

POLITICO ALERT

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State Minimum Wage Increase

Effective January 1, 2017, the California minimum wage increased, **for businesses with more than 25 employees**, from \$10 per hour to \$10.50 per hour. This is a result of Governor Jerry Brown's approval of SB 3 in 2016, which increases the state minimum wage annually starting on January 1, 2017 until it reaches \$15 per hour on January 1, 2022. Employers with 25 or fewer employees have an extra year to comply with these requirements.

The new law amends Section 1182.12 of the California Labor Code and increases the wage rate in five stages, as follows:

- (A) From January 1, 2017, to December 31, 2017 - \$10.50 per hour.
- (B) From January 1, 2018, to December 31, 2018 - \$11 per hour.
- (C) From January 1, 2019, to December 31, 2019 - \$12 per hour.
- (D) From January 1, 2020, to December 31, 2020 - \$13 per hour.
- (E) From January 1, 2021, to December 31, 2021 - \$14 per hour.
- (F) From January 1, 2022 - \$15 per hour

The change in minimum wage has a domino effect on other California employment compliance areas that are linked to the state minimum wage. Many of the exemptions afforded to employers' signatory to a collective bargaining agreement (CBA) are dependent on the CBA providing for "premium" wage rates. The following are some of the key areas the minimum wage increase may impact construction employers.

Collective Bargaining Agreements – Hours and Days of Work

Under California Industrial Welfare Commission Wage Order 16, construction employers and unions are permitted to bargain hours and days of work different from those required by the Wage Order, so long as their employees are covered by a valid CBA designating wages, hours and working conditions and the employees' regular hourly rate of pay is not less than 30 percent more than the state minimum wage. Employers should determine whether their union agreements or other procedures are affected.

Paid Sick Leave

Construction employers in California must provide paid sick days to their employees, unless the employees are covered by a valid CBA and fall under the exemptions included in Labor Code Section 245.5. The construction exemptions to the California paid sick leave law require premium regular hourly rate of pay of not less than 30 percent more than the state minimum wage rate. Be sure to check your CBA rates to determine whether all of the rate calculations will remain exempted from providing paid sick leave.

Tools or Equipment

Employers who require employees to provide their own tools or equipment may also be affected pursuant to Industrial Welfare Commission Wage Order 16. Generally, when tools or equipment are required by the employer or are necessary to the performance of a job, they must be provided and maintained by the employer. However, employees who earn at least two times the state minimum wage can be required to provide and maintain their own hand tools and equipment customarily required by the trade or craft. If employers are taking advantage of this provision, they should ensure they are paying employees twice the new state minimum wage.