



California Increases Minimum Wage Next Year

Insights

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Governor Jerry Brown recently signed into law a bill that will increase California's minimum wage in two phases. Beginning July 1, 2014, the minimum wage for California employees will rise from the current \$8 per hour to \$9 per hour. On January 1, 2016, the minimum wage will increase to \$10 per hour.

These increases in the minimum wage will impact whether employees will qualify for one of the "white collar" overtime exemptions (executive, administrative, or professional) under California law. One criterion for these exemptions is that the employee receive a monthly salary that is no less than two times the California minimum wage for full-time employment (40 hours per week). The current minimum salary is \$33,280. Starting in July 2014, exempt employees will have to be paid an annual salary of at least \$37,440 (\$18 per hour), and by 2016 at least \$41,600 (\$20 per hour).

The minimum wage increase will also impact the inside salesperson exemption from overtime under Wage Orders 4 and 7. That exemption requires that commissions must make up more than half the employee's compensation and the employee must earn more than one and one-half the minimum wage for all hours worked. As such, to be exempt from overtime, inside salespersons will need to earn at least \$13.51 per hour beginning July 1, 2014, and at least \$15.01 per hour by January 1, 2016.

This increase in the minimum wage rate provides a good opportunity for California employers to audit their pay practices and ensure that they are in compliance with all wage and hour laws.

Examination of pay practices involving piece-rate and commission-paid employees is especially important to ensure compliance with recent court decisions holding that such employees must be paid at least minimum wage for all hours worked. Taking some preventive steps now can mean avoiding costly litigation in the future.

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