



California's Minimum Wage Increases Again: What It Means for Employers

Insights

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On January 1, 2019, the state minimum wage in California increased again. It is now \$12.00 per hour for employers of 26 or more employees and \$11.00 per hour for employers of 25 or fewer employees. Local minimum wages are increasing as well. On January 1, 2019, the minimum wage in the City of San Diego increased to \$12.00 per hour for all employers, and the minimum wage in the City of Oakland increased to \$13.80 per hour. In the City of Los Angeles and unincorporated areas of Los Angeles County the minimum wage will increase on July 1, 2019 to \$14.25 for employers of 26 or more employees and \$13.25 for employers of 25 or fewer employees. On July 1, 2019 the minimum wage in San Francisco will increase according to the increase in the Consumer Price Index. Other cities, including Berkeley, Emeryville, Pasadena, Sacramento, San Jose, Santa Clara and Santa Monica, have their own minimum wages. California employers should check on each jurisdiction in which have employees to determine whether a higher minimum wage than the state minimum applies.

The increase in the state minimum wage increases other minimum thresholds as well. For employers of 26 or more employees, the minimum salary for an employee to qualify for the “white collar” overtime exemptions is \$49,920.00 annually, \$4,160.00 per month, or \$960.00 per week. For employers of 25 or fewer employees the minimum salary is \$45,760.00 annually, \$3,813.33 per month, or \$880.00 per week. Even if an employee meets all of the duties requirements for the exemption, he or she must still be paid the applicable minimum salary in order to be exempt from overtime. Employers with lower-paid exempt employees should therefore review salaries to ensure they meet the 2019 thresholds.

For employers of 26 or more employees, “inside sales” employees must earn at least \$18.01 per hour to qualify for the exemption from overtime, and for employers of 25 or fewer employees “inside sales” employees must earn at least \$16.51 per hour. In addition, more than half of the compensation of all such employees must be in the form of commissions in order for the exemption to apply, and the “inside sales” exemption is available only to employers covered by Wage Orders 4 and 7.

The minimum “tool wage,” required for employees who furnish their own hand tools, increases to \$24.00 per hour for employees of employers with 26 or more employees and to \$22.00 per hour for employees of employers with 25 or fewer employees.

Note that all of the foregoing increased thresholds are keyed to the state minimum wage, even in jurisdictions that have a higher local minimum wage.

The minimum compensation for the overtime exemption for highly-skilled computer professionals increased as well on January 1, 2019. To qualify for this exemption an employee now must be paid at least \$45.41 per hour, or a minimum salary of \$7,883.62 monthly or \$94,603.25 annually.

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