MINIMUM WAGE INCREASES TO $7.25 PER HOUR

The federal minimum wage increases by 70 cents to $7.25 per hour effective July 24, the third and final step under legislation enacted in 2007. The increase from the current minimum of $6.55 per hour lifts the wage floor in 30 states that either have no state minimum wage or have one that is lower than the new federal rate, according to the Department of Labor.

For an individual earning the federal minimum wage, the change amounts to a 10.7 percent hourly pay raise since the last federal minimum wage increase a year ago, or about $120 per month for a full-time worker. Labor Secretary Hilda Solis says she was "especially pleased that the change will benefit working women" who account for two out of three minimum wage earners.

The federal increase will benefit workers in most regions and a variety of states, including Alabama, Alaska, Delaware, Florida, Idaho, Indiana, Kansas, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New York, North Carolina, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Virginia, and Wisconsin. In addition, the District of Columbia’s minimum wage, which is set $1 above the federal minimum, also will climb 70 cents to $8.25 per hour. In another 20 states, including California, Illinois, and Massachusetts, the state minimum already is $7.25 per hour or higher.

Also, the maximum tip credit an employer is allowed to take against the minimum wage increases by 70 cents to $5.12 per hour, so the minimum cash wage employers can pay tipped employees remains $2.13 per hour. Employers of tipped employees in many states also will see changes in either the tip credit, the minimum cash wage paid to tipped employees, or both.

The 2007 legislation, which amended the Fair Labor Standards Act to raise the federal minimum wage by $2.10 over two years, from $5.15 per hour to $7.25 per hour, was enacted as part of a defense funding measure that also provided $4.8 billion in tax relief to businesses affected by the wage hike. Prior to 2007, the federal minimum had not been increased for 10 years, although many states boosted their wage floors above the federal rate in the meantime.

About 2.2 million hourly workers, or 3 percent of all those paid by the hour, earned the federal minimum in 2008, according to the Bureau of Labor Statistics. That was 500,000 more than the 1.7 million such workers in 2007 and the most since 2000. The number of minimum wage workers probably is understated because of various exemptions to the federal law and the exclusion of salaried and other nonhourly workers from the data.

By region, the highest proportion of hourly workers earning the federal minimum rate was the South (4.2 percent), followed by the Midwest (2.8 percent) and Northeast (2.4 percent), while the West had the lowest share (1.6 percent).

The Economic Policy Institute estimates that 2.8 million workers currently earn less than the new federal minimum, including 430,000 single parents with children under age 18. Another 1.6 million workers who currently earn slightly more than the new federal rate likely will benefit from “spillover effects” from the increase, such as raises designed by companies to preserve their wage structures.
