

# Client Alert

A report  
for clients  
and friends  
of the firm     April 2005

## New Jersey Raises Minimum Wage

On April 12, 2005, New Jersey's Acting Governor Richard Codey signed a bill into law that will increase the state minimum wage and establish a Minimum Wage Advisory Commission. New Jersey's hourly minimum wage will increase from the current level of \$5.15 to \$7.15 in two phases. The minimum wage will rise to \$6.15 an hour on October 1, 2005; and to \$7.15 an hour on October 1, 2006. The newly created Minimum Wage Advisory Commission will evaluate the state's minimum wage and report its findings and recommendations by December 2007. The Commission will consist of the state labor commissioner, two business representatives and two labor representatives.

Under federal law, the minimum wage has been \$5.15 per hour since 1997. This is New Jersey's first minimum wage increase since 1999, when the state minimum wage was raised to \$5.15 an hour to be in line with the federal minimum. Prior to that, New Jersey's minimum wage had exceeded the federal minimum wage since 1992, when the state raised its minimum wage to \$5.05 an hour. New Jersey now joins thirteen (soon to be fourteen) other states and the District of Columbia that have state minimum wages exceeding the federal minimum wage. While the wage increase does not kick in until October of 2005, by late 2006 the increase could give New Jersey one of the highest minimum wages in the country. The wage increase will affect nearly 300,000 workers in New Jersey who currently make less than \$7.15 an hour.

Critics of the wage increase, including many Republican and business leaders, are fearful that the

increase could be a blow to smaller businesses and could push larger businesses into a cheaper wage state. However, the minimum wage in neighboring New York is currently \$6.00, rising to \$6.75 on January 1, 2006 and \$7.15 on January 1, 2007. Similarly, other states in the vicinity, including Connecticut (\$7.10), Vermont (\$7.00), Massachusetts (\$6.75) and Delaware (\$6.15), have a minimum wage above the federal minimum. Further, in Pennsylvania (where the minimum wage remains \$5.15), there is legislation pending that, if enacted, would increase the minimum wage there to \$6.00 initially, to \$6.75 on January 1, 2006 and to \$7.15 on January 1, 2007.

### Jurisdictions With Minimum Wage Above the Federal Minimum Wage as of January 1, 2005<sup>1</sup>

State	Minimum Wage
Washington	\$7.35 <sup>2</sup>
Oregon	\$7.25 <sup>2</sup>
Alaska	\$7.15
Connecticut	\$7.10
Vermont	\$7.00
California	\$6.75
Massachusetts	\$6.75
Rhode Island	\$6.75
District of Columbia	\$6.60
Illinois	\$6.50
Maine	\$6.35 <sup>3</sup>
Hawaii	\$6.25
Delaware	\$6.15
New York	\$6.00 <sup>4</sup>

<sup>1</sup> Florida's minimum wage will increase from \$5.15 to \$6.15 on 5/2/05 and will be adjusted according to inflation each January.

<sup>2</sup> Washington and Oregon index their minimum wages to account for annual increases in the cost of living.

<sup>3</sup> Minimum wage increases to \$6.50 effective 10/1/05.

<sup>4</sup> Minimum wages increases to \$6.75 effective 1/1/06, and \$7.15 effective 1/1/07.

Also noteworthy for employers is that the new minimum wage in New Jersey will result in higher overtime costs, because overtime is generally calculated at 1.5 times an employee's hourly "regular rate." Consequently, employers should consider permissible alternatives which reduce overtime exposure, such as adopting a "fluctuating workweek" approach. If you would like further information about such planning options, or have other wage and hour questions, please feel free to contact your Proskauer relationship attorney or any of the attorneys listed below.

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#### **Client Alert**

**Proskauer's Newark office has 40 attorneys with significant and diverse experience in labor, employment, employee benefits and immigration law. The following individuals serve as contact persons for this alert and would welcome any questions that you might have. For more information on this matter, please contact:**

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