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California Minimum Wage Increases for 2023

One of the key points of interest when the State adopted its march to a \$15.00 per hour minimum wage was that the minimum wage would also be impacted by inflation. As we are all aware, inflation is front and center these days. Therefore, when Governor Newsom announced his \$18.1 billion Inflation Relief Package on May 12, 2022, it included a minimum wage increase. As a result, California's minimum wage will be \$15.50 per hour for employers of all size beginning January 1, 2023.

As background, in 2016 Senate Bill 3 passed with yearly increases in the minimum wage beginning in 2017 based on employer size (26 or more / 25 or fewer). As of January 1, 2022, large employers with 26 or more employees are mandated to pay \$15.00 per hour while small employers with 25 or fewer employees were expected to phase into \$15.00 minimum wage rate on January 1, 2023. Governor Newsom's accelerated increase will require all employers to pay \$15.50 starting January 1, 2023. The minimum wage increase is required by a provision of the state's minimum wage law when inflation exceeds 7 percent. In his announcement, Governor Newsom indicated that "[t]his inflation relief package will help offset the higher costs that Californians are facing right now and provide support to those still recovering from the pandemic."

While this change will go into effect January 1, 2023, there is also a ballot initiative pending which seeks to implement a phased-in minimum wage increase to \$18.00 per hour by January 1, 2026. We will keep you updated on the status of this ballot initiative as we progress through the legislative year.

What This Means for Employers:

Employers, and especially small businesses, have been hit hard the past few years with the pandemic, reduced straight time hours in agriculture, the Great Resignation and supply chain shortages. Unfortunately, there appears to be no end in sight to the attack on California businesses. Employers should begin gearing up to make the minimum wage changes beginning January 1, 2023, which for small employers will result in a significant bump up in payroll expenses.

The goal of this article is to provide employers with current labor and employment law information. The contents should neither be interpreted as, nor construed as legal advice or opinion. The reader should consult with Barsamian & Moody at (559) 248-2360 for individual responses to questions or concerns regarding any given situation.

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