



A New Fad – Raising the Minimum Wage

Insights

4.07.14

A centerpiece of President Obama's current legislative agenda is raising the federal minimum wage. While many doubt a bill raising the federal minimum wage will be passed by Congress, President Obama's call for such legislation has spurred many states and municipalities to act. In Pennsylvania, two state senators, Daylin Leach and Mike Stack, just introduced legislation that would raise the minimum wage to \$12.00 and prohibit businesses from paying workers who receive tips an amount less than the state mandated minimum wage. Likewise, Connecticut recently joined this arena when Governor Dannel Malloy signed into law a bill that incrementally raises the state's minimum wage over the next three years. Under the legislation passed in Connecticut, the minimum wage will increase on January 1, 2015 from \$8.70 to \$9.15 and thereafter incrementally go up until 2017 when it will be set at \$10.10. If no other state acts between now and 2017, Connecticut will surpass Washington as the state with the highest minimum wage (the minimum wage in the District of Columbia is set to increase in 2016 to \$11.50). However, Maryland and Hawaii are both considering similar pieces of legislation meaning Connecticut likely will not be the last state to raise its minimum wage to \$10.10 or higher.

States are not the only ones moving to raise the minimum wage, as cities and municipalities are independently doing so as well. The City of Santa Fe, New Mexico, for example, raised its minimum wage a few weeks ago to \$10.66. Likewise, the city council in Richmond, California, a city in the San Francisco Bay Area, has given preliminary approval to a gradual phasing in of increases to the minimum wage ending in 2017 when the minimum wage will be set at \$12.30.

As the above examples illustrate, the trend in many states and municipalities is in favor of raising the minimum wage. In the short term, the upward trajectory of the minimum wage will likely continue in Democratically controlled state houses and city council. Companies paying employees at or near the minimum wage will have to keep a careful eye on this area of legislation, and anticipate increases in the minimum wage in a number of states and municipalities. What appears certain is that employers, without action by Congress, will be left to deal with a piecemeal approach to the minimum wage that is dependent on the state and municipality where employees work. With the implementation of the Affordable Care Act in full swing, and raising the minimum wage gaining momentum at the state and local level, the cost of labor will presumably be increasing for many employers over the next couple of years.