



KD Alert: California's Minimum Wage Takes Off!

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On September 25, 2013, California Governor Jerry Brown signed AB10 into law, raising the State's minimum wage incrementally from the current \$8.00 per hour to \$10.00 per hour by January 1, 2016. The first increase occurs on July 1, 2014, when California employers must pay their employees at least \$9.00 per hour for all hours worked, followed by another increase to \$10.00 per hour on January 1, 2016. The law is expected to impact 1.5 million full-time workers, or nearly 15% of California's full-time workforce.

This is the first increase in California's minimum wage since 2008. California is one of 18 states, together with the District of Columbia, that have a higher minimum wage than the current federal minimum wage of \$7.25 per hour. Certain cities have implemented their own minimum wage requirements. For instance, San Jose and San Francisco currently have a minimum wage of \$10.50 and \$10.55, respectively.

In addition to ensuring that all hourly employees are receiving at least minimum wage, employers must evaluate the salaries of all exempt employees to ensure that they are in compliance with the statutory minimum salary requirements. In order to be lawfully classified as exempt, an employee must earn at least twice the minimum wage. Given both the state and federal initiatives focusing on employee misclassification, employers may face increased liability.

What to do? It is suggested that companies conduct an internal audit of their wage and hour practices across all levels with the assistance of employment counsel. This allows an employer to identify and remedy any improper classifications or overtime violations before state or federal agencies identify them first through a random audit.

For more information about how California's increased (and increasing) minimum wage - and any other wage and hour regulations - affect your business and how to perform an internal audit, please contact Kimberly Westmoreland or Amber Healy of our Los Angeles Office.