

State legislature moves seemingly unpopular minimum wage bill forward

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Higher minimum wage fears: inflation, loss of jobs

Legislators in Santa Fe continue to march House Bill 31 forward, but it features a hotly contested phased-in minimum wage increase for workers across the state, which has come under fire from some business owners who fear their only choice to deal with the increases, if the bill gets signed into law, will be to lay off employees and pass off costs to customers.

House Bill 31 was introduced by Rep. Miguel P. Garcia, D-Albuquerque, and Rep. Joanne J. Ferrary, D-Las Cruces, as an act relating to labor that would increase the minimum wage across New Mexico in phases.

HB 31 states that an employer shall pay an employee the minimum wage rate of \$10 an hour. This rate would rise after July 2020 to \$11 an hour, and then it would rise again after July 2021 to a minimum of \$12 an hour.

This wage increase accompanies an increase in the cost of living index, as noted within the bill, which would be measured by the percentage increase of the cost of living in August of the current year against the August of the preceding year.

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However, this increase will lead to the removal of the minimum wage exception for tipped employees, such as restaurant servers, and provide for an annual cost-of-living increase in the New Mexico minimum wage rate beginning in 2022.

Gallup-McKinley Chamber of Commerce CEO Bill Lee spoke with the *Sun* Feb. 15 about the impact this bill could have on the state and the county, and why they are fighting against HB 31.

By Feb. 14, HB 31 had passed the state House of Representatives by a vote of 44-26 and was sent to the Senate Public Affairs Committee, where it is awaiting approval as of Feb. 20.

The bill was first introduced on Dec. 18 during the legislature's prefile period.

Lee said that an increase for minimum wage across the state has been debated and brought up in several bills this year, but they have a specific reason for speaking out against HB 31.

"We are not opposed to a wage increase, but we want it to be done responsibly," Lee said.

Lee then spoke about the timeline that would unfold if HB 31 is passed into law.

The bill, if signed by the governor, would go into effect in July, meaning this is when employers would have to implement the pay raise.

However, what may sound good for employees will be bad for the employers, Lee explained.

"This is bad for businesses because they set a budget at the start of the year," he said. "The pay raise could lead to layoffs or reduced hours for employees."

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Lee said he feels implementing a pay raise based on cost of living in uncertain economic times is fiscally irresponsible.

When discussing what businesses will feel the biggest impact from the bill, Lee said restaurant servers would experience the most drastic changes.

A server can make anywhere from \$25-30 an hour, including tips. HB 31 would eradicate the tipped wages of servers.

Lee said restaurants could start adding on a service charge to the customers' tab as opposed to letting them leave a tip for their server.

Servers and businesses are against this change, Lee said, reiterating that this would also lead to fewer jobs and hours for employees.

Lee provided statistics from a survey of the Gallup business community Feb. 14, which asked how they felt about the wage issue. The survey was conducted Jan. 22 to Jan. 29.

Fifty-seven percent of the parties surveyed suggested a minimum wage increase to \$10-12 an hour. 71 percent oppose any automatic increases of minimum wage. 76 percent oppose removing tips from servers' wages. And 62 percent of business owners would either have to freeze hiring or eliminate jobs to adjust to the wage increases.

Marie Chioda, owner and manager of The Rocket Cafe, said that if HB 31 becomes law, it would negatively impact the restaurants and other businesses in town.

"Phasing out tips doesn't work for the employer or the employee," she said in a Feb. 15 phone call. "We can't implement it in just six months [because we set our budget]."

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Chioda said this move is upsetting for employees who rely on tips, adding their hourly earnings could go from over \$20 to just around \$10-12.

“They’re never going to make it,” Chioda said.

Chioda said a drastic change in wages for employees would lead to a rise in service prices in restaurants and could even alter owners’ business models across Gallup.

“You could go from paying around \$10 for a burger to around \$15,” she said, as an example.

Letting workers go means that those who remain will have to work harder for ultimately lower pay, Chioda said.

“This is going to affect everybody,” she said. “[The state] has to be more reasonable with this.”

A BETTER BILL?

Lee said that there is an opportunity for the state to make a wiser choice regarding a state-mandated minimum wage increase, which comes in the form of Senate Bill 437, which was introduced in the legislature session by Sen. Clemente Sanchez, D-Grants.

The bill was sent to the Senate Public Affairs Committee on Jan. 31, but no action has been taken on it as of Feb. 20.

SB 437 also relates to labor, and discusses an increase for minimum wage, but this increase would be implemented at a different rate, Lee said.

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Under SB 437, the minimum wage across the state would rise to \$9.50 an hour by April 2020, and then up to \$10 an hour by the end of 2020.

Lee said that SB 437 provides a better timeline of pay raises with an increase not tied to the cost of living, and it allows servers to keep their tips.

In addition, SB 437 would create a training wage for student workers, which could bolster their chances of getting into the workforce while earning around \$8.50 an hour.

The minimum wage in New Mexico, as of Feb. 2019, is \$7.50. The increase from SB 437 would be around \$2.50, which Lee said is a more sensible approach.

“The legislature has to look at cost of living in New Mexico, not just the national average,” Lee said. “This all sounds good until you look at the economics.”

Lee estimated that a business with a number of minimum wage employees would have to eliminate around six positions to accommodate the wage increase, and that number would then be multiplied by the number of businesses across Gallup.

“At \$10 an hour, we can still make businesses work and run,” he said. “This will let employers keep their employees. Higher wages means prices have to go up, and there is a place where it will break down.”

The New Mexico Senate Public Affairs Committee is holding a hearing on HB 31 and SB 437 at the New Mexico State Capitol at 2 pm Feb. 23.

GALLUP-MCKINLEY Chamber of Commerce Membership Survey

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57.1% suggest a \$10.00-\$12.00 minimum wage increase

(33.3% @ \$10.00 and 23.8% @ \$12.00)

71.4% Oppose any automatic increase

76.1% Oppose removing exemption for tipped employees

61.8% Would either freeze hiring or eliminate jobs to adjust to wage increases.

(19% would freeze hiring – 42.8% would be forced to make tough decisions and eliminate jobs)

10.3% of Chamber members participated in poll in January. Over 10% means a confidence level that typically represents 90-95% of the surveyed group. – Bill Lee

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