

State minimum wage tops \$8 mark

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Some Arizona workers will get a raise on January 1, 2015. According to the most recent data available from the federal Bureau of Labor Statistics (BLS), about 17,000 workers in the state were paid less than \$8.05 per hour in 2013. The Industrial Commission of Arizona (ICA) adopted a 15-cent increase to the minimum wage on October 16. The \$8.05 minimum hourly rate will go into effect on the first day of the new year.

Annual calculation

The ICA performs an annual calculation to determine whether Arizona's minimum wage will increase based on how prices increase nationally. In 2006, voters adopted the Raise the Minimum Wage for Working Arizonans Act and assigned the annual number crunching to the ICA. The voter-mandated calculation requires the ICA to determine the year-over-year change in the Consumer Price Index. The increase in the index from August 2013 to August 2014 was 1.7%.

The ICA applied the 1.7% increase to Arizona's 2014 minimum wage of \$7.90. Arizona law requires the ICA to round to the nearest multiple of a nickel, so minimum wage workers will get a 15-cent raise based on the 13.4-cent result of the calculation. In 2015, Arizona's minimum wage will be 80 cents higher than the federal minimum wage of \$7.25 unless something changes in Washington, D.C.

National hot button

Bipartisan efforts to raise the federal minimum wage have not succeeded because of congressional gridlock. Nevertheless, Arizona's minimum wage increase is part of a national trend. In the November elections, voters in four states and two California cities adopted minimum wage hikes by wide margins.

Thanks to voters, Arkansas (\$7.50) and Nebraska (\$8) will have minimum wages that are slightly below Arizona's 2015 rate. Employers in Alaska (\$8.75) and South Dakota (\$8.50) can thank voters in their states for minimum wages that are higher than Arizona's 2015 rate. Among the four states, South Dakota had the lowest percentage of voters in favor of a minimum wage increase (54.9%), while Alaskans were most

in favor of raising wages, with 68% of voters saying yes on the ballot initiative.

As we reported in our July 2014 issue, cities are also getting into the act on raising the minimum wage. (See "Phoenix unlikely to race other cities to hike minimum wage" on pg. 3.) In Oakland, California, 80% of voters approved raising the minimum wage to \$12.25 per hour, effective March 2, 2015. Across the bay in San Francisco, 76% of voters approved a stepped increase that will raise the city's minimum wage to \$15 per hour in 2018.

Minimum wage employees of federal contractors and subcontractors will get a raise to \$10.10 per hour on January 1, 2015, thanks to an Executive Order issued by President Barack Obama in March 2014. The U.S. Department of Labor (DOL) conducted a rulemaking process to implement the increase for federal contractors. The rule became final on October 7, 2014.

Bottom line

Although less than 1% of Arizona workers earn minimum wage, all Arizona employers must post the new mandatory minimum wage poster before the new year begins. The poster is available on the ICA's website (www.ica.state.az.us).

Arizona employers that claim tip credits for employees who customarily and regularly receive tips must pay at least \$5.05 per hour because the permitted \$3 per hour tip credit is tied directly to the minimum wage. If you claim tip credits, you must allow employees to receive tips free of your control. Remember that the Arizona statute states that permissible categories of tipped employees include wait staff, bell staff, bus staff, bartenders, carwash attendants, hairdressers, barbers, and valets.

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