



For The New Year, New (And Higher) Pay Thresholds In California

Insights

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Each new year brings a further increase to California's minimum wage – and 2021 is no exception. For the New Year, the new state minimum wage for employers of 26 or more employees is now **\$14.00 per hour**, and the state minimum wage for employers of 25 or fewer employees just increased to **\$13.00 per hour**.

Numerous cities in California have enacted their own minimum wage legislation. Larger cities where the minimum wage increased on January 1 are as follows:

Oakland	\$14.36
San Diego	\$14.00
San Jose	\$15.45

Other California jurisdictions will increase their minimum wage effective July 1, 2021. For example, in the City of Los Angeles and unincorporated Los Angeles County, the minimum wage will increase to **\$15.00 per hour** for all employers.

Wage Increases Also Have Other Impacts On Employers

The increase in the state minimum wage causes other wage thresholds to increase as well. First and foremost, the salary threshold level to determine whether an employee is eligible for a “white collar” overtime exemption has been raised. Even though an employee may fully satisfy the “duties” test to satisfy the overtime exemption, the exemption will not apply unless the employee is paid the minimum salary required for the exemption. The minimum salary for the white-collar overtime exemptions in California increased on January 1 to \$58,240 annually, or \$1,120 per week, for employers of 26 or more employees, and \$54,080 annually, or \$1,040 per week, for employers of 25 or fewer employees.

The state minimum wage increase also increases the hourly amount which employees must earn to qualify for the “inside sales” exemption from overtime. In 2021, the minimums became \$21.01 for employers of 26 or more employees and \$19.51 for employers of 25 or fewer employees.

The “tool wage” in California, which is the minimum hourly rate employees must be paid who provide their own tools, just increased to \$28.00 for employers of 26 or more employees and \$26.00 for employers of 25 or fewer employees.

Finally, the minimum compensation for the “computer professionals” overtime exemption for 2021 is \$47.48 per hour, or a salary of at least \$8,242.32 per month or \$98,907.70 per year.

New Year Means New Rules

Employers in California should begin the new year with a compliance review to ensure that your pay rates are consistent with these new minimum thresholds. While you’re at it, you should review your family leave policies and practices, your rest break rules, your handbook’s anti-harassment language, your personal cell phone use policy, and your arbitration agreements to make sure you start the new year off in compliance with new rules and interpretations. [Our recent Legal Alert](#) covered all you need to know about these new compliance obligations as we kick off 2021.

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