Insights: Alerts

California Becomes the First State to Adopt a $15 Minimum Wage; New York Is Likely to Be the Second

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California has become the first state to raise the minimum wage to $15 an hour state-wide. The $15 minimum wage rate will go into effect after a series of gradual increases over the next few years. New York legislators have passed a similar bill, which the governor is expected to sign, raising the minimum wage to $15 in some parts of that state by 2018 and to $12.50 in other regions.

In California, for employers with 26 or more employees, the minimum wage will rise over six years, beginning with an increase to $10.50 on January 1, 2017. The following year the minimum rate will increase to $11 and then go up one dollar every year until 2022, when the minimum wage will be $15. The minimum wage will also go up at the same rate for employers with 25 or fewer employees, but the increases will not begin until January 1, 2018, thus reaching $15 in 2023. After the $15 minimum wage is in effect for all employers in the state, the California minimum wage will be adjusted annually based on increases in the Consumer Price Index. The California legislation contains an economic "safety valve" that will temporarily halt the step increases in the minimum wage in the event of a recession or a serious budget crisis.

New York's minimum wage increase, if signed into law, will go into effect regionally over time. The minimum wage for employers with 11 or more employees in New York City will increase to $11 at the end of 2016, and then rise by $2 in each of the next two years, reaching $15 in 2018. Small businesses in New York City will have until 2019 to reach the $15-per-hour minimum wage. Employers located in Nassau, Suffolk, and Westchester Counties will be required to raise the minimum wage to $10 by the end of 2016, and then by $1 each year until reaching $15 by 2021. Finally, in the upstate regions of the state, the minimum wage will increase only to $12.50, beginning with an increase to $9.70 at the end of 2016, and then increasing by $.70 each year until 2020.

While California is the first state to enact a $15 state minimum wage, some cities in various parts of the country have already passed ordinances requiring similar wage rates. Employers should be prepared for other states to follow California's lead in the near future and should budget for anticipated labor-cost increases.

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