

Minnesota Court Clarifies Agricultural Exemption under Minnesota Fair Labor Standards Act

July 16, 2012

Practices

Wage and Hour

Unlike the federal Fair Labor Standards Act, an exemption under the Minnesota Fair Labor Standards Act (MFLSA) for agricultural workers does not apply to workers who are paid on an hourly basis, according to the Minnesota Court of Appeals. *In re Labor Law Violation of Daley Farm of Lewiston*, No. 11-1900-19544-2 (Minn. Ct. App. July 9, 2012).

In a case that arose from a challenge by the Daley Farm, an agricultural employer, to a compliance order by the Minnesota Department of Labor and Industry in which the Department determined that the Farm had to pay overtime to its agricultural employees, the Farm argued the Department incorrectly interpreted the agricultural exemption of the MFLSA, Minn. Stat. §§ 177.21-.35 (2010), to be limited to employees paid a “salary,” as defined by Minnesota law.

Under the MFLSA, employers generally are prohibited from requiring employees to work more than 48 hours per week “unless the employee receives compensation for employment in excess of 48 hours in a workweek at a rate of at least 1-1/2 times the regular rate at which the employee is employed.” Minn. Stat. § 177.25, subd. 1. The MFLSA, however, provides an exemption for certain agricultural workers, by excluding from the definition of an employee “any individual employed in agriculture on a farming unit or operation who is paid a salary greater than the individual would be paid if the individual worked 48 hours at the state minimum wage plus 17 hours at 1-1/2 times the state minimum wage per week.” Minn. Stat. § 177.23, subd. 7(2).

It was undisputed that the Farm’s employees were “employed in agriculture on a farming unit or operation.” The Farm contended its employees met the statutory exemption because their weekly wages exceeded the threshold set by the statute. The Department asserted that agricultural workers must be paid on a salaried, rather than hourly, basis in order to be covered by the exemption.

The Minnesota Court of Appeals agreed with the Department. It relied on a state rule providing that “[a] salary is not an hourly rate. An employee is paid a salary if the employee, through agreement with an employer, is guaranteed a predetermined wage for each workweek.” Minn. R. 5200.0211.

The Farm also unsuccessfully argued that the federal Fair Labor Standard Act, which exempts agricultural workers without regard to their salaried or hourly status, preempted the narrower MFLSA agricultural exemption. Rejecting this argument as well, the Court noted that precedent holds that the areas of minimum wage and overtime are subject to dual regulation by the state and federal governments and that if the employment falls within the jurisdiction of both state and federal law, “the employer must comply with the law that sets the higher standard.”

The decision illustrates the reach of both the Minnesota Fair Labor Standards Act and the Department that administers the state law. It serves as a reminder that employers must comply not only with both state and federal overtime requirements, but also with the nuances of each law. Jackson Lewis attorneys are available to answer inquiries regarding this and other workplace developments.

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