



California's Minimum Wage To Increase Again In January 2024: 5 Things Employers Need to Know

Insights

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If you're a California employer just getting used to a \$15.50 minimum wage, get ready for more changes. You must now prepare for another increase as the state just announced a \$16.00 hourly minimum wage for all employers effective January 1, 2024. The Director of California's Department of Finance published a letter on July 31 stating that the minimum wage needed to rise by 3.5% to account for an inflation adjustment effective the beginning of next year. What are the five things employers need to know about this impending change – and what can you expect in the coming months?

What Happened?

California law mandates that the minimum wage be increased when certain inflation-related events occur. Specifically, California Labor Code section 1182.12 delegates authority to the Director of Finance to annually determine and certify to the Governor and State Legislature whether an adjustment to the minimum wage is appropriate.

This year, the Department of Finance calculated that the Consumer Price Index for Urban Wage Earners and Clerical Workers increased by over 6% from July 1, 2022, to June 30, 2023, as compared to the previous 12-month period. Thus, the agency determined that a minimum wage increase of 3.5% must be implemented.

The current minimum wage rate for all employers (including both employers with 25 or fewer employees and those with 26 or more employees) is \$15.50. As a result of this inflation-related minimum wage increase, the minimum wage rate for all employers with California employees will increase from \$15.50 to \$16.

5 Things You Need to Know

The minimum wage increase not only impacts those workers who make minimum wage. Employers should take these 5 points into account as you review your compensation policies:

1. Small businesses are provided no relief or grace period under the law. This change will impact all employers across the state.

2. The California white collar exemption minimum annual salary will increase to \$66,560 and \$5,546.67 per month, increasing from \$64,480 per year. You will need to audit employees classified under one of these exemptions to determine whether both the duties and salary satisfy the exemption's requirements.
3. The California minimum wage for employees who are required to provide and maintain hand tools and equipment customarily required by the trade or craft will increase from \$31 per hour to \$32 per hour. This will impact employees in various trades to technicians in automobile dealerships who are required to provide their own tools.
4. The minimum annual compensation for employees who qualify for the inside sales exemption from overtime will increase from \$48,360 to \$49,920.
5. You will need to adjust your split-shift premium calculations since they will be impacted by the increased minimum wage. The same is true for rates of pay for meal period premiums, rest period premiums, paid sick leave, and other related items.

What's Next?

Over the coming months, you should pay attention to updates related to this increase since you are likely to see other ramifications to follow:

- You should expect an announcement in October 2023 that increases the minimum compensation for the computer professional exemption from overtime.
- You must also continue to monitor a series of local ordinances that establish minimum wages, higher than the state's minimum wage. For example, the minimum wage in the City of Los Angeles increased last month to \$16.78 per hour.

Conclusion

We will continue to monitor developments and provide updates so make sure you are subscribed to Fisher Phillips' Insight System to gather the most up-to-date information. If you have questions, please contact your Fisher Phillips attorney, the authors of this Insight, or any attorney in [our California offices](#).

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