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**HEADS UP!**

# THE HIDDEN DANGER OF MINIMUM WAGE INCREASES

The minimum wage increase that took effect on January 1, 2014 presents a hidden and serious danger that many California employers are unaware of.

Commonly, California employers classify some executive and/or administrative employees as exempt from overtime compensation regulations. However, the exemptions available under California law require that an exempt employee receive a weekly salary that is at least two times the minimum wage. Significantly, California law also provides that an exempt employee's salary may not be "docked," or reduced, for any week when the employee performs any work at all.

Employers who violate these or related rules risk violating the "salary test," which is a mandatory requirement of the exemption. If so, such employers face legal exposure for unpaid overtime compensation for any overtime hours worked during the last three years. As with most employment claims, this is just the beginning, because claimants are typically entitled to receive reimbursement of their attorneys' fees and other amounts as well.

If such a claim is part of a class action or representative action, a four-year statute of limitations may apply, which further expands the employer's exposure.

As a result, it is imperative that employers verify the legal enforceability of all overtime exemptions, and certainly every time the minimum wage is increased.

This has been a fertile source of class action/representative lawsuits in the past, which likely explains the upsurge in such claims every time the minimum wage is increased.

The minimum wage will increase again on July 1, 2014 and for a third time on January 1, 2016.