



Written by [David Kelly](#) on July 29, 2022

Inflation Pushes California Minimum Wage to \$15.50

Rising inflation is forcing the California minimum wage to \$15.50 for all employers starting January 1, 2023, [announced](#) the state's Department of Finance on Wednesday. The minimum-wage increase decree came on the same day the U.S. Federal Reserve announced it would raise rates another 0.75 percent in response to inflation reaching 40-year highs.

As of January 1, 2022, all employers in California with more than 25 employees are required to pay a \$15 minimum wage. California Labor Code requires that employers with less than 25 employees pay the same wage as the larger employers by the following January 1 if the rate of increase of inflation exceeds seven percent, which it now has. (The Department of Finance found that the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers increased by 7.9 percent from July 2021 to June 2022 compared to the 12-month period from July 2020 to June 2021.) All employers in the state, therefore, would be required to pay a \$15 minimum wage by January 1, 2023.

Furthermore, the Labor Code requires that, once the minimum wage hits \$15, a determination must be made by August 1 of that year (August 1, 2022) whether an adjustment for inflation needs to be made. The adjustment must be the lesser of 3.5 percent or the rate of increase of inflation (in this case, 3.5 percent.)

Thus, the minimum wage in California for all employers will increase to \$15.50 per hour starting January 1, 2023.

Anyone with a true understanding of economics knows that raising minimum wages reduces the quantity of labor demanded, and hence leads to unemployment. With the United States now in a recession, California is playing politics with its workforce in the name of offering a living wage to combat inflation caused by [government spending](#).

Most economists oppose increasing minimum wages, as the balance of [empirical evidence](#) suggests minimum-wage hikes fail to achieve the policy goals they are intended to. Economists have found that minimum-wage hikes reduce employment and diminish the economic well-being of affected workers. The worse effect is that increases in the minimum wage will drive up prices of goods and services. In addition to the minimum-wage increase and to help battle record inflation, California legislative



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leaders announced a [plan](#) to refund taxpayers up to \$1,050 for inflation relief in a \$17 billion budget deal worked out last weekend. The plan “prioritizes getting dollars back into the pockets of millions of Californians who are grappling with global inflation” announced Governor Gavin Newsom, Senate President Pro Tempore [Toni Atkins](#), and Assembly Speaker Anthony Rendon.

“The centerpiece of the agreement, a \$17 billion inflation-relief package, will offer tax refunds to millions of working Californians,” the three political leaders announced in a joint statement on Sunday. “Twenty-three million Californians will benefit from direct payments of up to \$1,050.”

This package also includes suspension of the state sales tax on diesel fuel, and additional funds to help people pay their rent and utility bills. However, the state’s gas tax remains in effect despite Republican pleas to suspend it.

The rebate agreement paves the way for a record \$300 billion budget this year. The three leaders added, “In the face of growing economic uncertainty, this budget invests in California’s values while further filling the state’s budget reserves and building in triggers for future state spending to ensure budget stability for years to come.”

California political leaders can only hope that the minimum-wage increase and tax refund will help stem the flow of citizens [leaving](#) the state. In reality, this action is unlikely to reverse the migration from this blue state to red states. California families will continue to flee out of both desire and necessity as poverty, lawless policies, and progressive ideology continues to overrun the state. It will be up to those who remain in California to push back at their state’s leadership and bring about responsible policies and reduced spending to the forefront to give hope for a better future.



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