

Improving Family Economic Security: Minimum Wage Regulations, Federal and State

November 18th, 2025



National Center for Children in Poverty

Bank Street Graduate School of Education

CRITICS SAY PROPOSED MINIMUM-WAGE HIKE WOULD EXPORT CALIFORNIA'S PROBLEMS TO OKLAHOMA

Ray Carter | July 23, 2025

REGULATION

DOL Proposes Rolling Back Minimum Wage, Overtime Rules for Hospice, Home Health Aides

DC Council Votes to Slow Down and Cap Tipped Wage Increases

"No one is happy 100 percent here," a councilmember says of the Initiative 82 "compromise."

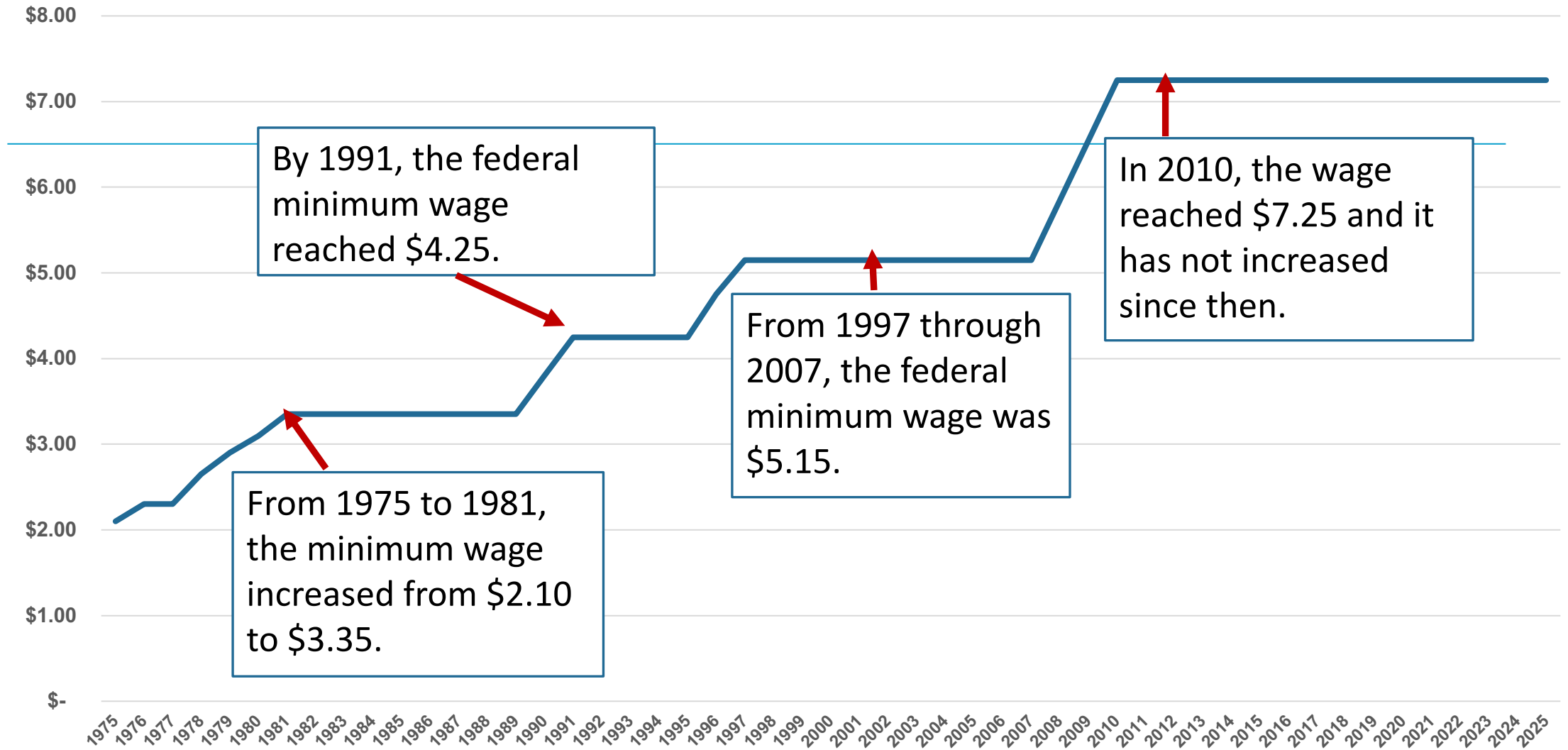
WRITTEN BY JESSICA SIDMAN | PUBLISHED ON JULY 28, 2025



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U.S. Minimum Wage Under Federal Law, from 1975-2025



Agenda

- I. Research on Minimum Wage Increases: California's Fast Food Workers
- II. Federal Legislation: The FLSA
- III. The FLSA and Persons with Disabilities
- IV. State-Level Minimum Wage Legislation: The FLSA and State Redefinitions
- V. Targeted Professional Increases
- VI. Classification of Independent Contractors vs. Employees
- VII. Federal and State Wages for Tipped Employees and "One Fair Wage"
- VIII. Who Must be Paid Overtime?
- IX. Are There Separate Rules for Children?
- X. Local Minimum Wages – Within States – Are Increasingly Popular
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Research Example: California's Increase on Minimum Wages for Fast Food Workers

Clemens, Edwards, and Meer (2025) found a 2.7% decrease in fast food employment compared to other markets in the country across the same time period. They estimate that as a result of the minimum wage increase in California, 18,000 fewer people were employed.

Hamdi and Sovich (2025) examined payroll information and found that while hiring in the sector in the state declined after the increase, it was outpaced by a decline in turnover. Wages increased not only for those working at minimum wage levels, but those at higher earning levels.

Federal Legislation: Who Must Pay the Minimum Wage? Who Must Be Paid?

Covered **employers** *generally** must pay the federal minimum wage (\$7.25/hour). These include:

- Businesses that are engaged in commerce with more than \$500,000 annual revenue and more than 2 employees
- All hospitals, schools, residential care facilities (public or private, regardless of revenue)
- All public agencies

Some categories of **workers** must be paid \$7.25/hour regardless of their employer's coverage under the FLSA,

These employees fall in “**Special Worker Categories**” and they include:

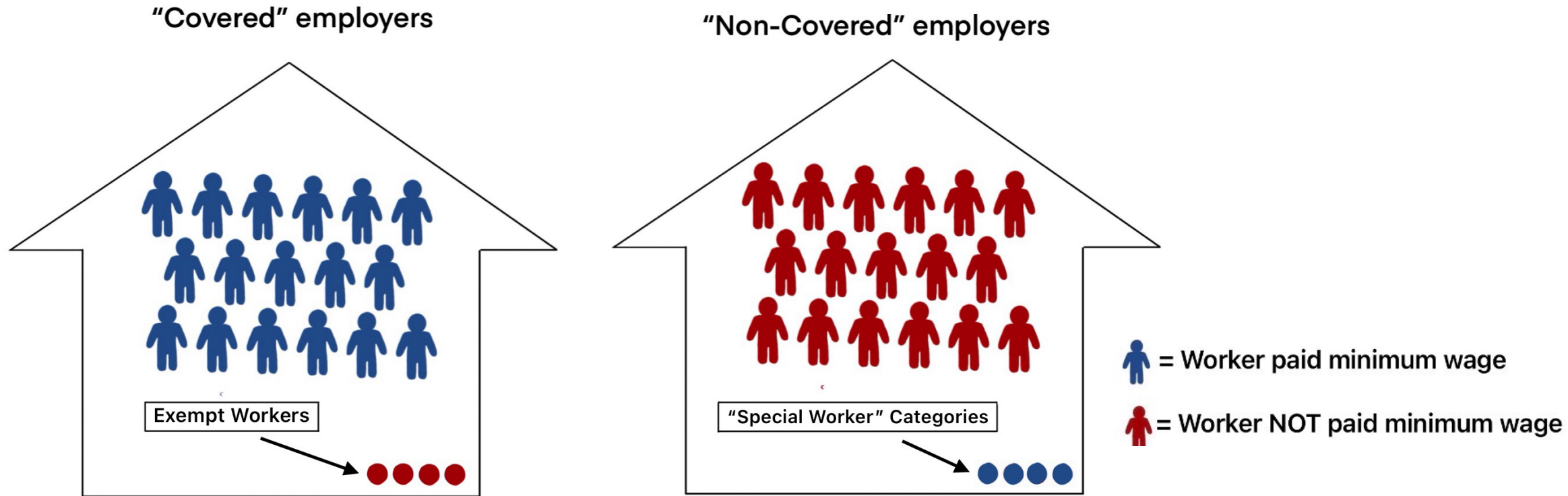
- Employees engaged in interstate commerce
- Domestic service employees earning \geq \$2,800 per year or working more than 8 hours per week in private homes.

Federal Legislation: Which Workers Are Exempt From the FLSA (even in “covered” businesses)?

Some kinds of employees are exempt from federal minimum wage legislation, **regardless of their employer, meaning they are not protected:**

- Certain agricultural employees, largely those working on small farms
- Employees on fishing boats processing seafood at sea or marine farming
- Independent contractors or employees, e.g., rideshare drivers, freelance graphic designers, construction subcontractors, landscapers.
- Casual babysitters and social companionship providers
- Certain executive or administrative (EAP) staff (e.g., retail store managers, payroll supervisors, doctors) *who are paid more than \$684 per week (\$27.63/hour) on a salary basis*

Federal Legislation: Employer Types and Exceptional Workers



The FLSA and Persons with Disabilities

- The FLSA enables employers who have obtained a 14(c) certificate from the DoL can pay persons with disabilities a subminimum wage if their disabilities impair their abilities for the specific job they are doing.
- More and more states are phasing out the use of these certificates, ensuring that those with disabilities are paid standard minimum wages (e.g., California, Virginia).

Protection of the FLSA For Those in Low-Wage Occupations Across All States

The federal FLSA requires most employees in agriculture and domestic service to receive the \$7.25 minimum wage, with various exemptions and carveouts.

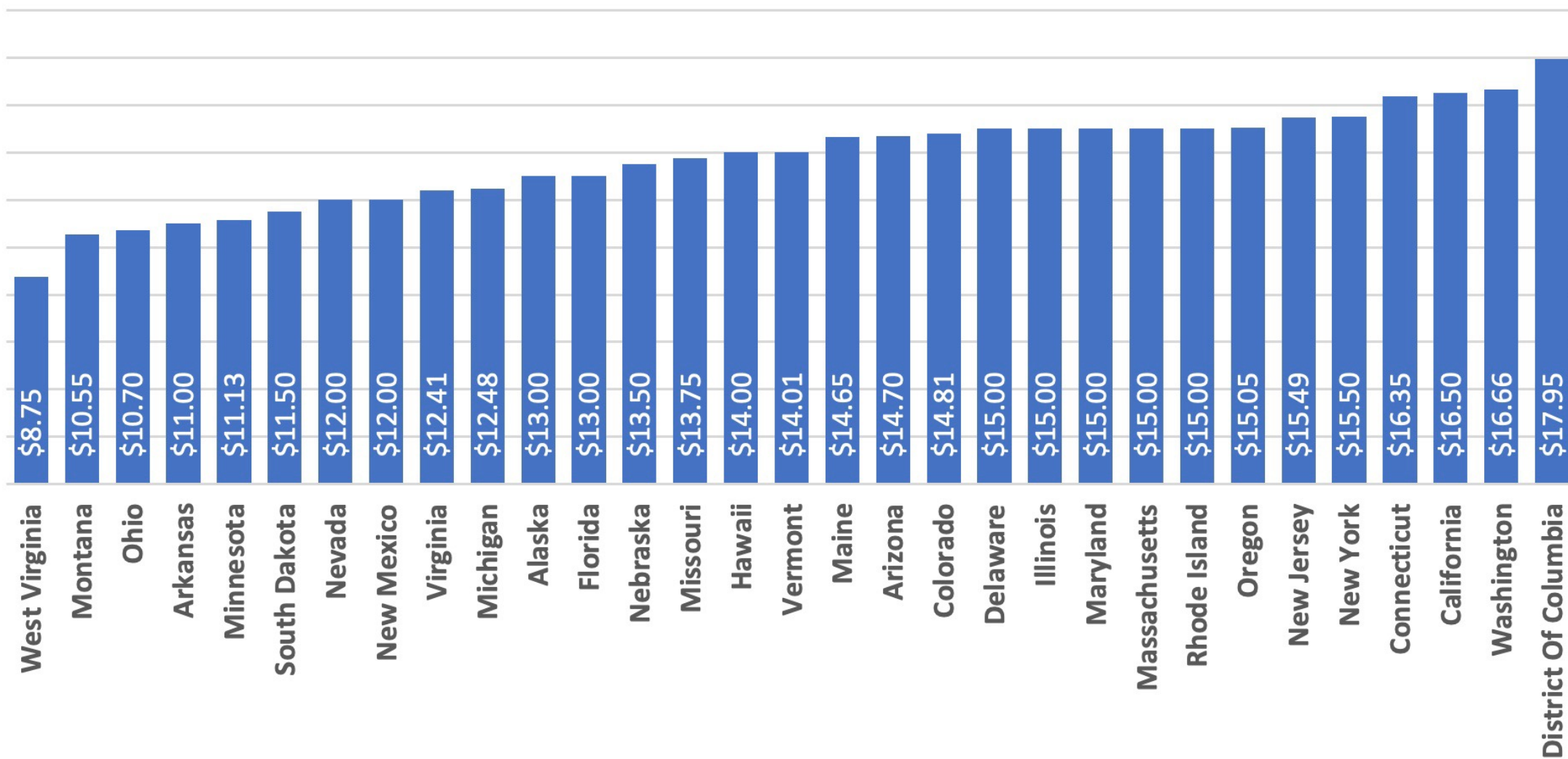
Often, in states with minimum wages higher than the national level, domestic and agricultural workers are entirely excluded from receiving that higher wage. These employees thus rely on the federal FLSA (\$7.25) for protection, even as most other occupations in their state are entitled to a higher minimum wage.



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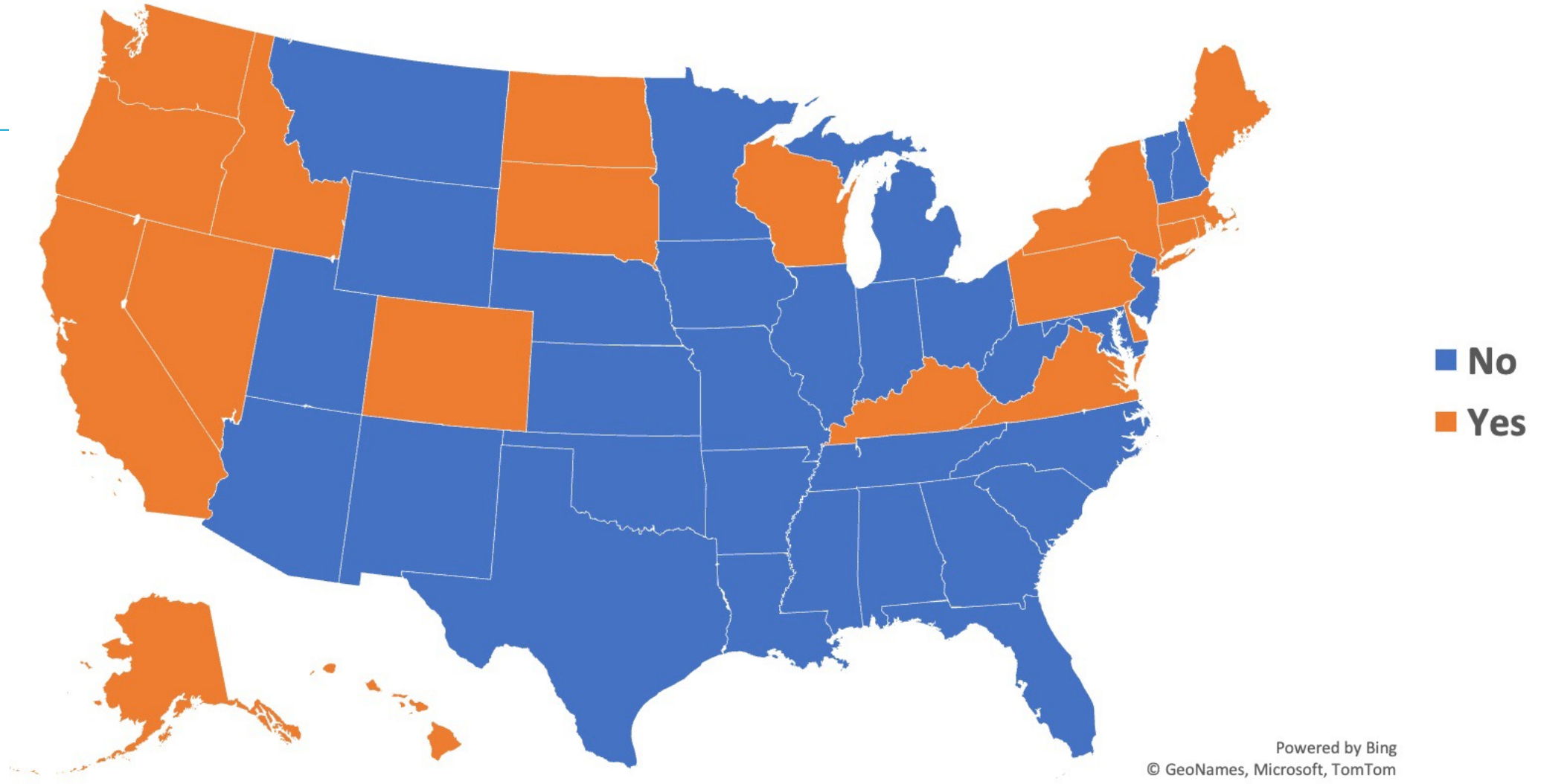
State-Level Minimum Wage Levels



States Can Alter Definitions of “Covered” Employers in Protective Ways

- Many states with minimum wage laws lower the \$500,000 test and/or the minimum employee requirements, requiring more employers to pay the state minimum wage to more individuals.
- Some states (e.g., Connecticut, where min. wage is \$16.35) cover every employer, regardless of gross annual revenue and number of employees.

States Where State Legislation Covers All Employers Regardless of Number of Employees and Gross Annual Revenue



👉 States Can Narrow Definitions of “Covered” Employers in Less Generous Ways

- **Arkansas considers only employers with four or more employees (not just two) covered.**
- **In Georgia, any employer who is a "farm owner, sharecropper, or land renter" is automatically not covered.**

States Can Alter Definitions of Exempt Employees in Protective Ways

- Colorado employs a “duties test” to protect some EAP workers from being categorized as exempt. Employees must spend \geq a certain percentage of time during each week on particular kinds of work to be considered exempt employees.
- Alaska has increased the FLSA's salary threshold for EAP employees to 2 times the state minimum wage for a 40-hour workweek: currently an executive or administrative worker must make \$1,040/week in order to be exempt.

States Can Alter Definitions of “Exempt” Employees in Less Generous Ways

- Others extend exempt status to additional workers, **even those working for covered employers** (e.g., Alaska, which exempts all agricultural, domestic service, fishing, and marine farming employees).
- Arkansas has decreased the minimum weekly salary that exempts an executive or administrative (EAP) staff (e.g., retail store managers, payroll supervisors, doctors) from being covered from the federal guideline of \$684/week to just \$360/week.

Targeted Professional Increases

- California's fast food workers: Beginning in April, 2024, fast food workers employed by **fast-food chains with 60 or more locations nationally** began to earn \$20/hour in contrast to other “covered” workers who earn a minimum wage of \$16.50/hour.
- Starting in January, 2026, Minnesota's care workers, including nursing home employees, certified nursing assistants, trained medication aides, and licensed practical nurses, will experience significant increases well above the minimum wage of \$11.13/hour, with additional increases in January, 2027.

Classification of Independent Contractors: Active in Federal Legislation Now

- Unlike independent contractors, employees generally are protected under minimum wage law and (importantly) they are likely to get overtime, employers' contributions to payroll taxes, unemployment insurance, and sometimes benefits.
- Independent contractors may be unable to unionize. <-> Recent FTC activity may mean they can, however.
- Lawmakers are very divided on these questions, and there are two Republican-introduced bills that have a decent likelihood of passing in Congress right now (see notes).

To Determine Independent Contractor Status: The Common Law Test

Originally the “IRS Test”, a test for tax classification, there are three broad categories of factors that are assessed:

1. Whether a business has control of when and how a worker does their job, or whether the worker controls these aspects of the work.
2. Whether the worker has independent investment in the job, as well as an opportunity for profit, and a risk of loss.
3. The nature of the relationship between a worker and the business, whether the services provided by the worker are a key part of the business and whether benefits and contracts are involved.

To Determine Independent Contractor Status: The ABC Test

Workers are considered employees unless employers satisfy the following three conditions:

- 1) The worker is free from control and direction of the employer;**
- 2) The worker performs work outside the employer's business;
and**
- 3) The worker is engaged in an independently established trade,
occupation, or business.**

Federal Subminimum Wage for Tipped Employees: \$2.13/hour

- Under the FLSA, a tipped employee must make the minimum wage (\$7.25). Employers must pay such employees at least \$2.13, and then may take a “tip credit” of as much as \$5.12/hour if the employee’s tips cover as much.
- But if the tip credit and the employee’s tips together are less than \$7.25, the employer must make up the difference.

State Tipped Minimum Wages

- Many states have enacted higher tipped subminimum wages, with varying regulations about the tip credits.
- An example is the regulation in Colorado, where the ordinary minimum wage is \$14.81 and the tipped subminimum wage is \$11.79 and the maximum tip credit (or additional amount an employer would pay is \$3.02).
- A contrasting example is provided by California, where both the minimum wage and the tipped minimum wage are the same, at \$16.50.

“One Fair Wage” Advocacy: Increase Pay For Tipped Workers to Minimum Wage

- **There is an active movement in Colorado, Arizona, California, Illinois, Maryland, New York, Ohio, and Pennsylvania not only to increase state minimum wages, but to protect tipped workers under the same minimum wages (eliminating a separate subminimum tipped wage).**
- **Example: Minnesota did this more than 30 years ago.**

Who Must Be Paid Overtime?

In 2024, in a new Final Rule from the DoL, increases were made to salary guidelines that determine who is exempt from overtime, making as many as three million Americans newly eligible for overtime pay. But a court in Texas struck down this Rule in late 2024, forcing a rollback to the 2019 rule. According to the 2019 rule, the following groups are exempt from overtime pay:

- Those earning “standard salaries” above \$684/week**
- Highly-compensated individuals earning above \$107,432/year**

Are There Separate Rules for Children?

- Under the FLSA, there is a special “training wage” that can be paid to those under 20 for the first consecutive 90 days of employment only. It is \$4.25/hour. As soon as the 91st day occurs or the young person turns 20, they must be paid \$7.25.
- Some states match these rules, others set stricter rules with higher minimums for adults, and others prohibit the lower federal youth wage altogether.

Local Minimum Wages – Within States – Are Increasingly Popular

THE CAPITOL

Minimum wage would be \$15 in big counties, \$12 in smaller ones under novel bill passed by Pa. House

by Kate Huangpu of Spotlight PA | June 11, 2025



Santa Feans to See Minimum Wage Boost in 2027

City Council Passes Measure 5-2



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Case Study: Maine's Steady, Incremental Approach

Timeline	Changes
1960s-1990s	Periodic increases from first 1959 statewide minimum of \$1/hour, often above federal floor, sometimes every year.
From 2001-2009	Legislative acts incrementally lifted the state wage. By 2009, the state level was \$7.50/hour.
2015-2016	A citizen Initiative ("Question 4") required both a phased increase and indexing. Increases moved up \$1/hour each year from 2017 thru 2020.
2015-2017	Legislation enacted bills to implement, and in some cases, accelerate some changes, moving to reduce or eliminate the tipped-wage credit.
2020-2021	Automatic indexing began, tied to the CPI-W (a regional measure, not a national one). This is codified in law.
2025-2026	Starting in January, 2026, Maine's minimum wage will increase from \$14.65 to 15.10. Also enacted law protecting all agricultural workers.

Case Study: Florida's Indexed Increases, and a Recent Setback

Timeline	Changes
2004-2020	Voters added a minimum-wage provision to the state Constitution, setting the minimum wage \$1 above federal minimum (\$6.15 in 2006) and requiring annual indexing for inflation. Annual changes continued through COLA adjustments. (Wages were to increase \$1/year from 2021 through 2026.)
Late 2020	Another voter amendment to the Constitution to incrementally increase the wage to \$15 by September 30, 2026 and continue inflation indexing in late 2027.
2022	Florida's Legislature passed a bill to clarify and strengthen preemption over local wage/benefit mandates, limiting the authority of cities and counties to set their own minimum wage rules.

Additional Important Labor-Related Issues For Family Caregivers

- **Predictable Scheduling Laws** have been passed in a handful of states. These laws require employers to give employees notice of a change in their schedule, providing parents and others with lead time to arrange for shifts in caregiving needs.
- Some who argue against policies to support **Paid Parental Leave** believe that wages will inevitably be suppressed as a result of the costs required of taxpayers and especially businesses. **Other research focuses on the significant social benefits that will result from PFML, suggesting an implicit trade-off that could be financed through taxes, wages, and/or employment but would result in higher benefit across society.**

Thank you for listening, and thank you for the work you do.

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Karen Chatfield, Director of NCCP

kchatfield@bankstreet.edu

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