

Rejecting Proposition 32: Voters Tell State to Slow Down

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In a vote that was for weeks too close to call, Californians, by a miniscule margin, rejected Proposition 32, an attempt to increase the State's minimum wage from \$16 to \$18 per hour. Specifically, Proposition 32 would have required employers with more than 25 employees to immediately increase the minimum hourly wage of their employees to \$17 per hour, and then increase again to \$18 per hour beginning on January 1, 2025. Employers with 25 or fewer employees would have to increase their employees' minimum wage to \$17 per hour by 2025 and to \$18 per hour in 2026.

The legislation's proponents argued that its passage would create new jobs and help the state's lowest-paid workers survive amid a rapid rise in the cost of living. Critics argued it would instead eliminate jobs and increase the prices of everyday goods and services. Voters appeared to agree with the critics.

When minimum wage is on a state's ballot, it rarely fails. Last week, voters in Missouri and Alaska chose to raise minimum wage to \$15 per hour. According to [Ballotpedia](#), from 1996-2023, in the United States, only two out of twenty-eight times have voters rejected a statewide minimum wage increase at ballot box. Californians' rejection of Proposition 32 thus is significant.

California currently has the third-highest state minimum wage in the country, trailing behind Washington D.C. (\$17.50 per hour) and Washington state (\$16.66 per hour, effective January 1, 2025), although the Golden State will lose its bronze to Hawaii in 2028 — earlier this year, the governor of Hawaii signed a law setting the minimum wage at \$18 per hour beginning in 2028.

Proposition 32 would not have impacted as large a portion of the labor force as one might think. [Oxfam](#) reported in 2024 that approximately 15.8% of workers in California earned less than \$17 per hour. Since then, new state laws have increased the minimum wage for workers in certain industries, including fast food and healthcare workers.

Moreover, many cities and counties already require higher than \$18 minimum wage rate. The University of California, Berkeley maintains [a list](#) of minimum wage rates across the state's counties. West Hollywood requires a minimum wage of \$19.08. San Francisco and Berkeley boast a minimum wage of \$18.67. As of January 1, 2025, more than one-third of California's counties will set a minimum wage greater than \$18 per hour.

California's minimum wage was \$9 per hour in 2015. Had Proposition 32 passed, the state's minimum wage would have doubled in less than a decade. Perhaps voters objected more to the pace of these pay raises.

Despite voters' rejection of Proposition 32, employers should not expect minimum wage to remain

stagnant. California's minimum wage is adjusted for inflation every year. Thus, the current minimum wage of \$16.00 will increase to \$16.50 effective January 1, 2025.

What Should Employers Do?

Minimum wage laws must be read completely and carefully. Here are a few things to consider:

- **Monitor** local legislation, which is likely a strong predictor of impending state action.
- **Classify** employees properly. Simply noting that someone is an independent contractor does not make it so. Do not misclassify employees as exempt to avoid overtime obligations; class action lawsuits are very expensive.
- **Comply** with the most restrictive applicable law. Employers must comply with the law that gives the most benefit to employees.
- **Pay attention** to the effective dates of state and local laws. While state and federal laws typically go into effect on January 1st of each year, local ordinances often follow their own schedule, with many of the California ordinances going into effect in July of each year.
- **Communicate** with employees whose wage rate will change. Employers must post a current official Minimum Wage Order in a conspicuous location frequented by employees. A new notice is required for 2025 when the state increase becomes effective.
- **Coordinate** operations to comply with minimum wage laws if you operate in multiple cities with overlapping legislation. Each location must comply with its own local rules. Taking the time to ensure that each location is in compliance is important. For some employers, this will mean divvying responsibilities; for others, it means ensuring those responsible for compliance work with your attorneys to stay informed about each applicable locale.
- **Seek guidance** from your Labor and Employment counsel to ensure up to date compliance across jurisdictions.