



NORTHERN CALIFORNIA CONTRACTORS ASSOCIATION

September 15, 2026

Reminder: California's Minimum Wage to Increase to \$17.40 Per Hour on January 1, 2027

California's minimum wage will increase to **\$17.40 per hour effective January 1, 2027**, up from the current rate of \$16.90 per hour.

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

Each year, the Director of Finance calculates the adjustment 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 California's minimum wage can have a ripple effect across several construction employment requirements and exemptions. Many statutory exceptions available to construction employers that are signatory to a collective bargaining agreement (CBA) depend on employees receiving a specified wage premium above the state minimum wage.

Effective January 1, 2027, a requirement of **30 percent above the state minimum wage will equal \$22.62 per hour**, while **twice the state minimum wage will equal \$34.80 per hour**.

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 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**. Beginning January 1, 2027, that wage threshold will be **\$22.62 per hour**.

- **California Paid Sick Leave**
Construction employers may qualify for an exemption from certain paid sick leave requirements for employees covered by a qualifying CBA under Labor Code section 245.5. Among other requirements, the CBA must provide for a regular hourly rate of pay of at least **30 percent above the state minimum wage**. Beginning January 1, 2027, that wage threshold will be **\$22.62 per hour**.
- **Private Attorneys General Act (PAGA)**
California law provides a PAGA exemption to certain construction industry employees covered by a qualifying CBA. Among other requirements, the agreement must provide a regular hourly rate of pay of at least **30 percent above the state minimum wage** and contain a clear and unambiguous waiver of PAGA rights and specified grievance and arbitration procedures. Beginning January 1, 2027, the applicable wage threshold will be **\$22.62 per hour**.
- **Tools and Equipment**
Under Wage Order 16, employers generally must provide and maintain tools and equipment required by the employer or necessary to perform the job. However, an exception allows employers to require employees to provide and maintain hand tools and equipment customarily required by the trade when the employee's wages, **including fringe benefits**, are at least twice the state minimum wage. Beginning January 1, 2027, twice the state minimum wage will be **\$34.80 per hour**.

Minimum Wage Thresholds at a Glance

<u>Requirement</u>	<u>2026</u>	<u>Effective Jan. 1, 2027</u>
California Minimum Wage	\$16.90/hour	\$17.40/hour
30% Above Minimum Wage	\$21.97/hour	\$22.62/hour
Twice Minimum Wage	\$33.80/hour	\$34.80/hour

Bottom Line

Union-signatory construction employers should review CBAs and applicable wage rates before January 1, 2027, to ensure they continue to satisfy any minimum-wage-based thresholds necessary to qualify for these construction industry exemptions and exceptions.