

Q: What can you tell me about the new minimum wage and overtime laws?

A: New minimum wage (Senate Bill No. 3) and overtime (Assembly Bill No. 1066) laws for agricultural operations were passed in 2016. There are different phase-in schedules for growers who employ 26 or more workers vs those who employ 25 or fewer workers—farms in the “fewer” category have longer phase-in time horizons. It is not yet clear what the overall impact of the laws will be on prevailing agricultural wages, therefore agricultural labor costs are currently in flux. At UC Cooperative Extension we perform cost and return analyses for a variety of crops produced in California. In the most recent studies for this area we estimated the base hourly wage rates at \$11.50 per hour for field labor (including irrigators) and \$15.50 per hour for equipment operators. Benefits packages were estimated at an additional 40 percent. Wages and benefits packages vary from farm to farm and depend upon individual situations.

Table 1. shows the minimum wage phase-in schedule and the percent increase by year. It is worth noting that the wages rates used in our studies are higher than the state’s required minimum wage for 2016. The new overtime law will gradually decrease the number of hours employees can work on a weekly basis before overtime wages are required. Prior to its passage field workers (including irrigators) and equipment operators could work up to 60 hours per week without overtime wages; by 2022 the requirement will be lowered to 40 hours per week. Table 1 shows the phase-in schedule for the new overtime law and the overtime hours per week for 60-hour work weeks, which are most likely during peak production and harvest periods. Additional overtime stipulations are written into the law, but are not discussed here.

Table 1. Minimum Wage and Overtime Phase-In Schedules, 2016 – 2022*

| CA Law Phase-In: Minimum Wage | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Minimum wage | 10.00 | 10.50 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 |
| Percent increase by year | na | 5.0 | 4.8 | 9.0 | 8.3 | 7.7 | 7.1 |
| CA Law Phase-In: Overtime | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Hours per week (non-overtime) | 60 | 60 | 60 | 55 | 50 | 45 | 40 |
| Overtime hours per week** | 0 | 0 | 0 | 5 | 10 | 15 | 20 |

* For employers with 26 or more employees. Smaller operations have a longer phase-in time horizon.

** Assuming a 60-hour work week.

How wages will change, over time, for agricultural operations in this area is still in question. As an alternative to hiring farm workers directly, growers may also elect to use contract labor or the H-2A visa program to employ workers because of labor constraints and on-farm operational needs. If using either one of these two approaches, base wages, benefits and compliance with housing, meals, transportation, and other requirements will vary, and may result in labor costs that are higher than those discussed here. Please call or email our office if you would like additional information.