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New Jersey: 4th State to Adopt \$15 Minimum Wage

On February 4, New Jersey Gov. Phil Murphy signed a bill into law that will gradually increase the minimum wage for most employees working in the state to \$15 an hour by 2024. Employers with at least six employees will have to adjust their payroll systems and pay practices to ensure compliance with the first rate increase on July 1.

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Background

In 2013, New Jersey voters approved a constitutional amendment to raise the state minimum wage from \$7.25 — the federal minimum wage rate — to \$8.25 an hour in 2014, and to add automatic cost-of-living increases each year based on the consumer price index for urban wage earners and clerical workers (CPI-W). Since then, efforts to further increase the minimum wage have continued but have been unsuccessful. In 2016, then Gov. Chris Christie vetoed a bill that would have raised New Jersey's minimum wage to \$10.10 an hour in 2017 and to at least \$15 an hour over the following five years.

While many in the business community have expressed concern that rate hikes would hit companies' bottom lines, increase job loss, and lead to more automation, lawmakers in a number of states are considering raising the minimum wage. For example, last month bills to raise the minimum wage to \$15 an hour were introduced in Hawaii, New Mexico, and Maryland. On February 5, the Democratic-controlled Illinois Senate approved increasing the state's \$8.25 hourly minimum wage to \$15 over six years. Rhode Island Gov. Gina Raimondo has proposed raising that state's hourly minimum wage from \$10.50 to \$11.10 on Jan. 1, 2020, while the hourly minimum wage in neighboring Massachusetts is already \$12 and is on its way to \$15.

New Jersey's wage hike

On January 1, 2019, New Jersey adjusted its minimum wage for inflation, increasing it to \$8.85 an hour, based on the prior year's CPI-W. On a largely party-line vote on January 31, the Democratic-controlled New Jersey legislature passed a bill to hike the state minimum wage for most — but not all

— workers from \$8.85 to \$15 over the next five years. When Gov. Phil Murphy signed the bill into law on February 4, New Jersey became the fourth state to adopt a \$15 minimum — joining California, Massachusetts, and New York, as well as the District of Columbia.

Buck comment. Also on January 31, the New Jersey legislature passed a bill to expand coverage and increase benefits under New Jersey's Paid Family Leave Program. If, as expected, Gov. Phil Murphy signs the bill into law, it would double the maximum duration of benefits to care for a newborn or ill family member from 6 to 12 weeks and increase the weekly wage replacement benefit from two-thirds of pay to 85 percent of pay in 2020.

The new law will raise the minimum wage to \$10 on July 1 for employers with six or more employees, and subsequently increase the rate by \$1 on January 1 of each year until it reaches \$15 in 2024. Workers for smaller employers and seasonal employers will reach a \$15 hourly minimum wage in 2026. Agricultural workers will see their wages climb to \$12.50 over five years. Tipped workers will see their current minimum hourly wage of \$2.13 reach \$5.13 an hour by 2024. The tipped rate plus the worker's tips must equal the state's hourly minimum wage rate.

Buck comment. Unlike measures passed in California and New York, the New Jersey law does not include a provision that would pause the scheduled increases in the event of an economic downturn. Thus, New Jersey lawmakers would have to approve additional legislation to react to declining economic conditions.

After the minimum wage reaches \$15 in 2024, subsequent increases will be based on the CPI-W. Annual increases will take effect on January 1 of each subsequent year. If the federal minimum wage rate is raised to a level that exceeds the New Jersey rate, the state rate will be increased to the higher rate and subsequent CPI-W increases will be based on the higher federal rate.

Scheduled minimum wage increases

The proposed schedule of minimum wage increases for affected groups is summarized below.

Employers & Workers	7/1/19	1/1/20	1/1/21	1/1/22	1/1/23	1/1/24	1/1/25	1/1/26
Employers with 6 or more employees)	\$10.00	\$11.00	\$12.00	\$13.00	\$14.00	\$15.00*	*	*
Small employers (fewer than 6 employees) & seasonal employers		\$10.30	\$11.10	\$11.90	\$12.70	\$13.50	\$14.30	\$15.00*
Agricultural/farm workers		\$10.30	\$10.30	\$10.90	\$11.70	\$12.50	**	**
Tipped workers***	\$2.63	\$3.13	\$4.13	\$5.13	\$5.13	\$5.13*	*	*

* Subsequent increases will be based on the consumer price index for all urban wage earners and clerical workers (CPI-W). Small and seasonal employers will see additional adjustments after 2026 so that their workers will receive the same minimum wage as employees of larger employers by 2028.

** Increases in agricultural and farm wages after 2024 will require approval by both the Departments of Agriculture and Labor and Workforce Development. In the event the departments cannot agree, the governor would nominate a tie-breaking member to determine any increase.

*** The tipped wage, combined with a worker's tips, must equal the state's hourly minimum.

Training wages

Starting in 2020, employers will be able to pay workers who are enrolled in an established employer on-the-job or other training program that meets standards set by the labor commissioner at a reduced rate. "Training wages" must equal at least 90 percent of the minimum wage and are available only for the trainee's first 120 hours of work, but only if the employer has a reasonable expectation that the trainee will become a regular employee after training. Training wage employees cannot be used to displace current employees or replace or duplicate approved apprenticeship programs. Employers that repeatedly violate these rules will receive a minimum three-year suspension of the right to pay a training wage.

In closing

The minimum wage increase is expected to affect more than one million workers in New Jersey. Employers should implement any needed payroll system adjustments and policy changes, and closely monitor their pay practices to ensure compliance with the scheduled increases.

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