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Companies prepare for wage law

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The American Indian College of the Assemblies of God will feel a sting when Arizona's new minimum-wage law takes effect Monday.

The jump from \$5.15 to \$6.75 per hour will cost the Phoenix-based bible college about \$16,000 more annually to pay the 35 students enrolled in its work-study program.

"That was not budgeted for this second semester," said the school's president, the Rev. Jim Comer, who plans to ask congregations for the funds to make up the difference.

Businesses across Arizona, especially ones operating on thin margins, spent December calling their accountants and lawyers and revising their budgets to determine how they will meet the new law's requirements and how much it will hit their bottom lines.

Employers are particularly stumped about "what to do with the people that maybe had just been at the \$6.75 level, those people who have worked their way up to \$6.75 per hour," said Jo Adams, director of human resources for Desert de Oro Foods Inc. in Kingman. "We're trying to figure out what would be best for all involved."

Adjusting other wages

Desert de Oro, which owns 53 Taco Bell restaurants mostly in metropolitan Phoenix, is trying to be as fair as possible when examining wage structures, Adams said. Its payroll budgets could increase by six figures annually.

"We have spreadsheets galore, and we're running all sorts of 'what if' scenarios," she said.

Comer of the bible college is also trying to determine adequate salary increases for other employees.

"Many of our staff members work at a ridiculously low wage, and it's not right that students get bumped up within 25 or 30 cents of their salaries," he said.

Advocates of the new law maintain it will help Arizona create a "living wage" for

some of the poorest workers.

The Economic Policy Institute in Washington estimates that 145,000 Arizonans will receive a pay raise. That is how many make \$5.15 to \$6.74 per hour.

Opponents maintain the tight labor market generally dictates that companies pay Arizona workers more than \$6.75 per hour to keep them.

In addition, the law's automatic adjustment for inflation every year could push employers to cut jobs in order to raise wages. That could financially ruin some businesses.

It has certainly been a splash of cold water.

Monica Stern, a certified public accountant in Phoenix whose clients are non-profit groups and small businesses, said her one restaurant client will see an annual payroll increase of \$40,000 to \$45,000 due to the jump in pay for tipped employees.

Under the new law, tipped employees must make at least \$6.75 per hour, but that can come from a combination of tips and fixed wages. A majority of those workers will be paid a base wage of \$3.75 per hour, plus tips.

The restaurant determined its menu prices would need to be increased 4.5 to 5 percent.

"Not a lot of businesses pay minimum wage, so certain industries are going to be hit harder," she said. "And one is (a business) with tipped employees."

Rick Hall, a Subway franchisee and chairman of the local Subway advertising board of trustees, said the chain is very "sensitive to the reality that the new minimum-wage increase will affect customers as well, almost assuredly making it pricier to eat out and shop at many establishments."

Administrative costs

There are more than just payroll concerns under the new law. Administrative tasks require companies to post the rules in the workplace and keep records of hours worked and wages paid to all employees for a period of four years.

Officials who are charged with enforcement must be allowed to inspect and copy payroll and "other business records" and interview employees if a complaint is filed.

The Industrial Commission of Arizona, the agency charged with enforcing the law, has written emergency rules in order to implement the initiative, which must be approved by the Attorney General's Office.

The temporary rules are in effect for six months and can be renewed for an additional six months while the process to create permanent rules goes forward, said commission director Larry Etchechury.

The public, especially employers, will have a chance to comment before the rules are set. The commission also has been meeting with various business groups such as the Arizona Restaurant & Hospitality Association and the National Federation of Independent Business in Arizona.

Etchechury said the agency also is selecting personnel to lead training seminars starting in January and is writing a manual to train employees on inspections.

Arizona is in largely uncharted waters because it was operating under the federal government's minimum-wage guidelines, which set pay at \$5.15 per hour.

The Fair Labor Standards Act, which governs the policies and procedures under the federal law, is more clearly defined, especially in carving out many exceptions for some employers, said David Barton, a partner in the Phoenix office of Quarles & Brady, one of the state's top labor law firms.

The firm has started holding seminars on the new law for its clients and is providing e-mail updates.

"For years, employers in Arizona have been dealing with this federal legislation that we have some familiarity and comfort with," he said. "Now we've got a new statute that we don't have any judicial interpretation of, we don't have the exceptions in it that apply to the Fair Labor Standards Act, so employers are scrambling."

The Federal law, for example, carved out exemptions for employers who pay disabled workers less than the minimum wage. Called a "commensurate wage," the lower scale reflected the workers reduced ability.

However, Proposition 202 does not allow this exemption. Job transition centers cannot afford to pay the new \$6.75 wage and may have to let hundreds of disabled workers go.

But on Tuesday, the director of the state Industrial Commission advised employers of developmentally disabled workers to stick to their routines.

A new starting wage

How the new law will impact wages in the Valley's already tight labor market is anyone's guess.

"An increase like this doesn't just mean it's a new minimum wage; it's a new starting wage," said Lynette Hall, a director of training for Kahala Corp., a national restaurant franchising company based in Scottsdale. "You might get people to come into your building for \$6.75, but they're still going to ask you what you actually pay as a starting wage. It's so competitive out there, small-business owners, they're obviously going to meet or beat that minimum wage."

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