

# City of Minneapolis

## Request for Committee Action

**To:** Committee of the Whole  
**Date:** 10/5/2016  
**Referral:** N/A  
**From:** Community Planning & Economic Development  
**Lead Staff:** David Frank, Director Economic Policy and Development  
**Presented by:** David Frank  
**File Type:** Receive & File  
**Subcategory:** Study/Survey

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**Subject:**

Minimum wage increase study

**Description:**

Receiving and filing a presentation on the results of a study evaluating a minimum wage increase in Minneapolis and Hennepin / Ramsey County.

**Previous Actions:**

In April 2015, the City Council passed a Supporting a Strong Economy and Working Families resolution which directed staff to, among other things, develop a recommendation for a study of the effects of establishing a minimum wage regionally and locally, including scope, funding, and development of such study, no later than third quarter 2015. [See file number [15-00518](#)] On September 25, 2015, the City Council authorized issuance of a Request for Proposals for comprehensive economic analysis of a citywide minimum wage increase, and separately the impacts of a minimum wage increase in Hennepin and Ramsey counties. [See file number [15-01169](#)] On February 12, 2016, the City Council authorized a contract for a Minneapolis minimum wage increase study to be conducted by the competitively selected research team consisting of representatives from the University of Minnesota, Howard University, Rutgers University, and the Economic Policy Institute. [See file number [16-00206](#)]

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**Ward/Address:**

All Wards

**Background/Analysis:**

Researchers from the University of Minnesota, Howard University, Rutgers University, and the Economic Policy Institute have replicated the techniques used in prevalent economic literature to simulate the relative impact of a local minimum wage increase in the city of Minneapolis and in Hennepin/Ramsey County. These simulated minimum wage changes are at the \$12 and \$15 per hour levels.

The research team, led by the Roy Wilkins Center at the University of Minnesota, reviewed existing peer reviewed literature on minimum wage changes and replicated techniques prevalent in other studies to simulate the relative impact of a minimum wage increase in Minneapolis and in Hennepin/Ramsey County. The Center's simulations included many models that are similar but have slight differences in methodology.

The study found that of the city's 311,000 workers, 47,000 would be impacted by an increase to \$12 an hour and 71,000 would be impacted by an increase to \$15 an hour. The study concludes

that workers of color would disproportionately benefit from a minimum wage increase. Even though two-thirds of the total workforce is white, only half of the workforce affected by a \$15 minimum wage is white. Latino and black workers are more likely to be impacted.

The study found that it is inconclusive if there is a reduction in employment after a change in the minimum wage. The economic models describe workforce participation, and it is possible that an increase in the minimum wage changes either the total number of persons employed or the number of persons looking for work within a single industry. After applying the local workforce demographics to the available economic forecast models, the study did not find significant employment losses projected due to the proposed minimum wage increases, either in Minneapolis, or in Hennepin and Ramsey County. The models either showed a slight decrease in employment, or no statistically significant change. The difference in estimations for the effect of a minimum wage is largely due to the fact that each model makes different assumptions on the best way to test for these effects. The study also says that the restaurant, retail, and healthcare industries will receive a disproportionate share of the impact of a wage increase.

Now that the study is complete, and as directed in August, staff has formulated an engagement plan which will be presented at the same Committee of the Whole meeting as this report, and staff will work to bring a recommendation for a minimum wage policy to the Committee of the Whole by the second quarter of 2017.

**Financial Review:**

**No financial impact.**

**Attachments:**

1. Evaluation of a Minimum Wage Increase in Minneapolis and Hennepin/Ramsey County Technical Report
2. Evaluation of a Minimum Wage Increase in Minneapolis and Hennepin/Ramsey County Key Findings
3. Presentation to Committee of the Whole