



## California's \$15 Minimum Wage Increase

On April 4, 2016, Governor Jerry Brown signed California Senate Bill 3 ("SB 3"), which will gradually raise the State minimum wage to \$15 per hour. The State's current minimum wage is \$10 per hour.

SB 3 provides six annual increases to the current minimum wage for employers with 26 or more employees. Beginning on January 1, 2017, the minimum wage will increase to \$10.50. In 2018, the minimum wage will increase to \$11 and then increase by \$1 each year until 2022, when the minimum wage will be \$15. Employers with 25 or fewer employees will have an additional year to implement each of the increases. In other words, the State minimum wage will not begin to increase for these smaller employers until January 1, 2018.

The Governor may pause scheduled increases based on certain economic conditions. However, the Governor may only pause the scheduled increases a maximum of two times. Once the \$15 wage has been reached, the Department of Finance will annually increase the minimum wage for the following year based on statistics from the U.S. Bureau of Labor Statistics.

Many employers will need to significantly adjust their compensation and benefits structures in light of the new law. Of course, the increased minimum wage will affect overtime and double-time. It will also affect exempt employee salaries because exempt employees under California law generally must earn a salary that is at least twice the State's minimum wage for full-time employment. This means that under the current \$10 per hour minimum wage, exempt employees must earn an annual salary of \$41,600. Under the \$15 per hour minimum wage, the minimum annual salary for exempt employees jumps to \$62,400.

Finally, employers should bear in mind that cities and counties may have their own minimum wages that are higher than the State minimum wage (e.g., Berkeley, Emeryville, Los Angeles, Mountain View, Oakland, Palo Alto, Richmond, Sacramento, San Jose, San Francisco, Sunnyvale.) As a result, employers should determine whether another minimum wage applies, and pay their employees according to the higher applicable minimum wage.



By Bianca S. Watts