

LOCAL NEWS

Minimum wage hike makes ripples in Yuma

BY JEFFREY GAUTREAUX, SUN STAFF WRITER

Jan 6, 2007

CONTINUING COVERAGE

Businesses across Yuma will soon be issuing paychecks for the first time that reflect the new statewide minimum wage of \$6.75 per hour.

The increase, which became effective Jan. 1, has meant raises for Yuma's low-wage workers and is expected to cause a gradual increase in prices.

Bobby Brooks, owner of Brownie's Restaurant, 1145 S. 4th Ave., said the minimum wage increases plus taxes, workers' compensation and other costs means operating the restaurant is costing him \$1,000 more every week.

"Right now, I'm all right," he said. "It just makes you a little more selective in your hiring."

Brooks said the minimum wage was simply a starting wage and that he paid many employees much more than that because of their performance.

A few employees at Papa-San Rice Bowl, 2770 S. 4th Ave., received raises because, although they were making over the federal minimum wage, they were not making over the new wage, according to owner Bill Gresser. He said other employees may get increases as well — known as ripple-effect increases.

"In the restaurant business, if someone was getting \$7 an hour, and then the minimum wage goes to \$6.75, then they have to be raised," he said.

Many businesses contacted by The Sun said they were already paying their employees even more than the new minimum wage and didn't need to make adjustments. The Garden Landscaping Co. was paying its employees over minimum, and JSA Company said only six or seven employees out of about 100 made the minimum.

Marc Espinoza, the owner of The Company Landscaping, said he used to start employees at minimum wage but found too many leaving seasonally or to take other jobs for as little as 25 cents more per hour.

"It just doesn't work," he said of paying minimum. "So I raised it up (to \$7 per hour), and it worked. To me, that was a really good deal."

The new minimum wage, passed as a voter initiative in November, will be increased every year to keep up with the cost of living.

According to data for 2005 from the Arizona Department of Economic Security's Research Administration, the average hourly wage in Yuma County was \$13.54. The 10th percentile wage was \$6.12 — below the new minimum wage. The 25th percentile wage was \$7.26.

By comparison, the 2005 data for average hourly wage in the Phoenix-Mesa area was \$17.29.

Gresser is not a fan of setting a minimum wage. He says he pays his employees more than minimum when they start as a way to attract good people, but he says any increases forced by the minimum wage are simply passed on to consumers through higher prices.

"It's going to be a bigger bump," he said of price hikes due to the minimum wage. "It's just simple math. It's not rocket science."

A study by two University of Massachusetts economists for the Center for American Progress expected the price increases to be modest as a result of the new minimum wage. The study found that 13 percent of Arizona's workers would receive mandated or ripple-effect raises.

A longtime criticism of minimum wages is that they can lead to increased unemployment because workers getting paid at minimum are let go. Yuma already has a very high unemployment rate, but it is unclear what will happen now.

Gresser did not let any employees go or even think about it. But, he said, increases in minimum wage may make him think more about hiring additional employees or giving future raises.

Yuma's seasonally adjusted unemployment rate for November 2006 was 15 percent. It was 16.7 percent in November 2005. DES will release its figures for January in the next two months.

Brooks said he wouldn't be letting any of his 40 employees go as a result of the minimum wage increase. He said he had raised only a few prices and that was the result of increasing product costs, not wage hikes.

"I'm all for people making more money," he said. "You just have to take it from one end and put it at the other."

The Center for American Progress study said increased unemployment as a result of the minimum wage was unlikely.

"We find that employment growth in high minimum wage states are roughly on par with — if not somewhat stronger than — states still operating at the \$5.15 federal minimum," the study said.

Jeffrey Gautreaux can be reached at jgautreaux@yumasun.com or 539-6858.

NEW PAY RULES

- New minimum wage: \$6.75 per hour, up from the federal minimum wage of \$5.15 per hour
- New minimum wage for tipped employees, such as waiters and waitresses: No less than \$3.75 per hour in direct wages. Tips must make up the other \$3 per hour or else the employer must make up the difference. The previous tipped minimum wage was \$2.13 per hour.

Source: Industrial Commission of Arizona

© Copyright, YumaSun.com