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Minimum Wage Hike Guidelines

By Sue Bendavid-Arbiv

After significant lobbying on both sides of the political spectrum, Gov. Arnold Schwarzenegger finally reached an agreement with Democratic leaders of the legislature to raise the state minimum wage by almost 20 percent by January 2008.

The bill to increase California's minimum wage (AB 1835) passed both houses of the Legislature and was sent to Schwarzenegger who said he will approve the two-tier increase. Effective January 1, 2007, the bill raises the minimum wage for all non-exempt workers in California to \$7.50. An additional increase to \$8.00 will be effective January 1, 2008. Federal minimum wage is currently \$5.15 and as of January 1, 2008, the increase to \$8.00 would make California's minimum wage the highest in the nation.

Converted to annual salaries, the current minimum wage for a 40-hour-per-week is \$14,040 annually. The wage on January 1, 2007 will bump up to \$15,600 and the subsequent increase will yield \$16,640 annually.

Proponents of the increase say the higher wage will benefit more than 1 million Californians who currently earn the minimum wage of \$6.75 per hour, which is below the federal poverty level for a family of three.

Those opposing the increases say it will result in layoffs and keep small businesses from hiring.

Not only will the increase affect non-exempt hourly employees (those employees entitled to overtime premiums for working more than 8 hours in a day and/or 40 hours in a workweek) the minimum wage increase may also affect salaried/exempt employees. Exempt employees are typically executives, administrative and professional employees who use discretion and independent judgment in the performance of their duties. Exempt employees are not entitled to overtime premium pay. To meet the test for exempt status, one prerequisite is that an employee must earn a monthly salary equivalent to no less than two

(2) times the state minimum wage for full-time employee (defined as forty hours per week). Therefore, as minimum wage increases, employers will also have to be concerned with verifying their exempt employees still receive the requisite two times minimum wage. Under these guidelines, starting in January, 2007, the salaried exempt employee must earn a minimum of \$2,600 per month (which equates with \$31,200 per year).



In January, 2008, this will increase to \$2,773.33 per month (\$33,280 per year).

Apart from the increase in minimum wage, the provisions of the bill also require the Department of Industrial Relations to adjust upwards the permissible meals and lodging credits by the same percentage as the increases in the

minimum wage.

Employers are required to display a Minimum Wage poster and the Industrial Welfare Commission Wage Order notifying employees about the right to receive minimum wage and the amount of minimum wage. With the change in minimum wage, current posters will become outdated and employers will have to purchase and display new posters. Employers must post a copy of the amended poster and order and keep them posted in a conspicuous location frequented by employees during the hours of the workday.

To prepare for the Jan. 1, 2007 changes, employers should:

- Adjust accounting practices to ensure all non-exempt employees are paid at least the new minimum wage for all work performed;
- Verify that exempt employees earn at least two (2) times minimum wage on a salary basis;
- Purchase and display the revised poster notifying employees about the increase in minimum wage;
- Post the revised Industrial Welfare Commission Wage Order appropriate for your particular business. To obtain the official printed order, you may contact the Department of Industrial Relations, Public Information Office, in San Francisco, or your local Labor Commissioner's office. An internet version of the Industrial Welfare Commission wage order may be posted in the alternative. See: <http://www.dir.ca.gov/iwc/WageOrderIndustries.htm>.

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