

Labor and Employment Client Service Group

To: Our Clients and Friends

June 24, 2014

Reminder: Increase in California Minimum Wage Effective July 1, 2014

Effective July 1, 2014, the minimum wage in California will increase from \$8.00 to \$9.00 per hour. Effective January 1, 2016, the minimum wage in California will increase to \$10.00 per hour. This means that next week the minimum weekly wage rate for a full-time worker will increase from \$320 to \$360 per week. There are significant penalties for failure to pay minimum wage and it is important to review pay records to verify compliance before Tuesday, July 1, 2014.

The implications of this increase extend beyond the hourly minimum wage worker and employers are cautioned to consider the following:

- **Are the salaries of exempt employees sufficient?** One requirement to meet the California executive, administrative or professional exemptions from overtime is that the employee receive a monthly salary that is no less than two times minimum wage for full-time employment (40 hours). The current monthly minimum is \$2,774. The minimum monthly salary will increase to \$3,120 (\$37,440 annualized) in July 2014 and \$3,467 (\$41,600 annualized) in January 2016.
- **How does this impact inside commissioned sales people?** One requirement for certain commissioned salespersons to be exempt from overtime is that the salesperson's total earnings result in an effective hourly rate that is one and one-half times the state minimum wage, currently \$12.00 per hour. This minimum rate will increase to \$13.50 per hour effective July 1, 2014 and to \$15.00 effective January 1, 2016.
- **What does the increase mean for meal and lodging credits?** As the minimum wage increases the minimum wage credits for meals and lodging permitted by the Industrial Welfare Commission Wage Orders are adjusted.
- **What about employees that furnish their own hand tools?** Employers are generally required to provide and maintain the tools needed for employees to perform their jobs. Employees may be asked to furnish their own hand tools if they receive at least twice the minimum wage (currently \$16.00 per hour, but increasing next week to \$18.00, then \$20.00, per hour on January 1, 2016).

For questions or further information on this topic, please speak to your regular Bryan Cave contact or a member of our [Labor and Employment Client Service Group](#).