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**FEDERAL MINIMUM WAGE INCREASE TO \$5.85 PER HOUR
GOES INTO EFFECT JULY 24, 2007**

By: George A. Voegele, Jr.

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Beginning on Tuesday, July 24, 2007, the federal minimum wage will increase from \$5.15 to \$5.85 per hour. This is the first of three scheduled increases called for by the Fair Minimum Wage Act signed by President Bush this past May. On July 24, 2008 the minimum wage will increase again to \$6.55 per hour, and on July 24, 2009 the final increase will take effect to lift the minimum wage to \$7.25 an hour. The U.S. Department of Labor has issued a revised Federal Minimum Wage Poster reflecting these changes. (The Fair Labor Standards Act (FLSA) requires that employers post a notice explaining the FLSA's requirements in a conspicuous place in all of their establishments). It is available free of charge on the Department of Labor's website at the following link: <http://www.dol.gov/esa/regs/compliance/posters/flsa.htm>.

The law provides certain exceptions to the new minimum wage rate. For example, tipped employees can be paid a lower rate of \$2.13 an hour in direct wages so long as that amount plus the tips received equals the Federal minimum wage. Companies can also pay new employees under twenty (20) years of age a reduced "training wage" during their first ninety (90) days of employment.

It is important to note that states are free to set their own minimum wage rates higher than the Federal rate, and many have done so. For example, for most Pennsylvania employers the minimum wage increased to \$7.15 effective July 1, 2007. New York and New Jersey's minimum wage rates are also currently set at \$7.15 an hour. Florida's is set at \$6.67 an hour. Delaware's is currently set at \$6.65 an hour, but will increase to \$7.15 effective January 1, 2008. At least 20 other states also have wage rates higher than the federal minimum. Where Federal and state law have different minimum wage rates, the higher rate must be paid to covered employees.

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It is also important to note that these changes apply to employees covered by collective bargaining agreements, so that if a Company has an agreement which calls for wages below the new federal or state minimums, those wage rates will need to be adjusted in order to comply with the new law.

These changes may require the attention of your Human Resources or compensation professionals to ensure compliance with federal and state wage and hour laws. If you would like to discuss any aspects of these changes and how they might impact your business or organization, please contact any of the Cozen O'Connor Labor and Employment Department lawyers.