

PERSONNEL NOTEBOOK

For Your Most Important Resource—The Human Resource

Prepared By:

HUMAN RESOURCE ASSOCIATES

MINIMUM WAGE

It is general knowledge that the federal minimum wage law is meant to establish a national base pay rate that will be the minimum rate you may pay employees working for you. So, if you're bidding on a contract, you can estimate how much you're going to have to calculate for all the minimum wage employees you have. Right? Well, not necessarily.

If you have to hire another 5, 10, or 50 new employees, you may find that you have a number of different rates to pay you're minimum wage level workers. This doesn't mean that you are competitively paying a higher amount for a more productive or superior employee. It may mean that you are paying anywhere from \$2.15 to \$15.00 per hour for all minimum wage employees regardless of their productivity or performance!

There are many things that can affect the amount you pay to employees as the minimum wage.

What Is The Minimum Wage Law And To Whom Does It Apply?

The federal minimum wage provision is part of the 1938 Fair Labor Standards Act (FLSA). It applies specifically to:

- Employees working in interstate commerce or the production of goods for commerce,
- Employees who work in transportation or communication or who regularly use the mails or telephones for interstate communication,
- Employees of federal, state, or local government agencies, hospitals, and schools,

- Generally applies to domestic workers,
- Employees of any enterprise that does at least \$500,000 in business in one year.

It is a law passed by Congress and approved by the President and is controlled and enforced by the U.S. Department of Labor.

It is the intention of the minimum wage provision of the FLSA to protect all workers from exploitation by establishing a national minimum hourly rate for even the most basic levels of labor.

Are There Any Exceptions To The Minimum Wage?

Yes, there are many exceptions:

- Current federal minimum wage is \$5.15 per hour.
- Employees under 20 years of age, may be paid as little as \$4.25 per hour during the first 90 consecutive, calendar days of employment.
- Apprentices, students, and the disabled may be paid as little as half the rate under special certificates issued by the U.S. Department of Labor.
- Workers who earn tips can be paid as little as \$2.13 per hour if their tips bring them up to \$5.15 per hour (the dollars received divided by hours worked must equal \$3.02 or more per hour).
- Piece work. Working and being paid by the pieces produced is not legal in many cases. But where applied, the total amount earned divided by the hours it took to earn it, must equal \$5.15 per hour.
- State minimum wage laws (see below).

- Living wage requirements (see below).

History of the Federal Minimum Wage:

| <u>Month / Year</u> | <u>Minimum Hourly Wage</u> |
|---------------------|----------------------------|
| October 1938 | \$0.25 |
| October 1939 | \$0.30 |
| October 1945 | \$0.40 |
| January 1950 | \$0.75 |
| March 1956 | \$1.00 |
| September 1961 | \$1.15 |
| September 1963 | \$1.25 |
| February 1967 | \$1.40 |
| February 1968 | \$1.60 |
| May 1974 | \$2.00 |
| January 1975 | \$2.10 |
| January 1976 | \$2.30 |
| January 1978 | \$2.65 |
| January 1979 | \$2.90 |
| January 1980 | \$3.10 |
| January 1981 | \$3.35 |
| April 1990 | \$3.80 |
| April 1991 | \$4.25 |
| October 1996 | \$4.75 |
| September 1997 | \$5.15 |

In March of 2000, a Bill passed raising the rate to \$6.15 per hour over two years, but this has yet to be signed by the President and may not be.

Minimum Wage By State

States may establish a different minimum wage rate if they choose. But where they differ from the federal, the higher rate will apply.

The standards that follow apply to nonsupervisory, non-farm, private sector employment as of January 1, 2002.

| | <u>Effective Date</u> | <u>Basic Rate</u> | <u>Notes</u> |
|---------|-----------------------|-------------------|--|
| Alabama | | No law | |
| Alaska | No | \$5.65 | Rate is automatically set at \$50 cents over federal |
| Arizona | No law | | |

| | <u>Effective Date</u> | <u>Basic Rate</u> | <u>Notes</u> |
|----------------|-----------------------|-------------------|--|
| Arkansas | Now | 5.15 | If 4 or more employees |
| California | Now | 6.75 | |
| Colorado | Now | 5.15 | |
| Connecticut | Now | 6.70 | |
| Delaware | Now | 6.15 | |
| Washington, DC | Now | 6.15 | Rate is automatically set at \$1.00 over federal |
| Florida | | No law | |
| Georgia | Now | 5.15 | If 6 or more employees |
| Guam | Now | 5.15 | |
| Hawaii | Now | 5.75 | |
| | 1-1-03 | 6.25 | |
| Idaho | Now | 5.15 | |
| Illinois | Now | 5.15 | If 4 or more employees |
| Indiana | Now | 5.15 | If 2 or more employees |
| Iowa | Now | 5.15 | |
| Kansas | Now | 2.65 | |
| Kentucky | Now | 5.15 | |
| Louisiana | | No law | |
| Maine | Now | 5.75 | |
| | 1-1-03 | 6.25 | |
| Maryland | Now | 5.15 | In Baltimore, effective if 2 or more employees |
| Massachusetts | Now | 6.75 | |
| Michigan | Now | 5.15 | If 2 or more employees |
| Minnesota | Now | 5.15 | If annual receipts of \$500,000 or more |
| | Now | 4.90 | If annual receipts of less than \$500,000 |
| Mississippi | | No law | |
| Missouri | Now | 5.15 | |
| Montana | Now | \$5.15 | If annual sales of over \$110,000 |
| | Now | 4.00 | If annual sales of less than \$110,000 |
| Nebraska | Now | 5.15 | If 4 or more employees |
| Nevada | Now | 5.15 | |

| | <u>Effective Date</u> | <u>Basic Rate</u> | <u>Notes</u> | | <u>Effective Date</u> | <u>Basic Rate</u> | <u>Notes</u> |
|------------------|-----------------------|-------------------|--|------------------|-----------------------|-------------------|--|
| New Hampshire | Now | 5.15 | | | | | |
| New Jersey | Now | 5.15 | | | | | rate is adjusted for cost of living |
| New Mexico | Now | 4.25 | | | | | |
| New York | Now | 5.15 | | West Virginia | Now | 5.15 | If 6 or more employees |
| North Carolina | Now | 5.15 | | Wisconsin | Now | 5.15 | |
| North Dakota | Now | 5.15 | | Wyoming | Now | 5.15 | |
| Ohio | Now | 4.25 | | | | | |
| | Now | 3.35 | If gross sales from \$150,000 to \$500,000 | | | | |
| | Now | 2.80 | If gross sales under \$150,000 | | | | Note: Where the minimum rate is less than the \$5.15 federal law, it is normally because the state has designated certain bodies of work that are not covered by the FLSA. |
| Oklahoma | Now | 5.15 | If 10 or more full time employees & gross sales over \$100,000 | | | | You can see by the chart that 12 states have higher rates than the federal minimum wage |
| | Now | 2.00 | All other employees | Alaska | | \$5.65 | |
| Oregon | Now | 6.50 | | California | | 6.75 | |
| Pennsylvania | Now | 5.15 | | Connecticut | | 6.70 | |
| Puerto Rico | Now | 3.61-5.15 | Rate set at least 70% of federal | Delaware | | 6.15 | |
| | | | | Hawaii | | 5.75 | |
| | | | | Maine | | 5.75 | |
| Rhode Island | Now | 6.15 | | Massachusetts | | 6.75 | |
| South Carolina | No law | | | Oregon | | 6.50 | |
| South Dakota | Now | 5.15 | | Rhode Island | | 6.15 | |
| Tennessee | No law | | | Vermont | | 6.25 | |
| Texas | Now | 5.15 | | Washington, D.C. | | 6.15 | |
| Utah | Now | 5.15 | | Washington State | | 6.90 | |
| Vermont | Now | 6.25 | If 2 or more employees | | | | |
| Virginia | Now | 5.15 | If 4 or more employees | | | | |
| Virgin Islands | Now | \$4.65 | If \$150,000 or more in annual receipts | | | | |
| | Now | 4.30 | If less than \$150,000 in annual receipts | | | | |
| Washington State | Now | 6.90 | Beginning 1-1-01 and annually thereafter, | | | | |

Living Wage

The living wage concept determines that regardless of the federal minimum wage rate, an area or region may determine a higher rate by calculating a worker's needs. A rate is determined by calculating such factors as the cost of child care times the number of children, food, transportation, housing, health care, etc. Over 40 municipalities in the U.S. have set a living wage rate, taking the rate to \$7.00 and \$9.00 per hour. In Washington, D.C. the rate is almost three times the federal rate.

Although the first "living wage" law started in Baltimore, MD in 1994, the living wage concept is relatively new. It is openly declared by its champions as a "very class warfare" issue. Liberals love it, feeling that it raises the incomes of the lowest wage earner and the most needy.

Conservatives hate it, because they feel that it rewards the lowest producers while insulting the hardest workers and is another social reform example of wealth distribution.

Under former President Clinton, many federal contracts were awarded with a requirement that the "living wage" concept be used. Many of those also required that bidders could not have a bad employee record, meaning no labor disputes, no EEO complaints, no OSHA charges, etc. It appears now that under the Bush administration both of these requirements are going to be put aside.

The "living wage" concept sounds good, maybe even feels good, but when you start paying the lowest performers more than the highest performers, when local jurisdictions are able to accelerate wage rates far beyond federal and union agreements, will we still be a competitively based economy or will we be recreating the 70 year failure of socialized Russia? Will the needs of a worker count more than the character, skills, productivity and value?

Bill Cook
Human Resource Associates

HUMAN RESOURCE ASSOCIATES

6050 Greenway Court
Manassas, Virginia 20112-3049
(703) 590-3841, Fax: (703) 590-6437
e-mail: hrahtl@consulthra.com
website: www.consulthra.com