

Holding the Line

# Minimum wage

State solutions to the U.S. worker rights crisis

**Report** • By **David Cooper** • July 23, 2025

# What does current federal law say about minimum wages?

The Fair Labor Standards Act (FLSA) establishes a “floor under wages” mandating that employers pay covered employees no less than a minimum hourly rate for all hours worked, whether they are paid on an hourly or salaried basis. The current federal minimum wage is \$7.25 per hour—a rate set in 2009. FLSA minimum wage rules apply to all private businesses with annual revenue of at least \$500,000, as well as hospitals, care centers, schools, and public agencies.

The FLSA exempts a variety of specific occupations from the minimum wage, such as newspaper delivery workers, seasonal farm workers, workers in commercial fisheries and canneries, private investigators, and babysitters. It allows workers under 20-years-old to be paid as little as \$4.25 per hour for their first 90 days of employment. The FLSA also allows employers who have been granted a certificate from the U.S. Department of Labor (DOL) to pay less than the minimum wage to employees with disabilities. It also allows employers to pay workers who customarily receive tips as little as \$2.13 per hour, so long as the tips they receive over the course of a workweek bring them to an average hourly combined wage (tips plus base wage) of at least the minimum wage.

# What are the threats to federal minimum wage protections?

- **Allowing the value of the minimum wage to continue to erode:** Since the federal minimum wage was last raised in June 2009, its value has declined by 30%. At its 1968 high point in inflation-adjusted terms, the federal minimum wage was worth roughly \$12 in 2024 dollars. In 2019, the U.S. House passed a bill to gradually raise the federal minimum wage to \$15 and

## SECTIONS

1. What does current federal law say about minimum wages? • 1
  2. What are the threats to federal minimum wage protections? • 1
  3. How can states maintain and strengthen minimum wage protections? • 2
-

then automatically update it for inflation every year thereafter; however, the Senate never took up the bill. Every year it remains unchanged, the purchasing power of the minimum wage erodes, undermining wage growth for millions of low-wage workers, including many earning wages above the minimum. Moreover, without an increase, the gap between the current minimum wage and what would constitute a true living wage gets larger—making any eventual effort to reach a living wage more challenging.

- **Continuing to subject tipped workers to a lower and difficult-to-enforce subminimum wage:** The subminimum wage for tipped workers was set in 1991 at \$2.13 per hour and has not been raised since. At such a low level, many tipped workers effectively receive no pay from their employers; their take-home pay comes entirely from what they receive in tips. Consequently, tipped workers' income is volatile and unpredictable, and they can be subject to abuse by customers and employers who, in every shift and transaction, hold power over tipped workers' pay. Although the FLSA requires that employers must "top off" workers' paychecks if their tips do not make up the difference between the tipped minimum and full minimum wage, this requirement is notoriously hard to enforce.
- **Denying minimum wage coverage to some groups of workers:** The Trump administration has already taken initial steps to **roll back existing DOL rules** that ensure minimum wage coverage for direct care workers (home health aides) and has **withdrawn** a proposed rule that would have phased out programs allowing payment of subminimum wages to workers with disabilities. Proposals laid out in **Project 2025** recommend altering the FLSA to allow states to seek waivers to core FLSA provisions—which could open the door to exclusions of additional groups of workers from coverage.
- **Increasing likelihood of underpayment:** Failure to pay the minimum wage is one of the most common forms of wage theft and diminished DOL capacity to enforce federal wage and hour laws will exacerbate this problem.

## How can states maintain and strengthen minimum wage protections?

States have legal authority to establish their own minimum wages that are higher and more expansive in coverage than the federal minimum. Given the very real risk that aspects of FLSA minimum wage protections could be eliminated (or will go unenforced), it is important for states to at least lock in existing FLSA minimum wage protections. However, states should seek to go beyond the current floor, as the federal minimum wage is far too low and does not cover all workers.

### Step I: Update state statutes to lock in current

## federal protections

Because updates to the federal minimum wage have been infrequent and inadequate over the last 40 years, many states—though not all—have established their own minimum wages. The strength of these laws varies greatly. For example:

- 30 states and the District of Columbia **have set minimum wages higher than the federal minimum**, ranging from \$8.75 in West Virginia, to \$16.66 in Washington, and \$17.50 in the District of Columbia.
- Five states (Tennessee, South Carolina, Louisiana, Mississippi, and Alabama) have no state minimum wage. Two states (Georgia and Wyoming) have state minimum wages below the federal minimum. The federal minimum wage applies in these states to all workers covered by the minimum wage under the FLSA.
- Some states (such as New Hampshire, Idaho, North Carolina, and Texas) set the state minimum to explicitly equal the federal minimum (whatever it may be), while others have set it specifically at \$7.25.

To lock in current federal minimum wage protections, states should:

1. **Guarantee a strong state minimum wage floor:** States without a minimum wage or with one lower than the federal minimum should enact one that is at least as strong as the federal minimum wage—and ideally stronger. States should codify that the state minimum wage always equals the greater of the federal minimum wage or whatever higher explicit value state lawmakers or voters (in the case of a ballot measure) set.
2. **Ensure the state minimum wage covers at least those workers covered by the FLSA:** Most states, though not all, link coverage of their state minimum wage to the coverage definitions in the FLSA. States should consider spelling out coverage definitions in state code so that currently covered workers remain covered if federal coverage definitions are eroded to exclude certain groups or occupations in the future.
3. **Ensure state agencies have authority and capacity to enforce minimum wage laws:** Many states rely, at least in part, on federal enforcement of wage and hour laws. Florida, for example, will **have a \$15 minimum wage in 2026**, yet has **no state-level wage and hour enforcement** body.

State minimum wage rules are typically part of state labor and employment or wage and hour statutes. In some cases, they are set in state constitutions—the result of citizen-initiated ballot measures. Policymakers and advocates should review their state’s labor laws to assess whether their state minimum wage laws codify at least the same level of protection currently provided under the FLSA, and to ensure that the state has the power to enforce its own minimum wage laws without relying on the federal government.

## Getting started: Key questions for auditing state minimum wage laws

- Is there minimum wage language in state code?
- What employers are covered?
- Which workers are covered? Are some occupations excluded from coverage?
- What is the minimum wage for tipped workers?
- Does state law allow some workers to be paid less than the full minimum wage under certain circumstances, e.g., youth workers in school or starting a new job (a “training wage”) or seasonal workers?
- Does state law spell out any enforcement mechanisms or capacity?

## Step II: Raise the minimum wage to an adequate level, set it for automatic annual increases going forward, and eliminate harmful exemptions

While the FLSA sets an important floor for minimum pay, the current level is woefully inadequate and there remain notable gaps in coverage that state policymakers should close. Priority steps states can take to update the minimum wage include:

1. **Gradually raise the minimum wage to at least \$17 per hour by 2028:** Today, there is no county in the country where a single, childless worker **can achieve a modest, but adequate standard of living on a wage of less than \$15**. By targeting at least \$17 by 2028, states can raise their minimum wages to an adequate level allowing for any inflation that may occur as the new wage floor is gradually phased in.
2. **Gradually raise and eliminate the subminimum wage for tipped workers:** There are currently **seven states** where tipped workers are paid the regular minimum wage, regardless of tips. In these states, tipped worker **wages are higher, poverty rates are lower**, and the restaurant industry thrives. States should gradually increase the minimum wage that applies to tipped workers (or reduce any “tip credit” employers can claim against their minimum wage obligation) so that eventually all workers are paid the full minimum wage regardless of any tip income.
3. **Index the minimum wage for inflation:** States should establish that once the minimum wage has reached at least \$17 per hour, it must be automatically updated each year to account for any growth in prices over the preceding year. There are 20 states and D.C. that already have automatic inflation-adjustment built into their state minimum wage laws. Most require that the minimum wage be raised the same percentage as any change in the Consumer Price Index (CPI-U) over a preceding 12-month period, rounded to the nearest 5 cents. If the CPI-U decreases, the minimum

wage should not be lowered.

4. **Codify minimum wage coverage for direct care workers:** As noted above, the 2013 FLSA rule that clarified minimum wage and overtime coverage for home care companions who provide direct care services for seniors and persons with disabilities is under attack in the courts, and the Trump DOL has taken initial steps to reconsider it. To protect such workers from losing these key protections, states should ensure that their wage and hour laws clearly cover them. In states where they are exempted or where state coverage of such workers depends on FLSA coverage (such as Connecticut), state laws should be updated to clearly cover such workers, regardless of what happens to the federal rule.
5. **Eliminate harmful minimum wage exemptions:** Agricultural workers are not covered by the FLSA, a **racist holdover** from when the act was initially passed in 1938. Other exceptions apply to **smaller categories** of workers. States have it in their power to eliminate these exemptions. **For example, several states**—including California, Washington, and Colorado—cover agricultural workers under the state minimum wage. Also, many states have a “training wage” allowing workers—often only those under age 20 or in school—to be paid less than the full minimum wage. Lawmakers should consider whether these training wages are necessary, and if they are maintained, they should be limited to a short period (e.g., 30 days) after a worker’s initial hiring.
6. **Ensure localities can establish their own minimum wages above the state minimum:** There are **nine states** in which a city or a county has established a local minimum wage that exceeds the state minimum—with nearly 60 local minimum wages now in effect. Because costs of living can vary considerably within a state, local governments should be able to establish higher wage standards if the people in those localities deem that the state wage floor is inadequate. There are **25 states where state law currently prohibits** local wage minimum wages. Lawmakers in those states should reverse that prohibition.

## Step III: Modernize minimum wage policies by establishing stronger mechanisms to adjust the level of the minimum wage over time

In addition to codifying FLSA minimum wage rules, setting an adequate minimum wage level, and closing coverage gaps, there are other steps state lawmakers can take to ensure all workers can afford a decent life and benefit from a growing economy.

1. **Set the minimum wage to automatically adjust each year based on growth in prices or median wages—whichever is greatest:** Indexing the minimum wage to changes in prices ensures that low-wage workers can buy the same amount of goods and services year after year. But as the economy grows and productivity rises, low-wage workers’ standard of living should improve, not just stay the same. Instead of indexing the minimum wage to price changes, lawmakers can index the minimum wage to changes in the median wage.

- Linking the minimum wage to the median wage ensures that the gap between the lowest paid job and a “middle-class” job never grows; as a middle-class worker’s pay rises, so would pay for a minimum wage worker.
- Over the long run, wage growth should outpace price growth, but on a year-over-year basis, that may not be true and in some years, median wages could decline. The law should be written such that the minimum wage never goes down and is raised at least as much as any increase in prices—and more when wage growth exceeds price growth.

2. **Establish wage boards to periodically evaluate the strength of the minimum wage overall and for specific industries:** In some countries—such as [the United Kingdom](#)—minimum wage levels are set by boards or commissions (composed of nonpartisan analysts, worker representatives, and members of the business community) that periodically review the level of the minimum wage and recommend changes. In some states—such as in [New York](#) and [California](#)—there are wage boards for individual industries, such as fast food, that set minimum wages (and potentially other workplace standards) for all workers in that industry. Policymakers should consider establishing or creating mechanisms allowing for such boards to periodically review whether the state minimum wage level is adequate for workers overall, and/or for those in industries with large numbers of low-wage workers.