

## Is Your Business Ready For a 40% Increase in Minimum Wage?

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Momentum is building for an increase in the federal minimum wage, with the only remaining questions being "How much?" and "How soon?" President Obama called upon Congress in this year's State of the Union speech to raise the federal minimum wage. Since then, the White House has launched a webpage dedicated to the issue at [www.whitehouse.gov/raise-the-wage](http://www.whitehouse.gov/raise-the-wage), the President has signed an Executive Order mandating that persons working on new federal service contracts earn at least \$10.10/hour, the Department of Labor conducted its #RaiseTheWage Week of Action, and the states of Connecticut and Maryland have passed legislation that will increase their state's minimum wage to \$10.10/hour.

The federal minimum wage currently stands at \$7.25. Raising it to \$10.10 would represent an almost 40% increase. While 21 states already have their own minimum wage that is higher than \$7.25, Texas does not so this would represent a potentially significant increase in labor expenditures for businesses that operate in Texas. Even companies that do not currently have any hourly employees at minimum wage or even below \$10.10/hour could see a "trickle up" effect whereby employees in the \$10-15/hour range may expect or need to see a proportionate increase in their hourly rate.

Employers may find some respite in the fact that any increase of more than \$1 per hour will likely be phased in over a multi-year period. For instance, Congress could stair-step the increase so that in 2015 the federal minimum wage would increase to \$8.25, in 2016 it would increase to \$9.25, and then in 2017 it would increase to \$10.10. Congress utilized a similar process when increasing the minimum wage from \$5.15 to \$7.25 in three increments between 2007 and 2009.

Congress may eventually compromise on an amount less than \$10.10/hour as legislation winds its way through the House and Senate. Regardless, prudent employers should plan on seeing some sort of increase in the minimum wage, and should expect to see legislation passed within the next year finalizing such increase.