

LEGAL UPDATES

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Minimum Wage Increase on Legislative Horizon

Key points:

Both houses of the U.S. Congress have introduced bills to raise the minimum wage to \$15.00 per hour for U.S. workers over the next four years.

State ballot initiatives and legislation in 29 states have resulted in minimum wages above the federal wage rate.

Employers should evaluate the economic impact of the federal legislation and begin the process of determining ways to offset the increase in labor costs.

On January 26, 2021, members in both houses of the U.S. Congress introduced bills to raise the minimum wage to \$15 per hour for U.S. workers. These increases would occur in steps between now and 2025. The first increase would be upon or shortly after passage and raise the minimum wage for most workers to \$9.50 per hour and increase \$1.50 each year until 2024. A final increase would occur in 2025 to \$15.00 per hour. Significant increases would be available to tipped employees and others with special sub-minimum wage exemptions, as well. The minimum wage would be indexed to inflation thereafter.

State minimum wage increases portend a federal response

The federal minimum wage currently stands at \$7.25 per hour, but several states have already passed legislation that exceeds the federal minimum wage. Currently, 29 states and Washington, D.C. have minimum wages above the federal wage rate of \$7.25 per hour. As a harbinger of broad support for increasing the federal minimum wage, in last November's election Florida voters chose to increase the minimum wage in that state, even though President Trump carried Florida's popular vote.

Initiatives to increase the federal minimum wage

President Biden supports such an increase, and by administrative action, has already begun the push to increase the minimum wage to \$15 per hour for federal workers and contractors on federal projects. The legislative effort was attached to the \$1.9 trillion Covid-19 relief package with the support of Senator Bernie Sanders, Chair of the Senate Budget Committee, (D- Ver.), Indeed, Senator Sanders, among others, is looking to find ways to pass this with simple majority support in the Senate, rather than requiring the 60 votes to bypass the Senate filibuster. Some have questioned whether the budget reconciliation process can be used to push through a minimum wage increase.

House Speaker Nancy Pelosi also emphasized on February 4 that the \$15 minimum wage is a high priority of Democrats, who effectively control both the House and the Senate.

What this means to you

While employers may adopt a wait and see attitude, it seems that an increase in minimum wage at the federal level is more likely than it has been in a decade. This will be especially significant in the hospitality and service sectors outside of large cities, where tipped employees and those working service jobs often receive less than the expected first- and second-year wage levels anticipated in the current legislation. Those in the budgeting, forecasting, and contract roles for their respective businesses must look carefully at the economic impact of the prospective legislation, which could result in increased labor cost. Offsetting those costs with increased employee efficiency and flexibility, changes in the way companies schedule and minimizing overtime may be helpful. There could be a greater need, as well, for subcontracting certain job functions in order to maintain key profitability ratios amid an extremely difficult operating environment for many businesses.

The confluence of circumstances presents an opportunity for employers to communicate with employees about the future, seek their input on job satisfaction, and solicit changes that could help drive an increase in labor value, while boosting employee morale.

Contact us

If you would like more information on minimum wage increases at the state, local, and federal level and to discuss the potential impact on your business, contact Tom Godar or your Husch Blackwell attorney.