do not have a cap. Minnesota's cap has been increased from 2.5% to 5% by statute, effective Jan. 1, 2025.

**Table 5. States with a cap on inflation-indexing**

State	Index MW	Deflator	MW cap
California	Yes	CPI-W (US)	3.5%
Minnesota	Yes	PCE	5.0%
Nevada	Yes	CPI-U (US)	3.0%
Vermont	Yes	CPI-U (US)	5.0%

**Table 6. States without a cap on inflation-indexing**

<b>State</b>	<b>Index MW</b>	<b>Deflator</b>	<b>MW cap</b>
Alaska	Yes	CPI-U (Cities)	No cap
Arizona	Yes	CPI-W (US)	No cap
Colorado	Yes	CPI-U (Cities)	No cap
Connecticut	Yes	ECI	No cap
Florida	Yes	CPI-W (South Census)	No cap
Maine	Yes	CPI-W (Northeastern)	No cap
Missouri	Yes	CPI-W (US)	No cap
Montana	Yes	CPI-U (US)	No cap
Nebraska	Yes	CPI-U (Midwest)	No cap
New Jersey	Yes	CPI-W (US)	No cap
New York	Yes	CPI-W (Northeastern)	No cap
Ohio	Yes	CPI-W (US)	No cap
Oregon	Yes	CPI-U (US)	No cap
South Dakota	Yes	CPI-U (US)	No cap
Virginia	Yes	CPI-U (US)	No cap
Washington	Yes	CPI-W (US)	No cap



# Endnotes

<sup>1</sup>The “full” state minimum wage is the rate that applies in the absence of reductions that occur in certain circumstances, as specified in statute.

<sup>2</sup>For changes to state minimum-wage legislation, see: [Minnesota Statutes § 177.24 \(chapter 110, article 6, section 3\)](#).

<sup>3</sup>For a discussion about the impact of the minimum-wage increases in the Twin Cities, see: [The dynamic age of the minimum wage](#) and [Minimum Wage on the Federal Reserve Bank of Minneapolis website](#).

<sup>4</sup>For recent developments in the post-pandemic labor market and the effects on wages in Minnesota, see: [Minnesota Wage Distribution Analysis: Article Two](#); [Unveiling the Complexities of Minnesota's Wage Growth](#); [Post-pandemic Recession Wage and Inflation Growth: Comparisons across Industries and States](#); [Minnesota Job Growth Streak Continues](#); [Year In Review: Minnesota's Labor Market](#); and [Is wage growth sustainable? Evidence from real wage growth across groups](#).

<sup>5</sup>The provisions of the minimum-wage ordinances in Minneapolis and St. Paul are: the large-employer minimum wage in Minneapolis and the macro-employer minimum wage in St. Paul both reach \$15.00 July 1, 2022; the provisions for inflation-indexing are the same in the two cities; and the minimum wages for all employers in the two cities will eventually reach the large-employer rate in Minneapolis and the macro-employer rate in St. Paul.