Cooley

October 10, 2013

California Governor Jerry Brown has signed into law a bill that will raise California's minimum wage for the first time in six years. The minimum wage is set to go up in two phases, with an initial hike from the current minimum of $8 per hour to **$9 per hour beginning July 1, 2014**. Then, effective **January 1, 2016**, the minimum wage will increase to **$10 per hour**.

Beyond increasing the hourly rate of pay for minimum wage employees, the new law will have an impact on employment policies and practices that are tied to the minimum wage. For example, a higher minimum wage means that overtime rates and missed meal and rest period premium pay for minimum wage employees will necessarily go up. Additionally, under California's Wage Orders, employees may be asked to provide their own tools customarily required for their trade or craft if they earn at least two times the minimum wage, or $16 per hour. That rate will ultimately go up to $20 per hour as a result of the higher minimum wage.

A higher minimum wage also means that the minimum salary for employees covered under certain overtime exemptions will rise as well. In order to qualify for the Executive, Administrative, and Professional exemptions, an employee must be paid a monthly salary equal to no less than two times the state minimum wage. The new minimum salary for these "white collar" workers will accordingly increase from $33,280 to $37,440 per year effective July 1, 2014, and to $41,600 per year starting January 1, 2016. The minimum salary for employees falling under the "inside salesperson" exemption, who must earn more than one and one-half the minimum wage for all hours worked, will increase in like manner.

Employers should carefully review their compensation practices in light of the upcoming minimum wage hike. Employers will want to make sure they are in compliance by the time the first increase to $9 per hour takes effect in July 2014.

Key Contacts

Wendy Brenner Palo Alto	brennerwj@cooley.com +1 650 843 5371

Leslie Cancel San Francisco	lcancel@cooley.com +1 415 693 2175
Joshua Mates San Francisco	jmates@cooley.com +1 415 693 2084
Michael Sheetz Boston	msheetz@cooley.com +1 617 937 2330