

## MINIMUM WAGE

# California continues national trend to raise minimum wage

by Nicole Legrottaglie-Wohl  
Carothers DiSante & Freudenberger LLP

*It's been drilled into every HR professional's head: California employers must pay nonexempt employees at least the minimum wage as required by state and federal law. As long as employees are paid the higher of the two (the California minimum wage), you're in the clear, right? Not so fast—you also must ensure compliance with local city minimum wages, which may be higher than the state minimum wage.*

## **Compliance with state, federal minimum wage laws**

It's a well-known fact that you are required to comply with both state and federal minimum wage laws. It's also no surprise that California has greater employee protections and mandates a higher minimum wage rate, currently \$9 per hour (effective July 1, 2014), compared to the federal minimum wage of \$7.25 per hour. And some, but not all, of you may know that the state minimum wage will increase again to \$10 per hour on January 1, 2016.

## **New trend: compliance with local minimum wage laws**

Not only do you need to be aware of the upcoming state minimum wage increase, but recently, we have seen a new national trend to raise incomes for the nation's lowest-paid workers. The lowest-paid employees in the state and across the nation are demanding higher pay. Workers have increasingly made their voices heard through their unions and other labor actions such as high-profile strikes.

This trend has led cities across the nation to propose and/or adopt their own minimum wages separate and apart from state minimum wages, beginning almost a decade ago with San Francisco and Santa Fe, New Mexico. So far, approximately 13 states, including California, Connecticut, Hawaii, Maryland, Massachusetts, and Vermont, and multiple county and city governments have increased their minimum wages since 2013.

In June of this year, Seattle passed an ordinance that will raise the minimum wage to \$15 per hour, the country's highest, by 2018. The city's minimum wage increase has resulted in a federal lawsuit filed by the International Franchise Association, which believes the ordinance is an "unfair and discriminatory minimum wage plan." Time will determine whether the ordinance will be overturned.

California has followed the national trend, too. The leader of the trend is, of course, San Francisco, whose

minimum wage, currently \$10.74 per hour, could rise to \$15 per hour by 2018, thanks to a ballot initiative that will be voted on in November. The plan calls for the following increases: from \$10.74 to \$12.25 in May 2015, an increase to \$13 in July 2016, and a \$1 increase each subsequent year until it reaches \$15 in 2018. The increases are predicted to earn full-time minimum wage workers approximately \$31,000 a year. Opponents of the San Francisco plan, including service industry representatives, note that the increases would be difficult to implement and would be especially hard on restaurants and other hospitality-related businesses.

The most recent effort, by Mayor Eric Garcetti in Los Angeles, proposed an ordinance establishing a minimum hourly wage of \$15.37 for workers in Los Angeles hotels with at least 125 guest rooms. The Los Angeles City Council gave final approval of the increase on October 1, 2014. Additionally, Mayor Garcetti has launched a proposal to gradually increase the minimum wage to \$13.25 per hour for all workers in Los Angeles by 2017, up from the current state minimum wage of \$9 per hour. The plan proposes setting the minimum wage at \$10.25 in 2015, \$11.75 in 2016, and \$13.25 in 2017.

A similar effort to gradually raise the state minimum wage to \$13 per hour by 2017 was made by Senator Mark Leno (D) in Sacramento. Despite the momentum from labor advocates and college students, the bill failed to pass the Labor and Employment Assembly Committee.

Other cities and counties in California have followed San Francisco's lead. In 2014 alone, San Diego, Richmond, and Berkeley voted to raise wages. Similar efforts to raise the minimum wage have come from Sacramento and Oakland. While some of those efforts have failed, they have continued to build momentum for other cities in California to follow suit.

### ***Efforts to oppose the minimum wage increases***

While the wage increases have gained real traction at both the state and city level, conservative politicians are working hard to oppose the lobbying efforts. Opponents argue that an increase in the minimum wage will lead to job losses and increased turnover. On a national level, opponents argue that a federal minimum wage increase would disproportionately hurt business in states where the cost of living is lower. On both the state and federal level, opponents argue that raising the floor will lead to outsourcing of jobs to avoid higher wages and that an increase in minimum wage fails to help the middle class.

Proponents of the minimum wage increase disagree and state that rising incomes will help not only those making the minimum but also those making slightly above the minimum wage because changes will gradually ripple up. Supporters of the increase also believe

the minimum wage should rise as the cost of living increases.

### ***Bottom line***

It's important for all HR professionals to remain abreast of not only state and federal minimum wage requirements but also ordinances passed in their localities