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Employers Must Plan Ahead for 2018's California Minimum Wage Increase

Employers of all sizes and industries should set aside time to review their compliance with new and updated laws.

Contractors: New Labor Code section

For contractors, Labor Code 218.7 will require subcontractors to provide detailed payroll data to direct contractors upon request, or risk withholding of "all sums due." Direct contractors will be liable for subcontractors' wage payments to subcontractors' employees for contracts entered into January 1, 2018 and later. If you have negotiated favorable contract terms for future work, it is advisable to execute all signatures before January 1, 2018 to prevent the application of section 218.7 to that contract.

All industries: minimum wage increase

Beginning January 1, 2018 employers with 25 or fewer employees must pay at least \$10.50 per hour. Employers with 26 or more employees must pay at least \$11.00 per hour. Remember that in the contracting industry anyone you pay to perform construction work is your employee unless they have their own CSLB license. And for all industries a person is your employee if you control the means and methods of how the person accomplishes the tasks that you pay them to achieve.

All industries: exempt employees' salary increases

Because certain exempt categories require that the exempt employee be paid on a fixed salary basis either 1.5 times or 2.0 times minimum wage, exempt employees' salaries must be compared against the new minimum wage to ensure compliance. Also remember that a salaried pay basis by itself does not justify treating an employee as exempt, the duties test must also be satisfied.

Local minimum wage

Even if your business office is not located in a city with a higher local minimum wage you might still be subject to other jurisdictions' minimum wage laws if your employees work in those jurisdictions. For example there are many businesses in Ventura County which are considered Los Angeles employers and must pay their employees accordingly.

Review other compliance items to reduce likelihood and expense of disputes

The end of the year is an ideal time to have arbitration agreements reviewed by a competent employment attorney for compliance with the present state of appellate rulings and the forecast employer victories in the U.S. Supreme Court during 2018. It is



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also an opportune time to review your employees' exemption status to prevent costly surprises when challenged and third parties begin evaluating the employee's payroll file.

If you have any questions or comments regarding this article, please do not hesitate to contact Daniel Spurgeon at The Green Law Group, LLP.

Please note that this article is only intended to provide some general educational information. For your particular legal questions, be sure and consult with an attorney.

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