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Effective June 1, 2005, Wisconsin responds to its living wage being at its lowest inflation-adjusted value of all time and raises the general minimum wage rate to \$5.70.

## Midwest Edition

*A Littler Mendelson Midwest-specific Newsletter*

### Wisconsin Department of Workforce Development, Equal Rights Division Increases Minimum Wage Effective June 1<sup>st</sup>

By Dale L. Deitchler and Stephanie D. Sarantopolous

Recognizing that the federal minimum wage has fallen to its lowest inflation-adjusted value of all time, and commenting that wages are “so low that workers and their families can’t afford their most basic needs,” the Wisconsin Department of Workforce Development, Equal Rights Division (“ERD”) amended its labor standards rules to make significant changes to the state minimum wage requirements, including an increase to minimum wages. The ERD raised the general minimum wage rate to \$5.70/hour (currently \$5.15) and the minimum wage rate for minors increases to \$5.30/hour (currently \$5.15 per hour). Other increased minimum wage rates involve areas of “opportunity,” agriculture, camp counselor and caddy minimum wage rates.

An estimated 100,000 to 125,000 workers will be affected by the general minimum wage increase alone, primarily in the following work groups: food service workers, retail clerks, cleaning and housekeeping laborers, personal care attendants, child care workers, telemarketers, laundry and dry cleaning workers, veterinary assistants, home health care aides, office workers, gaming change and booth cashiers and building and grounds maintenance laborers.

The industry that is likely to be affected the most is the leisure and hospitality industry where pay of Wisconsin workers ranks 49th nationally. Leisure and hospitality businesses include accommodations and food service as well as arts, entertainment and recreation.

The ERD expects that costs incurred by private sector employers due to the minimum wage increase will be \$175 million, with the greatest impact likely to occur in northern, rural regions where minimum wage jobs make up a greater percentage of the workforce. Although compensation experts differ on the lasting, residual benefits to employers arising out of enhanced employee compensation, the Department of Workforce Development predicts that higher wages will, “have a positive impact on both workers and their employers by reducing turnover, increasing work experience, and saving on training and recruitment costs.” This remains to be seen. Another obvious question is the ability of employers to pass these increases on to consumers, and the resulting financial impact on employers who cannot.

Employers need to be sure that they are adjusting their records and computer systems effective June 1, 2005 to reflect the increased wage rates. This includes systems used to calculate overtime pay.

If you have questions regarding the impact of this regulation on your business, or have other wage/hour questions, please contact Dale L. Deitchler (612-313-7637, [ddeitchler@littler.com](mailto:ddeitchler@littler.com)) or Stephanie D. Sarantopolous (612-313-7609, [ssarantopolous@littler.com](mailto:ssarantopolous@littler.com)).

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