



# ARIZONA

## EMPLOYMENT LAW LETTER

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### WAGE AND HOUR LAW

## Minimum wage workers get 10-cent raise for 2014

by Dinita L. James

*The Industrial Commission of Arizona has crunched the numbers and announced that the Arizona minimum hourly wage will increase to \$7.90 as of January 1, 2014. The 10-cent raise for minimum wage workers comes at a time when advocates are pushing to raise the federal minimum hourly wage, which has remained at \$7.25 since mid-2009.*

### **Proposition 202 in action**

In 2006, Arizona voters approved the Raise the Arizona Minimum Wage for Working Arizonans Act, which was Proposition 202 on the ballot that year. The Act provides for annual increases in the state minimum wage if the cost of living increases. The benchmark for the Arizona wage is the Consumer Price Index of All Urban Consumers, U.S. City Average (CPI-U) for goods and services during the 12 months ending each August 31. The CPI-U increased 1.5 percent in the year ending August 31, 2013. By law, the 1.5 percentage increase in the CPI-U is applied to the 2013 Arizona minimum wage of \$7.80, which resulted in an increase of 11.7 cents. The law allows rounding to the nearest multiple of 5 cents, so the increase will be only a dime.

For a full-time minimum wage worker, the increase amounts to an additional \$208 before taxes per year, all of which likely will go immediately back into the economy to purchase food, clothing, health care, and housing.

Only slightly more than 10 percent of Arizona workers actually earn the minimum wage. Most minimum wage workers are employed in the service industry. The old saying "A rising tide lifts all boats" generally holds true in the area of wages because all wages typically increase when the minimum wage increases at either the state or federal level.

### **Federal minimum wage**

Arizona is one of 19 states in addition to the District of Columbia that have a minimum wage higher than the federal minimum wage. President Barack Obama called for an increase to the federal minimum wage in his 2013 State of the Union address. Soon after, Democratic lawmakers in the U.S. House and Senate introduced the Fair Minimum Wage Act of 2013.

The legislation would raise the federal minimum wage to \$10.10 per hour by 2015 in three steps of 95 cents each. Beginning in 2016, the bill would require annual adjustment of the minimum wage by indexing it to the cost of living, similar to how Arizona's minimum wage law now operates. Arizona is one of 10 states whose minimum wage law is tied to the cost of living.

Advocates of the Fair Minimum Wage Act claim the federal minimum wage would now be \$10.74 if it had kept up with inflation over the past 40 years. The Obama administration has ratcheted up pressure on Congress to pass the minimum wage hike in recent weeks, but the prospects for its passage in 2013 are uncertain. Earlier this year, the House of Representatives voted 233-184 against an amendment to a job-training bill containing provisions similar to the Fair Minimum Wage Act, and all 227 Republican members voted against the increase.

### **Raises elsewhere**

Some states are not waiting for an increase in the federal minimum wage. The New York Legislature adopted a \$9 hourly minimum wage in March. Our neighbor to the west, California, adopted a statewide \$10 minimum wage in September. In the November election, voters in New Jersey adopted a state minimum wage of \$8.25 by a wide margin. When the New Jersey and New York laws go into effect on January 1, 2014, a total of 21 states



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plus the District of Columbia will have minimum wages higher than the federal minimum wage.

Cities are getting into the act as well. San Francisco set a minimum wage above the federal level in 2004, and its minimum wage will rise to \$10.74 an hour on January 1, 2014. The highest wage adopted by a city thus far is the \$15 an hour minimum wage adopted by the voters of SeaTac, a Seattle suburb, in the November election. The SeaTac measure also guarantees workers five days of paid sick leave.

In at least four states—Alaska, Idaho, Massachusetts, and South Dakota—efforts are under way to collect enough signatures to put state minimum wage laws on the ballot for November 2014. The Massachusetts Legislature may beat voters to the punch after one of the state’s two legislative bodies last month approved a bill to raise the state minimum wage to \$11 per hour. If history is any guide, the ballot initiatives will get enough votes to pass, as happened in Arizona in 2006.

### **Bottom line**

Get ready for the minimum wage increase in Arizona by updating the required state poster and preparing to implement the 10-cent raise for any of your workers who earn minimum wages. Also consider evaluating your wage scales to determine whether an increase is

### **Comparison of federal, Arizona minimum wage rates**

<b>Year</b>	<b>Arizona</b>	<b>Federal</b>
2014	\$7.90	\$7.25
2013	\$7.80	\$7.25
2012	\$7.65	\$7.25
2011	\$7.35	\$7.25
2010	\$7.25	\$7.25
2009	\$7.25	\$6.55, raised to \$7.25 on July 24
2008	\$6.90	\$5.85, raised to \$6.55 on July 24
2007	\$6.75	\$5.15, raised to \$5.85 on July 24

warranted based on the increased cost of living for your workers who earn more than the minimum wage.

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