

AN ACT TO INCREASE THE ARKANSAS MINIMUM WAGE

ISSUE NUMBER 5

(Proposed by Petition of the People – 2014)

POPULAR NAME: An Act to Increase the Arkansas Minimum Wage

BALLOT TITLE: An act to amend the Arkansas Code concerning the state minimum wage; the act would raise the current state minimum wage from six dollars and twenty-five cents (\$6.25) per hour to seven dollars and fifty cents (\$7.50) per hour on January 1, 2015, to eight dollars (\$8.00) per hour on January 1, 2016, and to eight dollars and fifty cents (\$8.50) per hour on January 1, 2017.

What is being proposed?

This initiated act would increase the state minimum wage from \$6.25 to \$7.50 per hour on Jan. 1, 2015, then to \$8.00 per hour on Jan. 1, 2016 and finally to \$8.50 on Jan. 1, 2017.

Why is this issue on the ballot?

The sponsors of Issue 5 state that they believe everyone who works hard and follows the rules deserves a fair wage. The sponsors were unable to obtain Arkansas legislative support for a bill that would increase the state minimum wage. This prompted the group to sponsor a petition to take the issue to the voting public.

How did this issue make it to the ballot?

This proposed act is the result of a citizens' initiative campaign, which was required to submit at least 62,507 signatures to qualify for placement on the ballot. The number of required signatures is determined by state law, which requires signatures from at least 8 percent of the number of people who voted in the last governor's election to place an act on the ballot.

What is the current state of Arkansas minimum wage, and how does it compare with the federal minimum wage?

The current state minimum wage is \$6.25 per hour, which is below the federal minimum wage of \$7.25 per hour.

If voters pass Issue 5, how would the new state minimum wage rate affect businesses?

The answer depends on a number of factors discussed below.

Businesses subject to the federal minimum wage

Businesses that have revenues of at least \$500,000 or are engaged in interstate commerce must pay at least the federal minimum wage of \$7.25 per hour. Interstate commerce is any commercial trade or movement of goods or services across state lines.

If the state minimum wage is higher than the federal minimum, then the state law applies.

Therefore, if voters approve Issue 5, businesses that are subject to the federal minimum wage would be required to pay their employees at least the state minimum wage of \$7.50 beginning Jan. 1, 2015; \$8.00 beginning Jan. 1, 2016; and \$8.50 beginning Jan. 1, 2017.

Businesses not subject to federal minimum wage

In Arkansas, the state minimum wage law applies to those businesses with four or more employees but are not subject to the federal minimum wage. However, there are exceptions for some occupations and industries. For example, some agricultural activities and newspapers with a small circulation are exempt from minimum wage rate requirements. Also, any occupation in which gratuities are customary, allowances are made for gratuities to be part of the hourly minimum wage rate.

Therefore, the state minimum wage currently applies to those businesses that have less than \$500,000 in annual revenue, are not engaged in interstate commerce and have four or more employees. If voters approve Issue 5, these businesses would also be required to pay their employees at least the minimum wage of \$7.50 beginning Jan. 1, 2015; \$8.00 beginning Jan. 1, 2016; and \$8.50 beginning Jan. 1, 2017.

If voters approve Issue 5, how would the new state minimum wage rate affect workers?

The U.S. Department of Labor estimated that approximately 14,000 workers in Arkansas received wages below the federal minimum wage of \$7.25 an hour in 2013, while another 30,000 people received the federal minimum wage. If voters approve Issue 5, Arkansas' minimum wage rate would increase to \$7.50 per hour in January 2015, which suggests that more than 44,000 Arkansas workers would be affected, and many would likely benefit from a wage increase in the first year.

Raising the minimum wage to \$8.50 per hour in January 2017 would affect even more employees. According to a study by Arkansas Advocates for Children and Families, an estimated 130,798 workers would be directly affected by the proposed state minimum wage increase. Regardless of the exact number of employees affected, a considerable number of employees would see their wage rate rise from the proposed increase in the minimum wage.

If Issue 5 passes, the state minimum wage will apply to employees who are not working in the exempted industries and occupations and currently earning less than the proposed minimum wage, which will be \$7.50 beginning Jan. 1, 2015. This includes those currently earning the federal minimum wage of \$7.25.

How does the current state minimum wage compare with historical levels?

The first Arkansas minimum wage of \$1 per hour took effect on Jan. 1, 1969. The rationale for this policy as stated in A.C.A. § 11-4-202 (2014) is: "It is declared to be the public policy of the State of Arkansas to establish minimum wages for workers in order to safeguard their health, efficiency, and general well-being and to protect them as well as their employers from the effects of serious and unfair competition resulting from wage levels detrimental to their health, efficiency, and well-being."

The Arkansas minimum wage has been increased 22 times since the initial minimum wage of \$1 per hour in 1969. The current minimum wage of \$6.25 took effect Oct. 1, 2006. The state raises the minimum wage from time to time because, due to inflation, \$1 today cannot buy the same goods and services as in years past. It would take approximately \$7.28 today to buy the goods and services that \$6.25 purchased in 2006. It would take about \$9.42 today to purchase the same goods and services that the minimum wage (\$2.70) in 1978 purchased. (See Figure 1 on page 3.)

How does the current federal minimum wage compare with historical levels?

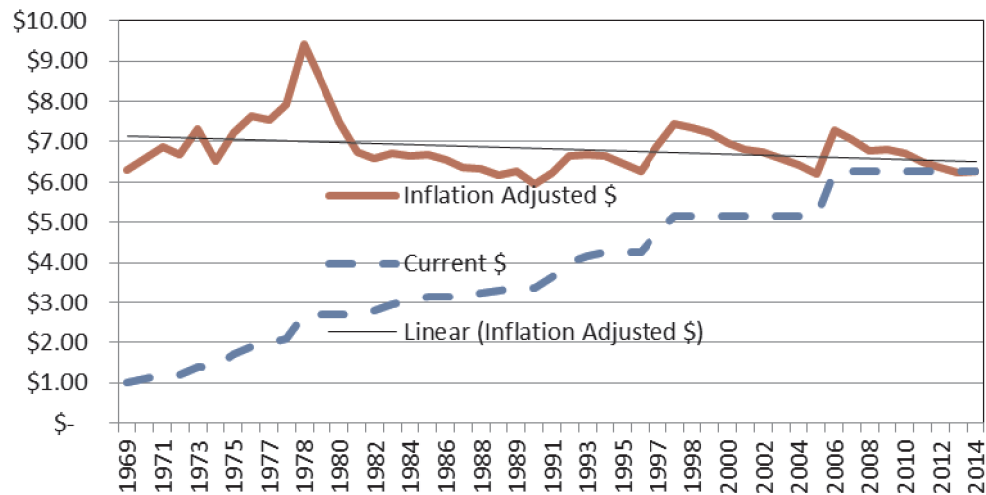
Because most Arkansas workers are required to be paid at least the federal minimum wage, it is useful to look at how the purchasing power of the federal minimum wage has changed over time. Purchasing power is the amount of goods and services that can be purchased from a unit of currency. For example, \$2.50 may have purchased one gallon of milk in 1995, but today \$2.50 may only purchase 7/10 of a gallon of milk. The first federal minimum wage was \$0.25 per hour, which was part of the Fair Labor Standards Act of 1938. The 1938 Act was applicable generally to employees engaged in interstate commerce, primarily in the production of goods for interstate commerce.

Today the federal minimum wage is \$7.25 per hour, which went into effect in 2009. The minimum wage has not kept up with inflation since 1968.

(See Figure 2.) The purchasing power of the federal minimum wage declined steadily from 1968 to 1989 and then remained relatively flat or average, with some yearly fluctuations. The purchasing power of the federal minimum wage has declined by approximately

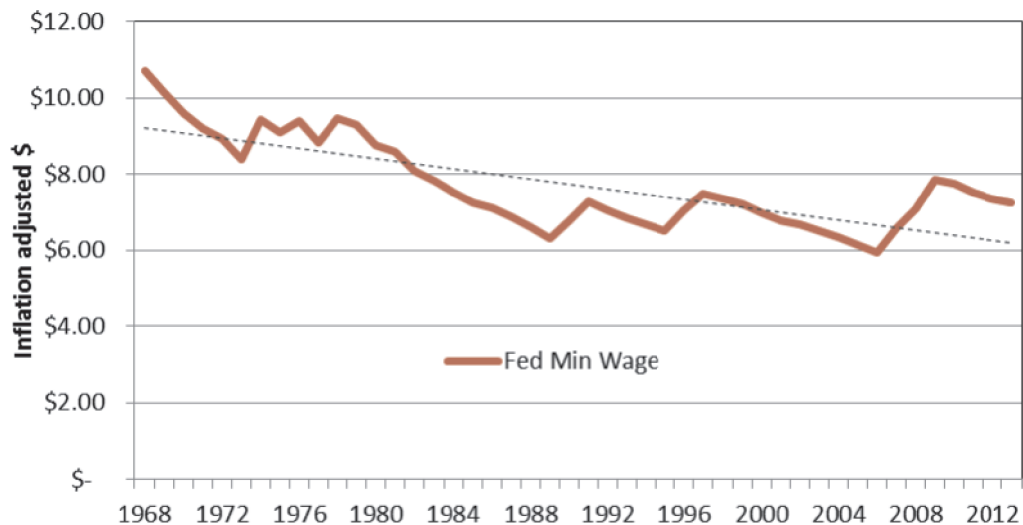
one-third (32%) since its peak in 1968. It would take a minimum wage of approximately \$10.70 today to be able to purchase the same goods and services as could be purchased by the minimum wage in 1968.

Figure 1. Arkansas Minimum Wage in Current and Inflation-Adjusted Dollars



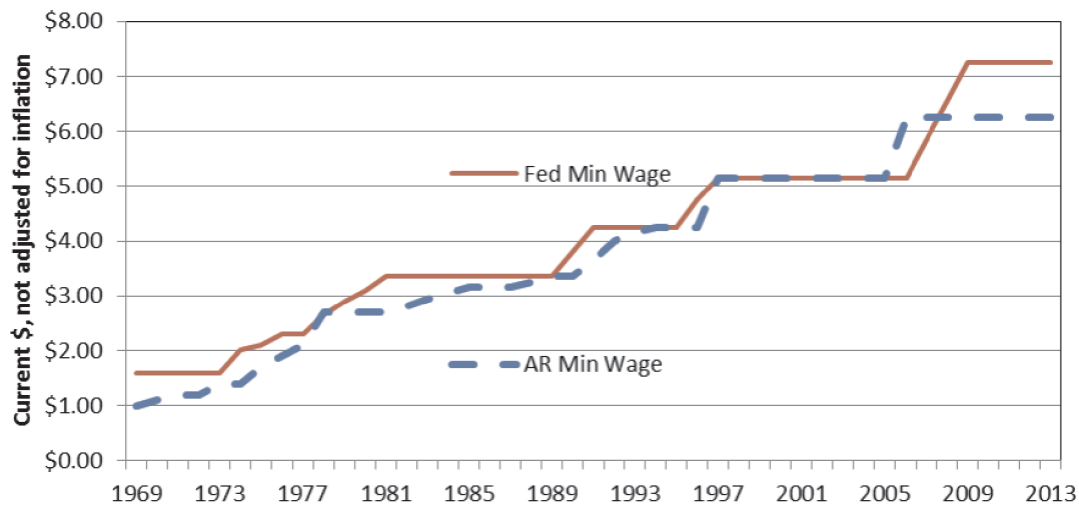
Source: Computed from data provided by the Arkansas Department of Labor and the Price Index U Series from the U.S. Bureau of Labor Statistics.

Figure 2. Federal Minimum Wage Purchasing Power, 1968 to 2014



Source: U.S. Department of Labor figures adjusted for inflation using the CPI-U-RS from the Bureau of Labor Statistics.

Figure 3. Federal and Arkansas Minimum Wage, 1969 to 2014



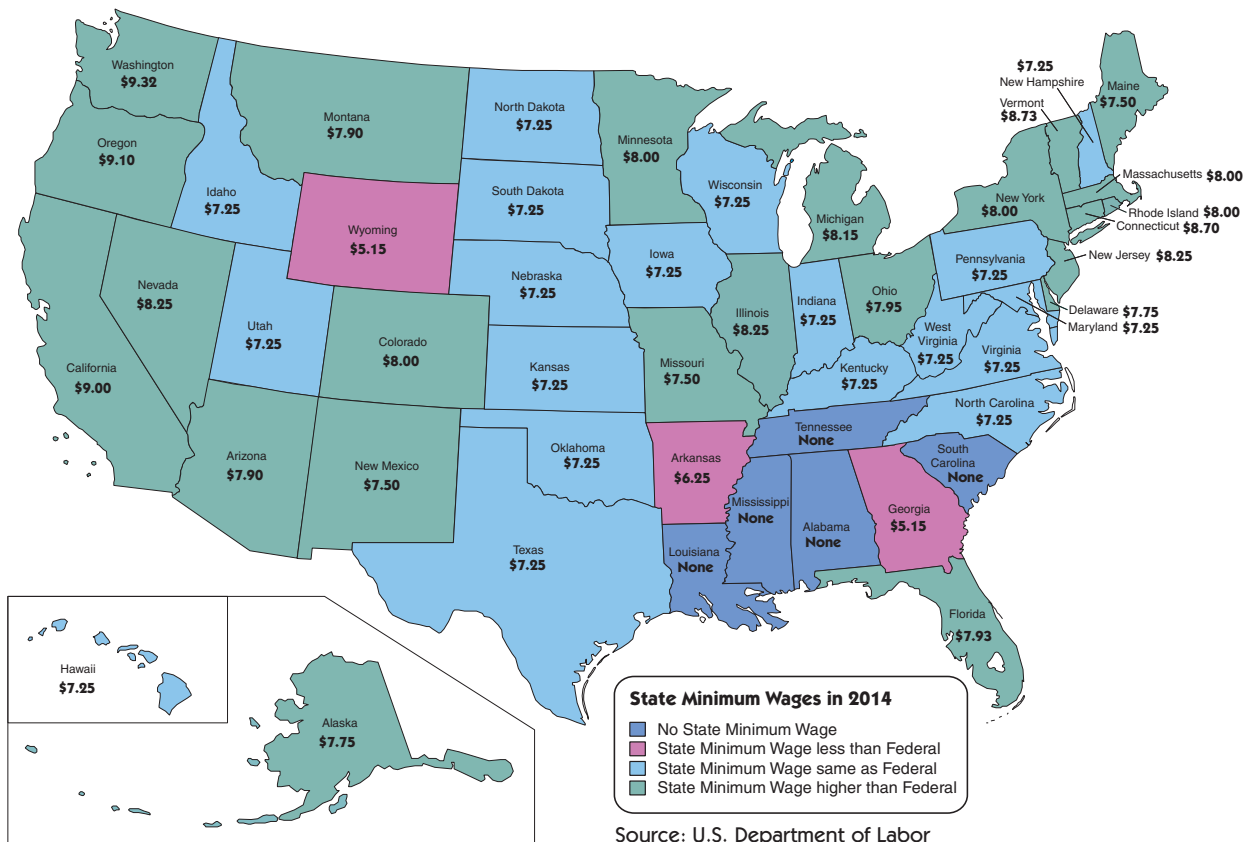
Source: U.S. Department of Labor and Arkansas Department of Labor adjusted for inflation using the CPI-U-RS from the Bureau of Labor Statistics.

How does Arkansas' minimum wage compare with the federal minimum wage?

The state minimum wage has somewhat followed the federal level. Between 1984 and 2008, the state minimum wage was 90% or higher of the federal level. Since 2008 the state minimum wage has been approximately 86% of the federal minimum wage. (See Figure 3.)

What is the minimum wage in other states, and how has it changed over time?

Arkansas is one of three states where the state minimum wage is lower than the federal minimum wage. Another five states do not have a state minimum wage requirement. There are 18 states that have the same minimum wage as the federal level and 24 states



Source: U.S. Department of Labor

plus the District of Columbia with higher minimum wage requirements than the federal level.

Thirteen states with state minimum wage requirements at or above the federal minimum wage have passed legislation to increase their minimum wage requirements once or more in the next 2.5 years.

How does increasing the minimum wage affect employment and the economy?

There have been many studies and there are many viewpoints about the effect of increasing the minimum wage on overall employment and the economy. While supporters and opponents use different studies to support their positions, there is a growing consensus among economists regarding the issue. From a review of past academic studies on the topic and new developments in the study of the effect of increases in the minimum wage on employment, seven Nobel Prize winners and more than 600 other economists state that the bulk of evidence shows that raising the minimum wage does not necessarily mean lower employment. The economists also point out that a wage increase could have a small stimulative effect on the economy as low-wage workers spend their additional earnings, raising demand and job growth.

The following statements are what supporters and opponents have made public either in media statements, campaign literature, on websites or in interviews with Public Policy Center staff. The University of Arkansas System Division of Agriculture does not endorse or validate these statements.

What do supporters say?

- Working Arkansans deserve a living wage to support their families.
- Raising the minimum wage would benefit businesses by lowering employee turnover and improving productivity.
- Raising the minimum wage would bring families out of poverty.

What do opponents say?

- Increasing the minimum wage will result in fewer jobs.
- Businesses would have two choices, either raising prices or laying off workers.

- Raising the minimum wage will hurt the hospitality industry and first-time employees.

If voters approve Issue 5, when would the legislation take effect?

If approved, the Arkansas state minimum wage would increase to \$7.50 on Jan. 1, 2015, to \$8.00 on Jan. 1, 2016, and to \$8.50 on Jan. 1, 2017.

What does a "FOR" vote mean?

A **FOR** vote means you are in favor of increasing the Arkansas state minimum wage from \$6.25 to \$7.50 on Jan. 1, 2015, to \$8.00 on Jan. 1, 2016, and to \$8.50 on Jan. 1, 2017.

What does an "AGAINST" vote mean?

An **AGAINST** vote means you are not in favor of increasing the Arkansas state minimum wage. It would remain at the current level of \$6.25 per hour.

Where can I find more information?

For additional information, please visit the University of Arkansas System Division of Agriculture's Public Policy Center website at www.uaex.edu/ppc or contact your county Cooperative Extension Service office.

Voter registration information and election information can be obtained through the Arkansas Secretary of State's office by calling 501-682-1010 or visiting www.sos.arkansas.gov.

Exercising your voting privilege.

We live in a democratic society where voting is a privilege of citizenship. Democracy works best when informed citizens exercise their voting privilege. Please vote.

The deadline to register to vote in the general election is Oct. 6, 2014.

Early voting begins Oct. 20, 2014. Election day is Nov. 4, 2014.

Absentee ballots can be requested from county clerk offices beginning Sept. 19, 2014.

The following is the proposed constitutional amendment as it will appear on the state's November general election ballot.

ACT PROPOSED BY PETITION OF THE PEOPLE

**Issue No. 5
(Popular Name)**

AN ACT TO INCREASE THE ARKANSAS MINIMUM WAGE

(Ballot Title)

AN ACT TO AMEND THE ARKANSAS CODE CONCERNING THE STATE MINIMUM WAGE; THE ACT WOULD RAISE THE CURRENT STATE

MINIMUM WAGE FROM SIX DOLLARS AND TWENTY-FIVE CENTS (\$6.25) PER HOUR TO SEVEN DOLLARS AND FIFTY CENTS (\$7.50) PER HOUR ON JANUARY 1, 2015, TO EIGHT DOLLARS (\$8.00) PER HOUR ON JANUARY 1, 2016, AND TO EIGHT DOLLARS AND FIFTY CENTS (\$8.50) PER HOUR ON JANUARY 1, 2017

☐

FOR

☐

AGAINST

The Public Policy Center is evaluating its ballot education program and invites you to participate in the evaluation by completing a survey available at https://uaex.co1.qualtrics.com/SE/?SID=SV_3vAqtmkFseCCLPL. This link is case sensitive, so please enter the weblink as it appears. Your participation is voluntary and anonymous. You will not be asked how you intend to vote. If you have any questions about this survey, please contact Kristin Higgins at 501-671-2160.

The University of Arkansas Division of Agriculture gives permission for individuals or organizations to copy and/or reproduce this fact sheet. The University of Arkansas Division of Agriculture is to be appropriately cited as the source, and the user will refrain from altering the content in any way that might be construed to suggest that the Extension Service is a supporter or opponent of the issue.

Printed by University of Arkansas Cooperative Extension Service Printing Services.

The University of Arkansas Division of Agriculture offers its programs to all eligible persons regardless of race, color, sex, gender identity, sexual orientation, national origin, religion, age, disability, marital or veteran status, genetic information, or any other legally protected status, and is an Affirmative Action/Equal Opportunity Employer.