



What California Minimum Wage Increases Mean for Your White Collar Employees

Many employers in California have already classified Assistant Manager-type positions as nonexempt based on the state's duties test for the white collar exemption. However, the salary test for the exemption requires that employees earn two times the minimum wage. By 2022, the California minimum wage will be \$15, and it will increase annually after that based on inflation. That means employees must have an annual salary of \$62,400 (equivalent to an hourly wage of \$30) to qualify for the exemption, and that amount will continue increasing each year.

As a result, some employees who pass the duties test will soon be ineligible for the exemption based on their salaries. For example, based on BLS data, over half of the Administrative Supervisors, Office Managers, Production Managers, and Shift Supervisors in California earn salaries that would put them below the \$30 per hour threshold. Employers should review all jobs under the white collar exemption to ensure they remain above the threshold as the salary test level increases. For jobs with salaries close to the threshold, employers should consider the following factors.



Expected Overtime

Increasing salaries to the new threshold is essentially prepaying for overtime hours and does not make sense if the individuals will not be working enough overtime to cover the difference. On the other hand, overtime premium payments can accumulate quickly. Prepayment of overtime avoids uncertainty regarding labor costs.

Location Differences

For firms operating in multiple locations, salaries may differ across locations as a result of the relative facility size, the type of work performed, and the regional cost of living. Consider classifying the position differently across locations or creating separate positions to reflect important differences between locations.



Regular Rate

When you set the hourly rate for reclassified employees, be sure to consider their expected work hours and the related overtime premiums. Also remember to review any incentive programs for those employees to verify the regular rate calculations are modified accordingly.

Additional Costs

In addition to the overtime premium payments, other costs related to reclassification may include implementing or expanding a timekeeping system, hiring and training new personnel to reduce overtime work required, and retraining current personnel on new requirements and procedures. Also keep in mind the nonmonetary costs of reclassification such as a decrease in employee morale and/or employee retention.



Edgeworth Economics Labor & Employment Experts

Edgeworth Economics provides expert testimony and consulting services on labor and employment matters including all types of wage and hour disputes under federal and state law and allegations of discrimination in pay, hiring, promotions, and terminations. To learn more about Edgeworth's expertise in analysis of labor and employment topics, please visit us online at www.edgewortheconomics.com or contact one of our experts directly.



Dr. Stephen G. Bronars

Partner

sbronars@edgewortheconomics.com
202.580.7777

Stephen Bronars is a labor and employment expert with decades of experience in bringing rigorous analysis to employment discrimination and wage and hours matters. A sophisticated researcher, Dr. Bronars brings his academic experience and insight to Edgeworth's labor and employment practice.



Dr. Jesse David

Partner

jdavid@edgewortheconomics.com
626.657.7950

Jesse David is an experienced damages expert who has testified at trial and in deposition on more than 25 occasions. Dr. David's work in intellectual property, environmental economics, antitrust, labor and commercial damages is known for meshing careful economic thinking with technically sound methodology.



Chuck Fields

Partner

cfields@edgewortheconomics.com
202.559.4389

Chuck Fields is an expert witness with comprehensive experience working on labor and employment issues, antitrust matters, and HR analytics engagements. Mr. Fields' unique background in economics, human resources, and business management enables him to provide effective, practical solutions for our clients.



Dr. Deborah K. Foster

Partner

dfoster@edgewortheconomics.com
202.580.7771

Deborah Foster is an expert in the economics of wage and hours and discrimination matters, with particular expertise examining class certification issues. She applies rigorous methodologies and analysis to state and federal matters on a variety of claims, such as regular rate calculations, misclassification, and meal/rest break violations.

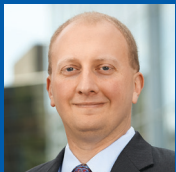


Dr. Laila Haider

Partner

lhaider@edgewortheconomics.com
202.580.7730

Laila Haider has extensive experience consulting in the areas of antitrust, labor, and commercial damages. She has provided expert testimony and submitted expert reports in these areas as well. Dr. Haider specializes in the economics of class certification and in the analysis of damages issues.



Dr. John H. Johnson

President, CEO, & Partner

jjohnson@edgewortheconomics.com
202.559.4388

John Johnson uses econometrics to develop rigorous analyses and provide expert testimony in a wide range of antitrust cases, labor and employment matters, and in class actions. Dr. Johnson, a teacher at heart, is known for his ability to explain technical concepts in a simple, straightforward manner.



Dr. Qian Lu

Principal Consultant

qlu@edgewortheconomics.com
415.906.3223

Qian Lu is an expert in the areas of intellectual property, antitrust, class certification, and labor economics. Dr. Lu brings a background in economic research and computer programming, which allows her to analyze and curate intricate datasets for clients. In the area of labor and employment, Dr. Lu has specific experience in wage, employment, and gender discrimination.



Dr. Nathan D. Woods

Partner

nwoods@edgewortheconomics.com
202.580.7770

Nathan Woods applies rigorous statistical analyses to class and collective action matters involving all manner of discrimination and wage and hour allegations under state and federal laws. With a background in empirical research, Dr. Woods provides a data-driven approach to labor-related matters in both litigation and consulting for Fortune 500 companies.