



\$15 Minimum Wage Becomes Law In New Jersey

Insights

2.05.19

New Jersey has joined the ranks of California, New York, Massachusetts, and Washington D.C. in adopting legislation that will gradually increase the state's minimum wage to \$15 an hour for most employees. The legislature passed the bill on January 31, and Governor Phil Murphy signed it into law yesterday. Here's what New Jersey employers should know about it.

Required Minimum Wage Rates

In 2013, New Jersey voters approved an amendment to the state constitution requiring an increase to the state's minimum wage each year on January 1 to match the greater of any increase in the CPI-W (the consumer price index for urban wage earners and clerical workers) during the 12 months ending the preceding September, or the federal minimum wage, if it exceeded New Jersey's. As a result, New Jersey increased its minimum wage to \$8.85 an hour on January 1, 2019, based on the previous year's CPI-W increase.

The new Minimum Wage Law surpasses that system by mandating the following minimum hourly pay rates, unless the change in the CPI-W would result in a greater increase or the federal minimum wage is higher:

- \$10 effective July 1, 2019;
- \$11 effective January 1, 2020;
- \$12 effective January 1, 2021;
- \$13 effective January 1, 2022;
- \$14 effective January 1, 2023; and
- \$15 effective January 1, 2024.

After 2024, the minimum wage will only increase if it needs to keep pace with any increase to the CPI-W or the federal minimum wage.

For those working for small employers (defined below), and for non-tipped employees engaged in seasonal employment (defined below), the 2019 minimum wage of \$8.85 an hour will increase to \$10.30 on January 1, 2020, and then by 80 cents an hour each year from 2021 to 2025, and 70 cents an hour in 2026, eventually bringing the minimum hourly wage to \$15. From 2027 to 2028, the wages of

these employees will increase under a formula to match the general minimum wage by 2028. Special rules apply to farm labor.

For tipped employees, the Minimum Wage Law will permit employers the following tip credits against the general minimum wage: \$6.72 per hour from January 1, 2019 to June 30, 2019; \$7.37 per hour from July 1, 2019 to December 31, 2019; \$7.87 per hour from 2020 through 2022; \$8.87 per hour in 2023; and \$9.87 per hour thereafter.

Beginning January 1, 2020, an employer may pay a training wage of at least 90 percent of the applicable general minimum wage to an employee enrolled in a qualified training program.

If in any year the increase in the CPI-W would result in a higher hourly rate than the fixed rate in the Minimum Wage Law, that higher rate will be the minimum wage. Likewise, if the federal minimum wage is higher than New Jersey's, then the state's minimum wage will be increased to match the federal minimum.

Important Definitions

In order to understand the full impact of the new law, there are several definitions unique to the statute with which employers should familiarize themselves. Among them:

Small Employers

A "small employer" is one that employs fewer than six employees every working day during a majority of the calendar workweek in the current calendar year and not less than 48 calendar workweeks in the preceding calendar year. Special rules apply to newly established businesses.

Seasonal Employment

"Seasonal employment" includes (1) employment by a seasonal employer; (2) employment by a non-profit or government entity limited to the period of May 1 through September 30; and (3) employment by a government entity in a recreational program or service during the period May 1 through September 30. Farm laborers paid at either a piece rate or regularly hourly rate are specifically excluded from the definition.

A "seasonal employer" is one that (1) exclusively provides its services in a continuous period of not more than 10 weeks from June through September; or (2) received at least two-thirds of its gross receipts in the previous calendar year in a continuous period of not more than 16 weeks; or (3) in the preceding year paid at least 75 percent of wages for work performed during a single calendar quarter.

Qualified Training Program

An employer participating in a “qualified training program” is one that participates in an on-the-job or other training program complying with Department of Labor and Workforce Development regulations. The training wage may be paid only for the first 120 hours after hire. The employer must have a reasonable expectation that the trainee will become a regular employee after training. The employer may not use training wage employees to displace current employees or replace or duplicate approved apprenticeship programs. Repeated violations of these rules will result in at least a three-year suspension of an employer’s right to pay a training wage.

Tax Credit For Hiring An “Employee With An Impairment”

The Minimum Wage Law also offers a tax credit to an employer who employs an employee with an impairment. An “employee with an impairment” is one earning at least the applicable minimum wage whose work capacity is significantly impaired by age, physical, or mental deficiency, or injury, and whom the state has found eligible for personal assistant services or prescribed drugs necessary for the employee to perform the essential functions of their job.

What Should You Do?

Employers in New Jersey must prepare themselves to comply with the new Minimum Wage Law. Be ready to adjust your payroll systems and practices by the first deadline—July 1—and amend any required postings and abstracts. Watch for the implementing regulations from the Department of Labor and Workforce Development, and monitor Department announcements, particularly in the period around September 30 each year, to see whether CPI-W increases will result in minimum wage increases above the new fixed rate. And keep your eyes on Washington, D.C. where sooner or later there will be an increase in the federal minimum wage.

We will continue to monitor further developments and provide updates regarding the final law’s provisions, so you should ensure you are subscribed to [Fisher Phillips’ alert system](#) to gather the most up-to-date information. If you have questions, please contact your Fisher Phillips attorney or any attorney in our [New Jersey office](#).

This Legal Alert provides information about a specific state law. It is not intended to be, and should not be construed as, legal advice for any particular fact situation.

Related People





Rosemary S. Gousman

Partner

908.516.1060

Email



David J. Treibman

Of Counsel

908.516.1063

Email

Service Focus

Wage and Hour

Related Offices

New Jersey