

Insights, News & Events

CALIFORNIA MINIMUM WAGE WILL INCREASE TO \$16.90 FOR ALL BUSINESSES ON JANUARY 1, 2026: WHAT EMPLOYERS SHOULD DO NOW

Insights
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California officials just announced that the statewide minimum wage will increase for all employers to \$16.90 on January 1, 2026, as required by the state's annual inflation-based adjustment process. The Department of Finance certified the applicable Consumer Price Index (CPI) increase with Friday's announcement, triggering an impending rise in the statewide minimum wage for all businesses, regardless of size. What are the five things you need to know and what should you do in response to this announcement?

Why This Matters

In addition to affecting hourly pay, the change impacts exempt employee classifications, wage-related premiums, sick leave accruals, and even wage statement compliance. Employers should also note that this increase operates alongside numerous local minimum wage ordinances and industry-specific rules that may impose higher or different standards.

Additional Resource

For a detailed summary of the **July 1, 2025, local minimum wage increases** across California – including a comprehensive chart of new rates – see our recent Insight: [**"Did Your California Local Minimum Wage Rate Jump on July 1?"**](#)

Five Things Employers Need to Know

1. The new state minimum wage will apply to all private employers statewide, without exception for business size.

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2. Exempt employee salary thresholds will increase, as they are tied to the minimum wage. You must ensure exempt workers still meet the new salary basis test. For most exempt employees, the minimum salary will be \$70,304 per year or \$5,858.67 per month.

3. Inside sales exemptions, tool reimbursements, and certain piece-rate compensation arrangements may need recalibration based on the new wage.

4. Premium pay calculations for split shifts, reporting time, and meal/rest period violations must reflect the new hourly baseline.

5. Local ordinances may still impose higher minimum wage rates. Employers with operations in cities like San Francisco, Los Angeles, and Berkeley should confirm whether local increases surpass the state rate. [Check here to confirm.](#)

Action Items for Employers

- **Audit employee compensation** to ensure compliance with new minimum wage and exemption thresholds.
- **Update payroll systems** to reflect the new rate for both hourly and salaried workers.
- **Revise policies and workplace postings** to ensure they align with the updated wage requirements.
- **Train HR and payroll personnel** on the impact of the wage hike on overtime eligibility, premiums, and paystub accuracy.
- **Monitor additional developments** at the local and industry level.

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](#).