

It's Official: New Jersey's Minimum Wage Will (Gradually) Increase to \$15/Hour

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Joining California and New York, New Jersey has become the third state with a phased-in \$15 minimum wage requirement for most employees. On February 4, 2019, Governor Phil Murphy signed into law [A15](#) ("Law"), which raises the state minimum wage rate for employers with six or more employees to \$10.00 per hour on July 1, 2019, and then to \$11.00 per hour on January 1, 2020. Thereafter, the minimum wage will increase annually on January 1 by \$1.00 per hour until it reaches \$15.00 per hour on January 1, 2024. The minimum wage hike will phase in at a slower rate for employers with five or fewer employees and for "seasonal employers" (defined below). Thus, the current minimum wage of \$8.85 per hour will increase as follows:

Date of Increase in Minimum Wage Rate	Minimum Wage Rate for Employers with 6 or More Employees	Minimum Wage Rate for "Small Employers" (those with 5 or fewer employees) and Seasonal Employers
July 1, 2019	\$10.00	\$8.85 (no change)
January 1, 2020	\$11.00	\$10.30
January 1, 2021	\$12.00	\$11.10
January 1, 2022	\$13.00	\$11.90
January 1, 2023	\$14.00	\$12.70
January 1, 2024	\$15.00	\$13.50
January 1, 2025	\$15.00 + inflation adjusted*	\$14.30
January 1, 2026	\$15.00 + inflation adjusted*	\$15.00**

*As a result of a state constitutional amendment passed in 2013, the minimum wage rate after 2024 will increase for this group based on the inflation rate at the time (and the federal minimum wage rate, if higher).

** The Law provides for further annual inflation adjustments to the minimum wage after 2026 for seasonal workers and employees of small employers so that by January 1, 2028, workers in those groups will receive the same minimum wage as employees of larger employers.

Seasonal Employment

Under the Law, “seasonal employment” means (i) employment by a “seasonal employer” (defined below), (ii) employment by a nonprofit organization or government entity between May 1 and September 30, or (iii) employment by a government entity in a recreational program or service during the period May 1 through September 30. The definition of “seasonal employment” does not apply to farm workers who are paid at either a piece rate or regular hourly rate.

A “seasonal employer” is defined as an employer that (i) “exclusively provides its services in a continuous period of not more than ten weeks” from June through September; (ii) in the prior calendar year, received at least two-thirds of its gross receipts in a continuous period of not more than 16 weeks; or (iii) paid a minimum of 75 percent of wages in the preceding year for work performed during a single calendar quarter.

Tip Credits

Under the Law, tip credits that employers are permitted to take against the base minimum wage will increase from the current rate of \$6.72 per hour as follows:

Date of Increase in Tip Credit	Tip Credit for Employer
July 1, 2019	\$7.37
January 1, 2020	\$7.87
January 1, 2021	\$7.87 (unchanged)
January 1, 2022	\$7.87 (unchanged)
January 1, 2023	\$8.87
January 1, 2024	\$9.87
January 1, 2025	\$9.87 (unchanged)
January 1, 2026	\$9.87 (unchanged)

Certain Agricultural Workers

For agricultural workers who work on an hourly or piece rate on a farm, the base minimum wage will increase to \$12.50 per hour by January 1, 2024. By March 31, 2024, the New Jersey Labor Commissioner (“Commissioner”) and Secretary of Agriculture (“Secretary”) will jointly decide whether to recommend that the minimum wage for this group of agricultural workers increase to \$15 per hour by January 1, 2027. The Law provides a process for resolution if the Commissioner and Secretary disagree about raising the minimum wage for these workers, as well as for allowing the New Jersey Legislature to override a decision to deny or defer the increase.

Tax Credit for Hiring an Employee with an “Impairment”

Notably, the Law also provides for a tax credit for employers that hire an employee with an impairment. “Employee with an impairment” means an employee (i) who earns at least the minimum wage, (ii) whose work capacity is “significantly impaired by age or physical or mental deficiency or injury,” and (ii) who the state has determined is eligible for personal assistance services or prescribed drugs because the individual requires such services or drugs to perform the essential functions of his or her job.

The Law also contains provisions concerning the minimum wage rate for employees in covered

training programs and for full-time students employed by the college or university at which they are enrolled.

What New Jersey Employers Should Do Now

- Review wage rates for nonexempt employees (both non-union and unionized) to identify any workers whose wages will need to increase to meet the new minimum wage.
- Consider conducting a comprehensive wage review to determine whether other wage rate adjustments will be needed to account for wage “compression.” For example, will the wages of employees who already earn over \$10 an hour need to be increased?
- Consider whether the minimum wage increase will result in increased labor costs requiring reductions in staffing or in employees’ scheduled hours; ensure that the implementation of any such actions is done in a nondiscriminatory way.
- Make sure that your payroll personnel or payroll service provider takes the appropriate actions to effectuate the minimum wage increases when they become effective.

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