LOS ANGELES SET TO RAISE MINIMUM WAGE BY JULY 2016

By Nancy Yaffe and Carlos Becerra

On May 19, 2015, the Los Angeles, California City Council voted 14-to-1 in favor of drafting an ordinance increasing the minimum wage for employees in Los Angeles from $9 to $15 per hour by 2020. Under the measure, the minimum wage would rise to $10.50 per hour for employers of more than 25 workers by July 2016, gradually increasing each year until it reaches $15 per hour in 2020.

A Los Angeles Times report estimated that nearly half of the workforce in Los Angeles made less than $15 per hour as of the beginning of 2015. The report put the number of employees affected by a $15 per hour minimum wage at about 800,000. As a result, the employers of those 800,000 employees should be prepared to comply with the new minimum wage requirements.

In addition to the damages and penalties for minimum wage violations that employees already are entitled to pursue under the California Labor Code, the ordinance increasing the minimum wage will likely impose additional penalties on employers that fail to comply. These penalties will likely be akin to those imposed by similar measures in Oakland and San Francisco.

Much of the media coverage concerning the minimum wage hike has focused on restaurant owners in Los Angeles that lobbied for an exception whereby their employees’ tips would count towards computing their minimum wage. To the chagrin of restaurant owners, the Los Angeles lawmakers declined to include the exception.

To better comprehend the effect of such a minimum wage hike on the restaurant industry in Los Angeles, the Employment Policies Institute released a survey of 254 Los Angeles restaurants, which noted that 24 percent of the respondents said they would be “very likely” to cease operating, while half said they’d be “very likely” to cut back on employee hours or reduce operating hours.

The ordinance is not drafted yet, so the specific requirements could change during the drafting and revising process and before the ordinance is ultimately signed by the mayor (although he has voiced his views in favor of it).

Keep in mind that the ordinance will only cover employees in the city of Los Angeles. The county of Los Angeles has many separately incorporated cities (including West Hollywood, Beverly Hills, Santa Monica and Pasadena, to name a few), so the first thing businesses should do is figure out if they are within city limits. If not, whether a minimum wage increase will apply will depend on what their city decides to do (and they may want to reach out to their city officials if they have strong views on that issue).

This pending minimum wage increase provides a good opportunity for Los Angeles employers to audit their pay practices and ensure that they are complying...
with all wage and hour laws. Those employers should also consult with their employment attorneys before changing pay practices to offset the increased minimum wage, such as implementing a service charge instead of tips or laying off employees or reducing their hours. Examining pay practices for piece-rate and commission-paid employees is especially important to ensure compliance with recent court decisions holding that such employees must be paid at least minimum wage for all hours worked.

Being proactive and strategic now, before any increase takes effect, can help avoid costly litigation in the future.

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