



New Year, New Minimum Wage – Or Maybe Not

Insights

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Time was, answering the question “What is the minimum wage?” was simple. There was the federal minimum wage and the state minimum wage, and for most California employers, only the latter number really mattered. Now the answer to the question is “It depends.” As California employers begin a new year they face a confusing patchwork of laws regarding the minimum wage.

First, whether the state minimum wage will increase this year depends on the size of the business. The minimum increases to \$10.50 this year for employers of 26 or more employees, but remains at \$10.00 for employers of 25 or fewer employees. Expect companies with 24 or 25 employees to do their best to avoid adding more jobs.

Second, the location of the company is relevant because so many cities and local jurisdictions have implemented their own minimum wage increases. The minimum wage in the City of Los Angeles and in unincorporated Los Angeles County will remain the same as the new state minimum wage (i.e., \$10.50 for 26 or more employees, \$10.00 for 25 or fewer) – until July 1. Then it will increase to \$12.00 for 26 or more employees and \$10.50 for 25 or fewer. The City of San Diego’s minimum wage increased to \$11.50 this year for all employers. San Francisco’s minimum wage, now \$13.00, will increase to \$14.00 on July 1. Other cities, including Berkeley, Emeryville, Oakland, Pasadena, Sacramento, San Jose, Santa Clara and Santa Monica have their own minimum wages too. California employers should check on each local jurisdiction in which they have operations to determine whether a higher minimum wage than the state minimum applies.

An increase in the state minimum wage has broader impacts as well. For employers of 26 or more employees, the salary threshold for the white collar overtime exemptions increases in 2017 to \$43,680. The “tool wage,” required for employees who furnish their own hand tools, increases to \$21.00 for employers of 26 or more employees, and for those same employers the minimum per hour pay for the inside sales exemption from overtime will increase to \$15.76.

Employers that use outside payroll services should check to ensure that the service is applying the correct pay rates, as employers will be liable if their payroll service pays employees at the incorrect rate.

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