

AZ minimum wage to increase to \$15.65 in Jan. 2027

PHOENIX -- Workers at the bottom of the pay scale in Arizona are going to get a bump in pay in January.

New figures Friday from the U.S. Bureau of Labor Statistics show that consumer prices rose 0.4% in August. That puts the annual change at 3.4%.

What makes that significant is that a 2006 voter-approved law requires the state minimum wage to increase each year based on those August-over-August figures. That translates out to 51.5 cents on the current \$15.15 minimum.

But the law also spells out that the figure is rounded to the nearest nickel. And that will put the new minimum beginning in January at \$15.65.

It will be even higher than that for workers in two Arizona cities.

Tucson, which has its own minimum wage ordinance, also provides for annual adjustments. So the 3.4% inflation figure computes at 52.53 cents. And, using that same rounding to the nearest nickel, that means 55 cents, putting the new minimum next year at \$16.

In both cases, tipped workers can be paid \$3 an hour less -- assuming their tips bring them up to the legal minimum.

And in Flagstaff, that 3.4% inflation figure takes the current \$18.35 an hour and sets it at \$19 as of January 1. But Flagstaff requires employers to pay the same wage to all workers, including those who can collect tips.

It isn't just those at the very bottom who are affected. Anything that raises the floor also tends to force employers to increase the pay for those who were already making above that.

And Danny Seiden, executive director of the Arizona Chamber of Commerce and Industry, said this annual hike becomes yet another pressure on business.

"Every year, this is just one of several cost increases our employers are absorbing," he said. "And it's simultaneously, along with health insurance premiums."

But there also are pressures on workers -- the people who the 2006 law is designed to help -- as the new inflation report from BLS shows.

Energy costs are up more than 16%, driven largely by gasoline prices up 27.4% since last year. Electric bills are up by 3.8%, with a 3.0% increase in housing costs, 2.7% in groceries, and 2.5% boost in medical care services.

"Our employer aren't debating whether employees should be paid well," Seiden said. And he said that, given the competition to find qualified workers in many communities, most companies already are paying above that.

But it was his organization on the front lines in 2026 in opposing the 2006 initiative crafted by Living United for Change in Arizona that set the state minimum at \$6.75 an hour. Prior to that, employers had to pay only the federal minimum of \$5.15.

The Arizona law also provided for inflation-indexed adjustments, something missing from federal law.

In fact, it takes an act of Congress to boost the federal minimum wage. And it hasn't changed from \$7.25 an hour since July 4, 2009.

But even with built-in inflation in the Arizona law, the wage changes still proved too slow for LUCHA. And in 2016, the community advocacy organization got voters to boost the figure immediately to \$10 an hour, with future increases -- including the new one that will take effect Jan. 1 -- tied to inflation.

There have been several attempts by the Republican-controlled Legislature to curb those increases.

One, for example, involved a 2019 bid to allow employers to pay students who are part-time workers just two-thirds as much as they do everyone else. Travis Grantham, then a Republican state representative from Gilbert, said that would encourage companies to hire more young people and train them.

That measure failed amid legal questions of whether the 1998 Voter Protection Act prevents lawmakers from tinkering with voter-approved laws.

Steve Chucuri, president and CEO of the Arizona Restaurant Association, which also opposed the 2006 and 2016 laws, said there are no new efforts in the works to try to undo the minimum wage.

"We didn't agree with that," he said of the prior initiatives. "But, obviously, now, 20 years later, we have what we have."

Still, Chucuri said, things could be worse: Inflation was so high in 2022 that the minimum wage for 2023 went up by \$1.05 an hour.

"We're managing it," he said.

"We're trying to manage menu prices and what we charge our customers while trying to shoulder as much as we can with increases in wages and food costs and rent," Chucuri said. And other things add up, like how much retailers pay when customers use credit cards.

But he said that his organization won't sit quietly if there's yet another effort to further boost wages here above and beyond the minimum.

That is not out of the question.

In 2024 groups backed by Service Employees International Union floated a plan to put a measure on the ballot bump the minimum wage in Arizona -- then at \$14.35 an hour -- to \$18. That effort was scrapped.

And Alejandra Gomez, executive director of LUCHA, said her organization already is looking at going back to voters one more time and getting a bigger bump -- bigger than the 50 cents already set to go into effect in January.

"Next year's minimum wage increase is an important step," she said in a prepared statement. "But Arizona's affordability crisis makes it clear we cannot stop there."

Gomez said it's also clear if there is to be any change it's going to have to come from voters, as it did in 2006 and 2016.

"That is an important reminder that progress does not happen on its own," she said.

"Arizonans deserve wages that actually match the cost of living," Gomez said.

"As we head into 2027 we are prepared to keep organizing and fighting for the next big step to make that a reality."

In her statement Friday, she did not mention a specific goal. But Gomez has previously set \$20 an hour as a target, something she has called a "living wage."

Asked about that figure last year, Gov. Katie Hobbs said she could not say what would be an appropriate figure.

"I know that Arizonans are struggling," she told Capitol Media Services at the time, saying it is her job to "address that struggle."

But the governor said it is legitimate to have a public discussion of how much people need to be paid.

"I think a living wage is where somebody can afford to keep a safe roof over their heads, that has functioning utilities and water and they can put food on the table to feed their families," she said. "That is different for everyone."

And what about supporting an initiative for a big increase in the minimum.

"I cannot speak to language and a ballot measure I have not seen," she said.

An aide to Hobbs said Friday she had nothing new to add to last year's comments.

One side note to all of this is that the 2006 and 2016 laws adjust the minimum wage based on changes in the national Consumer Price Index.

The Bureau of Labor Statistics also computes similar CPI numbers for certain metropolitan areas, including Phoenix. And it finds that costs here overall are up 2.5% in the past 12 months.

Had that figure been used to compute the wage increase instead of the national number, the 2027 minimum wage would have increased just 40 cents, to \$15.55.