WACA ALERT
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Reminder:

California's Minimum Wage to Increase to $16.90 Per Hour on January 1, 2026

California's minimum wage will increase to $16.90 per hour effective January 1, 2026, up from the current rate of $16.50 per hour.

California law requires the minimum wage to be adjusted annually in response to inflation. Specifically, California Labor Code section 1182.12 authorizes the Director of Finance to annually determine an adjustment based on changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W), and to certify that determination to the Governor and the Legislature.

Each year, the Director of Finance must calculate the adjusted minimum wage based on the lesser of:

1. 3.5 percent, or
2. The percentage change in the U.S. CPI-W, as published by the U.S. Bureau of Labor Statistics.

See this year's determination letter here.

Impacts on Union Construction Employment Compliance

Increases to the state minimum wage have a ripple effect across several California construction employment compliance areas that are tied to the minimum wage. Many statutory exemptions available to construction employers that are signatory to a collective bargaining agreement (CBA) depend on the CBA providing "premium" wage rates, often defined as a percentage above the state minimum wage.

Key areas that may be affected include:

- *Collective Bargaining Agreements – Hours and Days of Work*

Under Industrial Welfare Commission Wage Order 16, construction employers and unions may negotiate hours and days of work that differ from the Wage Order's default requirements, provided that employees are covered by a valid CBA specifying wages, hours,

and working conditions and the employees' regular hourly rate of pay is at least 30 percent higher than the state minimum wage.

- *California Paid Sick Leave*

Construction employers must provide paid sick leave to employees unless the employees are covered by a valid CBA that qualifies for the exemption under Labor Code section 245.5. To qualify, the CBA must provide for a regular hourly rate of pay that is not less than 30 percent above the state minimum wage, among other requirements.

- *Private Attorneys General Act (PAGA)*

Under existing law, PAGA exempts from its applicability construction industry employees who are covered by a valid CBA, provided that the agreement pays a regular hourly rate at least 30 percent above the state minimum wage, and expressly waives PAGA in clear and unambiguous terms.

- *Tools or Equipment*

Under Wage Order 16, employers generally must provide and maintain any tools or equipment required by the employer or necessary to perform the job. However, an exception allows employers to require employees to provide and maintain their own hand tools and equipment that are customarily required by the trade if the employee is paid at least twice the state minimum wage.

Employers relying on these exceptions should verify continued compliance with the higher minimum wage.