



GRUBE BROWN & GEIDT LLP

**SAN FRANCISCO**

601 Montgomery Street, Suite 1150  
San Francisco, CA 94111  
tel: 415.603.5000 | fax: 415.840.7210

**LOS ANGELES**

633 West 5th Street, Suite 3330  
Los Angeles, CA 90071  
tel: 213.358.2810 | fax: 213.995.6382

**CALIFORNIA'S MINIMUM WAGE WILL RISE TO \$15 AND BEYOND**

April 13, 2016

By Tom Geidt

This week Governor Brown signed S.B. 3, which will dramatically increase the California minimum wage. The current minimum wage as of January 1, 2016 is \$10. Under S.B. 3, this will increase to \$10.50 on January 1, 2017, and eventually reach \$15 by 2022 for most employers. After that, it will likely increase further every year according to the Consumer Price Index.

S.B. 3 distinguishes between employers who have 26 or more employees and those with 25 or fewer. For employers with 26 or more employers, the minimum wage will increase to \$10.50 on January 1, 2017; to \$11 on January 1, 2018; to \$12 on January 1, 2019; to \$13 on January 1, 2020; to \$14 on January 1, 2021; and to \$15 on January 1, 2022.

Employers with 25 or fewer employees will be given an additional year to implement these rates. For these employers, the minimum wage will increase to \$10.50 on January 1, 2018; to \$11 on January 1, 2019; and so on, reaching \$15 on January 1, 2023.

The statute allows the Governor to postpone for one year a scheduled step increase in the minimum wage between 2017 and 2022 if certain economic indicators are found to exist, as certified by the State's Director of Finance, reflecting a sagging economy for the State at that time or a forecasted budget deficit.

After the minimum wage reaches \$15, the minimum rate will increase on an annual basis each January 1 in line with increases to the Consumer Price Index. These increases will not be subject to any suspension by gubernatorial action.

These rate increases will affect not only the minimum amount employers must pay their non-exempt employees for all hours worked, but also several other California wage and hour provisions that are tied to the minimum wage. This includes, for example, the minimum salary necessary for an employee to be classified as exempt from overtime. That salary must be at least two times the minimum wage multiplied by 2,080. Currently, this means \$41,600 (\$10 x 2 x 2,080). As the State's minimum wage rises, the salary threshold for exempt status will increase accordingly. For example, when the minimum wage reaches \$15, the minimum salary for exempt status will be \$62,400.

Also, the Labor Code exempts employees who are covered by certain collective bargaining agreements from various protections, including California's overtime laws, paid sick leave law, Wage Theft Prevention Act, and, in certain industries, its meal period requirements. To be exempt, the union-represented employees must earn a base wage at least 30% above the State minimum wage. As the California minimum wage rises under S.B. 3, this will narrow the scope of the CBA exemption under these Labor Code provisions. Currently, an employee's base wage must be \$13 to satisfy the 30% principle. Once the minimum wage reaches \$15, this will increase

to \$19.50.

California's recent action follows a nationwide trend that has been taking storm in the past year or so. New York State recently enacted legislation that will increase its minimum wage to \$15 by the end of 2018. San Francisco's minimum wage ordinance will bring its minimum rate to \$15 by July 2018. A Los Angeles ordinance will bring its rate to \$15 by July 2020. Many other states and municipalities have taken similar action.

To the extent any local ordinances require higher minimum rates than California's minimum wage, covered employers in those jurisdictions must pay the higher local rate. Of course, if the California rate exceeds the local rate, employers must pay the higher California rate.

Only time will tell what effect these high minimum rates will have on the viability of California employers and on their ability to staff their workforces at current levels.

\* \* \*

Thomas E. Geidt  
Telephone: 415.603.5003  
Email: [tomgeidt@gbgllp.com](mailto:tomgeidt@gbgllp.com)