

Domino Effect of the Arizona Minimum Wage Increase



October 13, 2020

Arizona Minimum Wage

2017 to 2020....

Employers experienced
the “Bulldozer Effect”!

...4 Years of Large
Minimum Wage
Increases



Arizona Minimum Wage

2020....

“COVID-19
Effect”

Blew Up Labor
Budgets



Arizona Minimum Wage

2021 Forward

... “Domino Effect”

Need to plan for
Minimum Wage
increases, and their
effects, each
year.



History of AZ Minimum Wage

- 2006—Voter Initiative Passed
 - Increased Minimum Wage from \$5.15 to \$6.75 on 1/1/2007.
 - Effective 2008, going forward, increases based on Cost of Living, rounded to the nearest \$.05.
- 2016—Voter Initiative Passed, Amending the 2006 Law
 - 4 Years of Mandatory Increases to raise Minimum Wage from \$8.05 to \$12.00 (“Bulldozer Effect”).
 - Cost of Living Increases Remained in the Law for Years after 2020.

Arizona Minimum Wage Historical Increases

Year	AZ Minimum Wage	Increase in \$	Increase %	Federal Min. Wage
2008	\$6.90	\$.15	2.2%	\$6.55
2009	\$7.25	\$.35	5.07%	\$7.25
2010	\$7.25	\$0	0%	\$7.25
2011	\$7.35	\$.10	1.38%	\$7.25
2012	\$7.65	\$.30	4.08%	\$7.25
2013	\$7.80	\$.15	1.96%	\$7.25
2014	\$7.90	\$.10	1.28%	\$7.25
2015	\$8.05	\$.15	1.9%	\$7.25
2016	\$8.05	\$0	0%	\$7.25
2017	\$10.00	\$1.95	24.2%	\$7.25
2018	\$10.50	\$.50	5%	\$7.25
2019	\$11.00	\$.50	4.76%	\$7.25
2020	\$12.00	\$1.00	9%	\$7.25
2021	\$12.15	\$.15	1.25%	\$7.25

Average % Minimum Wage Increase Over 10 Year Period Based on Cost of Living Increases **1.9%**

In September of each year, AZ Industrial Commission announces the increase (if any) for the following year.

Scenario A----- Company with 10 employees that work 25 hours/week

BASIS

\$.15 Wage increase
 .012 FICA 7.65%
 .003 SUI 2%

\$.165

Becomes the wage increase/hr. including taxes etc..

13,000 hours/year (250 hours x 52 weeks)

\$ 2145.00

\$ 40.00

\$ 82.50

\$ 2,267.50

13,000 hours x .165

24 hours x 10 employees = 240 hours sick time

50 hours x 10 employees = 500 hours vacation pay

This is the domino effect impact

SICK TIME CONSIDERATIONS

- 1) 14 employees or less =24 hours
- 2) 15 employees and more=40 hours

Assumption is made that business will provide 2 weeks vacation



Scenario B..... Company with 20 employees that work 30 hours/week

31,200 hours/year (600 hours x 52 weeks)

\$ 5148.00

\$ 132.00

\$ 198.00

\$5,478.00

31,200 hours x .165

40 hours x 20 employees = 800 hours of sick time

60 hours x 20 employees = 1200 hours of vac pay

This is the domino effect impact

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