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Minimum-wage hike's effects in Arizona seen as minimal

Critics predicted losses, layoffs from an increase

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The immediate effect of a minimum-wage law that Arizona voters approved a year ago appears to be minimal.

Before the measure won approval, opponents had predicted that boosting pay for the state's least-expensive workers from \$5.15 an hour to \$6.75 would cost businesses tens of millions, and thousands of workers would be laid off.

Estimates by the U.S. Bureau of Labor Statistics show the state's leisure and hospitality industry, which figured to be hardest hit, added 12,000 jobs statewide in the first nine months of the year. That is in line with annual job growth for those businesses in recent years, the numbers show.

By contrast, all Arizona businesses have added about 54,000 non-farm jobs through September, the labor agency estimates. That's about half the job growth in the past two years, records show. And this year, statewide corporate income-tax receipts and sales-tax revenue in Maricopa County have fallen short of expectations.

With relatively few workers earning minimum wage — some estimated only about 120,000 — many economists expect other matters, such as the housing slump, the credit crunch and soaring oil prices, will ultimately affect the state's economy more.

"My expectation was the minimum wage would have very little effect on the economy," said Marshall Vest, director of the Economic and Business Research Center at the University of Arizona.

Even so, some business owners say the new wage has hurt them.

"Our overall payroll is about 15 percent higher in 2007 than it was a year ago," said Charlie Harmon, who owns 51 Arby's restaurants. "It's affected me personally in the pocketbook."

Although only about 15 percent of his employees are paid minimum wage, Harmon said, the changing wage scale forced him to give almost all his workers raises.

While the federal minimum wage sat untouched at \$5.15 an hour for nearly a decade, many states responded in recent years by mandating higher rates.

While Arizona employers say few businesses actually paid the old federal minimum wage, they agree the new state wage is higher than workers received in the past.

A key provision of the minimum-wage law will further test Arizona employers soon.

Starting in January, the minimum wage climbs to \$6.90 an hour because of a rise in the federal Consumer Price Index, a rough measure of inflation. It is the first adjustment, known as indexing, that will occur annually under the plan voters approved.

Steve Chucuri, president of the Arizona Restaurant and Hospitality Association, said the continuing rise in labor costs will hurt businesses in the long run. Even before it passed, the hospitality industry was among the most vocal critics of the state's minimum wage, saying it will trim profits and eventually lead to cutbacks.

Vest worries indexing can create other problems.

"You lock in inflation. Indexing is never a good idea," said Vest, who prefers letting market forces guide wages.

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