



# 5 Things Florida Employers Need To Know About Vote To Increase Minimum Wage

Insights

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Florida voters just approved a constitutional amendment that will gradually raise the state minimum wage to \$15 per hour in 2026. What does this mean for employers? Here are the top five things you need to know about yesterday's groundbreaking election result.

## 1. It's Not All Automatic

Much of the media coverage on the amendment refers to it as increasing the minimum wage to \$15. Although true, it is not the whole picture. Specifically, the amendment states that the Florida minimum wage will increase to \$10 beginning September 1, 2021, up from the current \$8.46. Every year after that, the minimum wage will increase by \$1 until it reaches \$15 in 2026 (i.e., \$11 in 2022, \$12 in 2023, etc.). Beginning in 2027, the minimum wage will resume being adjusted for inflation. Thus, the increases will be gradual.

Because you will not need to start paying the \$10 minimum wage until September 1, 2021, you should take advantage of that time to prepare for the increase. Given that many businesses are struggling with the economic fallout of COVID-19, it is even more important that you brace your organization and plan for the changes. Although it may not be immediately obvious, you will need to adapt to more changes than just an employee's rate of pay.

## 2. Know Where You Stand

It is imperative that you forecast what your numbers look like a year out and plan ahead of time. You should thoroughly crunch your numbers to see where they stand now and what they will look like after a wage increase. Consider the differences and how your business can cover them. In doing so, you should also consider anticipated staffing needs.

Many businesses believe that they simply need to sell extra product or service to cover the increased wages. This is not necessarily true. For example, if you only have one employee and they make an extra \$2 per hour, you would think you only have to sell an extra \$2 of product or service per hour to cover it. But there are more costs associated with employment than just wages. Payroll expenses such as unemployment, disability insurance, workers' compensation, and Social Security will change. These rates will also increase as the employee's wage does. You should keep these figures in mind when planning ahead.

### 3. **Increased Wages Will Send Ripple Effects**

Depending on your business, you may already have employees making \$15 or more. When the minimum wage increases, these employees will not be happy to learn they are making the same as your lower- or entry-level employees. These employees will surely want an increase that matches their experience or value. Be sure you are ready to address these wage compression and related concerns, which may involve shifting your pay scale upward.

### 4. **Tip Credit Is Unchanged**

For employees who customarily earn tips, you can still take a tip credit. The amendment approved by voters does not change that. However, despite the increased minimum wage, Florida employers can still only take a \$3.02 tip credit toward the minimum wage.

Florida law specifically states that employers can take the tip credit that was available to them in 2003. This part of the law has not been amended. Thus, a customarily tipped employee in 2021 must be paid \$6.98 in direct wages, while in 2026 they must be paid \$11.98.

### 5. **Compliance Will Be More Important Than Ever**

Florida employers know all too well how expensive wage and hour lawsuits can be, often costing more than the wages allegedly owed. But as wages rise, so too does the risk. For example, an employee earning \$15 an hour must be paid at an overtime rate of \$22.50 an hour, higher than an employee making \$10 with an overtime rate of \$15 an hour. This means every hour of alleged unpaid overtime or minimum wage becomes that much more expensive.

As always, proper recordkeeping is one of the strongest protections against wage and hour suits. It will be critical to implement detailed and consistent recordkeeping systems to make sure that, if a claim comes along, you have all the records you need to defend your business. You must keep accurate records of all hours worked, payments made, and job duties. You should consider auditing your payroll systems to ensure you have all the information you need. After all, an ounce of prevention is worth a pound of cure.

## **Conclusion**

These changes come as employers continue to recover from the effects of COVID-19. However, with proper thought and proactive planning, you can get ahead of the changes and be ready as they come. We will continue to monitor developments related to this new law and its effect on Florida employers. Make sure you are subscribed to [Fisher Phillips' Alert System](#) to get the most up-to-date information. If you have questions about how to ensure that your pay practices comply with Florida's minimum wage law or other applicable laws, contact any attorney in [our Florida offices](#).

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*This Legal Alert provides an overview of a specific new state law. It is not intended to be, and should not be construed as, legal advice for any particular fact situation.*

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