

San Jose is Latest Silicon Valley City to Increase Minimum Wage to \$15 Per Hour

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Employers in Silicon Valley now face another local hike in the minimum wage. On Tuesday, the San Jose City Council unanimously approved a multi-year increase in the City's minimum wage, which will reach \$15.00 per hour on January 1, 2019 after increasing in annual \$1.50 increments.

San Jose joins the Silicon Valley cities of Mountain View, Sunnyvale, Los Altos, Palo Alto, and Cupertino to adopt a \$15.00 minimum wage in effect in either 2018 or 2019. The municipalities of Campbell, Milpitas, Santa Clara, and Saratoga are also considering similar increases.

The Silicon Valley increases come on the heels of the upcoming increase in California's state-wide minimum wage that takes effect on January 1, 2017 and will ultimately reach \$15 per hour in January 2022. (See Polsinelli's update on the California minimum wage legislation [here](#)).

San Jose's minimum wage increase will come in four phases: a hike to \$10.50 in January 2017, \$12.00 per hour in July 2017, to \$13.50 in January 2018 and to \$15.00 by January 2019. After 2019, the San Jose minimum wage will increase annually based on the consumer price index, with increases capped at 5 percent. The San Jose City Council rejected a more conservative timetable proposed by city staff, which suggested that the minimum wage reach \$15.00 in [2020](#).

A city-commissioned study found that the minimum wage increase will have a significant impact on San Jose workers and employers. Notably, the study found:

- The minimum wage increase will generate “an average pay increase of \$3,000 (18 percent of annual earnings) for 115,000 San Jose workers (31 percent of workforce).”
- While the study anticipates a small 1.3 percent increase in payroll cost across industries, it anticipates a 10.1 percent increase for restaurant employers.

California employers should be mindful of city and county ordinances, as an increasing number of local jurisdictions require minimum wages in excess of California state law. As the minimum wage

increases in California, employers should evaluate the salaries of their exempt employees to ensure compliance with all exemption salary requirements tied to the minimum wage. Contact your Polsinelli lawyer for advice on complying with the myriad of state and local wage and hour laws, including the applicable minimum wage.

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