

# Excluding St. Paul's Young Workers from a \$15 Minimum Wage Is Bad Policy

*St. Paul is poised to join the ranks of major cities, including neighbor Minneapolis, in adopting a \$15 minimum wage. Mayor Melvin Carter has said he hopes to sign a law by the end of the year. The City Council should reject calls to exclude young workers from the full \$15 minimum wage—or set a lower rate for them—which would harm these workers and their families. While no details on a proposed exemption have been made public, some reports suggest opponents want to allow St. Paul employers to pay workers under 24 a lower minimum wage. This would hurt up to 41,000 young workers in Ramsey County, where St. Paul is located, and place the city at a disadvantage with Minneapolis, which rejected a broad exemption for young workers last year. This fact sheet offers details on why young workers must be fully included in any minimum wage deal, why a lower minimum wage for young workers would harm all St. Paul workers, and why such a proposal should be rejected as a corporate-backed strategy to stall efforts to raise wages more generally.*

## Youth Exemption from Full Minimum Wage Is Out of Step with the Region and with Minnesota's History of Inclusive Wage Policy

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- Across the country, young workers in their late teens and early twenties are the typical targets of minimum wage “youth” exemptions or carve-outs by opponents of raising the minimum wage. These workers work side by side with their older counterparts across industries, and they often perform the same work.
- Minnesota is a national leader in adopting inclusive wage policies. In 1984, the state abolished its subminimum wage for tipped workers, becoming one of seven “one fair wage” states where tipped workers receive the full minimum wage directly from their employers. In 1990, Minnesota also eliminated its teen wage exemption.<sup>1</sup> State law also prohibits age-based discrimination in pay.<sup>2</sup>
- In June 2017, Minneapolis adopted a plan to reach a \$15 minimum wage by 2022 (2024 for smaller employers), rejecting proposals for a broad youth exemption.<sup>3</sup> While Minneapolis employers are allowed to pay some young workers a “training wage,” it is limited to workers under 20 years old, for up to 90 days; it must be equal to 85 percent of the full minimum wage, and it can only be used with city-approved programs.<sup>4</sup> The ordinance also classified franchisees as large employers (in order to ensure that they were required to pay \$15 by 2022) and removed an exemption that benefited non-hospital residential care facilities.<sup>5</sup> Finally, the city continued its policy of prohibiting employers from taking a “tip credit” to pay a subminimum wage to tipped workers.
- Business groups, including the Minnesota Chamber of Commerce, challenged the Minneapolis ordinance by suing the city in an attempt to repeal the law, arguing it was preempted by state law.<sup>6</sup> In February 2018, the Hennepin County District Court upheld the ordinance against the challengers.<sup>7</sup>

- At a May 24<sup>th</sup> St. Paul Minimum Wage Study Committee meeting, a supervisor of labor standards enforcement with the City of Minneapolis’ Department of Civil Rights testified that he believed different wages for St. Paul “given its proximity to Minneapolis” would be a “serious impediment to compliance.”<sup>8</sup>

## **Lower “Youth” Minimum Wage Would Hurt Young Workers in St. Paul Area**

- An analysis of public data by the Economic Policy Institute reveals that up to 41,000 young workers (ages 16 to 24) could be positively affected by a higher minimum wage in the St. Paul area. A full 75 percent of these young workers work on average more than 20 hours a week.<sup>9</sup> The data is drawn from Ramsey County, where St. Paul is located, and may include workers who would be indirectly affected by rising wages.<sup>10</sup>
- Many young workers come from struggling low- and middle-income households, and their earnings provide essential household income. Young workers in St. Paul are no exception. A full 25 percent of young workers in Ramsey County come from households that make less than \$25,000.<sup>11</sup> The federal poverty threshold for a family of four is \$25,100.<sup>12</sup>
- Young workers are also often college students who study hard and work long hours to try and cover at least some of their education expenses. In the U.S., nearly 50 percent of students pursuing a two-year degree, and over 40 percent of students pursuing a four-year degree, work more than 35 hours per week. In the St. Paul area, 15 percent of young workers are still in high school, while 40 percent are in college. A higher minimum wage would allow them to cover more of tuition costs, finish school more quickly, and take out fewer loans.

Category	Estimated workforce	Share of total workforce	Average hourly wages (2017)	Median hourly wages (2017)
Total Ramsey County workforce	306,000	100%	\$27.91	\$22.32
Young workers (ages 16-24)	41,000	13.4%	\$11.96	\$10.07
Share of youth wages compared to total workforce			42.28%	45.1%
Usual weekly work hours for young workers				
<20 hours per week	10,300	25%	\$11.72	\$8.78
20 – 34 hours per week	14,000	34.2%	\$10.60	\$8.70
35+ hours per week	16,700	40.8%	\$13.24	\$11.80
<b>Source:</b> EPI analysis of American Community Survey microdata, pooled years 2012-2016				

Category	Estimated workforce	Share of young workers	Average hourly wages (2017)	Median hourly wages (2017)
In high school	5,800	14.2%	\$9.07	\$7.68
In college or graduate school	16,500	40.3%	\$10.88	\$8.97
Not in school	18,600	45.5%	\$13.81	\$12.01

**Source:** EPI analysis of American Community Survey microdata, pooled years 2012-2016

## **Corporate Interests and Large Nonprofits Are Repeating Their Playbook from the Minneapolis Debate and Stalling Adoption of a \$15 Wage**

- Corporate interests have stalled efforts to adopt a higher minimum wage by calling for a “thorough, measured and inclusive conversation” about exemptions like a youth carve out for the minimum wage.<sup>13</sup> This statement, reasonable on its face, repeats a predictable strategy found in a leaked memo by well-known corporate lobbyist and opponent of raising the minimum wage Rick Berman. Published in December 2017 by *The Intercept*, the memo pitches a multi-million-dollar campaign to undermine growing support for a higher minimum wage across the country.<sup>14</sup> A copy of the memo can be found [here](#).
- One of the key strategies the memo proposes to slow down “[s]upport for doubling the Federal minimum wage to \$15” is pushing for a lower “youth” minimum wage. The memo explains that “[t]he industry response most likely to gain traction with the public is to emphasize the plight of low-skilled youth who have unemployment rates 4-5 times higher than the national rate and who are stranded on the sideline of the job market.” Berman explains that a “bipartisan public is receptive to lower ‘apprentice’ or ‘intern’ wage rates for young people,” and that a “youth wage will have a sobering ripple effect on all entry level wages.”
- The leaked memo shows that corporations view youth minimum wage exemptions not as a path to better wages for young workers, but as a way to undermine support for higher wages and keep wages low for all workers. This is despite the support of city leaders for an inclusive minimum wage without a tip penalty.
- The nonpartisan group Citizens League released a report on the minimum wage in February that gathered community input, including from low-wage workers. Interviewed workers included a cleaner for a large retailer who works five hours a day, seven days a week for \$10.75 without benefits or overtime.<sup>15</sup> The report found that “all the low-wage workers [they] met with...are advocating for a minimum wage increase to \$15 with the shortest phase-in time possible.”<sup>16</sup> The St. Paul City Council has already spent \$60,000 on a series of community meetings to be convened by the Citizens League.
- The merits of a higher wage have already been debated at length in nearby Minneapolis.<sup>17</sup> Yet the need for a higher minimum wage in St. Paul is even more pressing. According to a February 2017 study by the Metropolitan Council, the regional governing agency, St. Paul has the highest percentage of people living in poverty—40.8 percent—in the entire Twin Cities region.<sup>18</sup>
- Some St. Paul nonprofits have argued in Citizens League meetings that they cannot afford to pay their young workers a higher minimum wage, expressing concerns that foundation funding would not increase to support it.<sup>19,20,21</sup>
- However, several Minnesota nonprofits have led the way in paying workers higher wages. In a 2016 article, the *Star Tribune* profiled Minnesota nonprofits that had increased their staff’s pay, including the South St. Paul housing group Neighbors, which paid all 13 of its workers at least \$14 at the time. Jon Pratt,

executive director of the Minnesota Council of Nonprofits, asked, “Do we want our employees to be eligible for our services? Are you actually creating more of the problem than you’re solving?”

## **State-of-the-Art Research Shows That Contrary to Opponents’ Claims, Raising the Minimum Wage Does Not Cost Young Workers Their Jobs**

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- Opponents of a strong minimum wage for young workers sometimes argue that a higher minimum wage causes higher rates of youth unemployment. This is simply not the case.
- Economists from the University of California reviewed the impact of the minimum wage on teen employment in a state-of-the-art, peer reviewed study, “Do Minimum Wages Really Reduce Teen Employment?”<sup>22</sup> The study carefully examined the impact of all U.S. minimum wage increases between 1990 and 2009 on teen workers—including minimum wage increases implemented during times of high unemployment, such as the national recessions of 1990–1991, 2001 and 2007–2009.<sup>23</sup>
- The study found that the even during downturns in the business cycle and in regions with high unemployment, the impact of minimum wage increases on teen employment is the same: negligible.<sup>24</sup>
- As *Bloomberg News* wrote in summarizing the study, “[This study is part of] a wave of new economic research [that] is disproving those arguments about job losses and youth employment. Previous studies tended not to control for regional economic trends that were already affecting employment levels, such as a manufacturing-dependent state that was shedding jobs. The new research looks at micro-level employment patterns for a more accurate employment picture. The studies find minimum-wage increases even provide an economic boost, albeit a small one, as strapped workers immediately spend their raises.”<sup>25</sup>

## **Fast Food and Retail Chains with High-Turnover Staffing Models Would Be the Main Beneficiaries of a Broad Youth Exemption**

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- The main beneficiaries of a minimum wage exemption for young workers are low-wage employers who have chosen a high-turnover staffing model. These are chiefly fast-food and chain retail employers who have disproportionately high rates of employee turnover—as high as 120 percent on an annual basis, according to researchers from the Cornell University School of Hotel Administration (as cited by Robert Pollin and Jeannette Wicks-Lim, PERI).<sup>26</sup> This means that, on average, fast-food and chain retail employers often replace their entire staff more than once a year.
- A minimum wage exemption for young workers essentially creates a loophole that would allow fast-food and chain retailers to pay young workers less simply because of their age, and it could incentivize employers to discriminate against older workers. Youth exemptions are often time-limited anywhere from 30 to 120 days, thus encouraging low-wage employers to churn through staff to maintain low wages. For these reasons, cities that have adopted a \$15 minimum wage, like San Francisco and Washington, D.C., have no youth or training exception.
- A youth exemption is plain bad policy—it would exacerbate inequality in St. Paul and punish some of the city’s most vulnerable workers. St. Paul should follow Minneapolis’ lead and ensure that prosperity is shared with all workers.

## Endnotes

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1. The Roy Wilkins Center for Human Relations and Social Justice, University of Minnesota, *Evaluation of a Minimum Wage Increase in Minneapolis and Hennepin/Ramsey County* (Sept. 2016), <http://www.ci.minneapolis.mn.us/www/groups/public/@clerk/documents/webcontent/wcmssp-187333.pdf>.
2. Minn. Stat. Ann. § 363A.08.
3. Emma Nelson, “Minneapolis vote for \$15 minimum wage called ‘victory for workers,’” *Star Tribune*, July 1, 2017, <http://www.startribune.com/minneapolis-city-council-to-take-final-vote-on-15-minimum-wage-friday/431761843/>.
4. Minneapolis, Minn., Code § 40.320 et seq.
5. *Ibid.*
6. Emma Nelson, *op. cit.*
7. *Ibid.*
8. Meeting Mins., St. Paul Minimum Wage Study Committee, Citizens League (May 24, 2018), <https://citizensleague.org/wp-content/uploads/2018/06/St.-Paul-Minimum-Wage-Minutes-5-24-18.pdf>.
9. See Table 1.
10. Data was not available for only St. Paul proper. Ramsey County is the smallest geography for which American Community Survey microdata was available.
11. EPI analysis of ACS microdata, pooled years 2012-2016, on file with NELP. All wages values have been inflated to 2017 dollars. Any wage values still at or below 115 percent of the 2017 Minnesota minimum wage after being inflation-adjusted were further adjusted to be at the same position, relative to the minimum wage, as they were in the year that the respondent was surveyed (e.g., someone at 105% of the minimum wage in 2012 would be assigned a wage of 105% of the 2017 state minimum wage).
12. OFFICE OF THE ASSISTANT SECRETARY FOR PLANNING AND EVALUATION, U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES, “Poverty Guidelines,” (last visited July 17, 2018), <https://aspe.hhs.gov/poverty-guidelines>.
13. Editorial Board, “St. Paul can do better than Minneapolis on minimum wage question,” *Star Tribune*, Nov. 30, 2017, <http://www.startribune.com/st-paul-can-do-better-than-minneapolis-on-minimum-wage-question/461132783/>.
14. Lee Fang & Nick Surgy, “Fearing 2018 Democratic Wave, Right-Wing Lobbyists Are Mobilizing Against a \$15 Minimum Wage Push,” *The Intercept*, Dec. 14, 2017, <https://theintercept.com/2017/12/14/minimum-wage-rick-berman-democrats/>.
15. Citizens League, *Gathering Community Input on a Possible Minimum Wage* (Feb. 2018), [https://citizensleague.org/wp-content/uploads/2018/05/St.-Paul-Minimum-Wage\\_Scoping\\_FinalReport\\_FINAL.pdf](https://citizensleague.org/wp-content/uploads/2018/05/St.-Paul-Minimum-Wage_Scoping_FinalReport_FINAL.pdf).
16. *Ibid.*
17. Peter Callaghan, “New report on St. Paul minimum wage hike draws echoes of Minneapolis debate,” Feb. 22, 2018, <http://tcbmag.com/news/articles/2018/february/new-report-on-st-paul-minimum-wage-hike-draws-ech>.
18. Metropolitan Council, *The Twin Cities Region’s Areas of Concentrated Poverty Endure* (Feb. 2017), [https://metro council.org/Data-and-Maps/Publications-And-Resources/MetroStats/Census-and-Population/Areas-of-Concentrated-Poverty-in-the-Twin-Citi-\(1\).aspx](https://metro council.org/Data-and-Maps/Publications-And-Resources/MetroStats/Census-and-Population/Areas-of-Concentrated-Poverty-in-the-Twin-Citi-(1).aspx)
19. Frederick Melo, “These kids are earning while they learn. Should they get \$15 an hour?,” *Twin Cities Pioneer Press*, Feb. 16, 2018, <https://www.twincities.com/2018/02/16/minneapolis-st-paul-nonprofit-employers-15-minimum-wage-youth-workers/>.
20. Meeting Mins., St. Paul Minimum Wage Study Committee, Citizens League (May 10, 2018), <https://citizensleague.org/wp-content/uploads/2018/05/St.-Paul-Minimum-Wage-Minutes-5-10.pdf>.
21. Kailyn Hill, “An Expanded Youth Training Wage for Minneapolis and St. Paul,” Sundance Family Foundation (Jan. 19, 2018), <http://www.sundancefamilyfoundation.org/expanded-youth-training-wage-minneapolis-st-paul/>.
22. Sylvia A. Allegretto, Arindrajit Dube and Michael Reich, “Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data,” *Industrial Relations* 50: 205-240, 2011, <http://irle.berkeley.edu/files/2011/Do-Minimum-Wages-Really-Reduce-Teen-Employment.pdf>.
23. *Ibid.*
24. *Ibid.*
25. Bloomberg View Editorial Board, “Raise the Minimum Wage,” *Bloomberg*, April 18, 2012, <http://www.bloombergview.com/%20articles/2012-04-16/u-s-minimum-wage-lower-than-in-lbj-era-needs-a-raise>.
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