

FEDERAL MINIMUM WAGE INCREASE TO \$7.25 PER HOUR GOES INTO EFFECT JULY 24, 2009

George A. Voegele, Jr. • 215.665.5595 • gvoegele@cozen.com

Beginning on Friday, July 24, 2009, the federal minimum wage will increase from \$6.55 to \$7.25 per hour. This is the last of three increases called for by the Fair Minimum Wage Act of 2007. This latest increase will raise the minimum wage in thirty states (Alabama, Alaska, Arkansas, Delaware, Florida, Georgia, Idaho, Indiana, Kansas, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Montana, Nebraska, New Jersey, New York, North Carolina, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Wisconsin and Wyoming) where the state minimum wage is currently set at or below the federal minimum wage, or there is no state minimum wage.

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

It is important to note that some states, including California, Colorado, Connecticut, Illinois, Massachusetts, Michigan, Nevada, New Mexico, Ohio, Oregon, Rhode Island, Vermont and Washington, as well as the District of Columbia, have minimum wage rates higher than the new federal minimum.

Where federal and state law have different minimum wage rates, the higher rate must be paid to covered employees.

It is also important to note that the federal minimum wage increase applies 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 federal and state law.

Employers will not need new Federal Minimum Wage Posters, as editions since 2007 have included references to the 2009 increase. (The Fair Labor Standards Act (FLSA) requires that employers post a notice explaining the FLSA's requirements in a conspicuous place at all of their work sites). DOL's approved Minimum Wage Poster is available from the Department of Labor's website at the following link: <http://www.dol.gov/esa/regs/compliance/posters/flsa.htm>.

The new minimum wage rate may require the attention of your human resources, payroll, or compensation professionals to ensure compliance with federal and state wage and hour laws. If you would like to discuss any aspects of this change and how it might impact your business or organization, please contact any of the Cozen O'Connor Labor and Employment Department lawyers.