



## **NEW FEDERAL MINIMUM WAGE SET TO TAKE EFFECT JULY 24**

JULY 2009

On July 24th, the federal minimum wage will increase from \$6.55 an hour to \$7.25 an hour, an increase of 10.7%. The impact on employers will be greatest in 29 states that currently have minimum wage requirements below the new federal minimum. Seven states already have laws mandating \$7.25 minimum hourly pay, while 14 states and Washington, D.C., exceed the new minimum. Employers are required to pay whichever is the highest: Federal or state.

Some experts argue that this is possibly the worst time to increase the minimum wage since almost all businesses are dealing with decreased revenues in the current recession. Others, however, argue that putting more money into people's pockets, particularly low-wage workers who are likely to spend the increase to meet living costs, will boost the economy. Regardless, as business owners and managers scramble to comply with the wage increase, a host of new labor and employment issues are beginning to emerge.

With employees earning higher wages, business owners and managers may have a hard time maintaining profits. Nevertheless, it is imperative that employers comply with laws that are in place to protect employee rights while looking for other ways to cut costs and broaden the profit margin. For

example, as wages increase, employers may need to begin cutting back employee hours or the number of employees working during a particular shift. However, it is important to be aware of employees' rights when it comes to the number of hours each employee is guaranteed.

It is also important to be aware of how reducing the workforce will affect the employer's business operations. The wage hike is expected to have the greatest impact on the food and personal services industries because these industries are highly labor intensive and largely employ low-wage workers. Unfortunately, those industries also find it the most difficult to reduce the work force without sacrificing customer service. Employers in these industries should consider creative ways to cut costs without foregoing customer satisfaction.

Furthermore, it is important for employers to be cognizant of employee morale and the potential for litigation. Not only will the employees making less than \$7.25 an hour be raised to the new rate, but employers likely will have to consider giving raises to those currently earning more than \$7.25 an hour because they have more experience. Employers should also continue to maintain incentive programs and other employee benefit programs such as discounts or reimbursement agreements.



## CLIENT ALERT

There are several ways employers can prepare themselves for implementing these new wage requirements. Please contact

your [Elarbee Thompson attorney](#) for more details regarding the impact the new Federal minimum wage requirements may have on your business.