



## ISSUE NUMBER 5 **\*being challenged in court**

(Proposed by Petition of the People)

# Increasing the Arkansas Minimum Wage

**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 eight dollars and fifty cents (\$8.50) per hour to nine dollars and twenty-five cents (\$9.25) per hour on January 1, 2019, to ten dollars (\$10.00) per hour on January 1, 2020, and to eleven dollars (\$11.00) per hour on January 1, 2021.

### What is being proposed?

This initiated act would increase the state minimum wage from \$8.50 to \$9.25 per hour on Jan. 1, 2019, then to \$10 per hour on Jan. 1, 2020, and finally to \$11 per hour on Jan. 1, 2021.

### How did this issue get on the ballot?

Sponsors collected signatures from at least 67,887 Arkansas voters – equal to eight percent of the people who voted for governor in the last election – to put Issue 5 on the statewide General Election ballot.

### Who are the main sponsors of this initiated act?

Arkansans for a Fair Wage has filed Ballot Question Committee paperwork with the Arkansas Ethics Commission to support this measure. Their statement of organization and financial filings are online at the Arkansas Ethics Commission website, [www.arkansasethics.com](http://www.arkansasethics.com).

### When was the last time Arkansas voted on this issue?

A proposal to increase the state's minimum wage was on the statewide ballot in 2014.

Arkansas voters approved the initiated act, or state law, by a vote of 548,789 (66%) to 283,524 (34%). The law increased the state's minimum wage by \$2.25 over three years.

## QUICK LOOK: What does your vote mean?

**FOR:** A FOR vote means you are in favor of increasing the Arkansas state minimum wage from \$8.50 per hour to \$9.25 on January 1, 2019, to \$10 per hour on January 1, 2020, and to \$11 per hour on January 1, 2021.

**AGAINST:** An AGAINST vote means you are not in favor of increasing the Arkansas state minimum wage from \$8.50 per hour to \$9.25 on January 1, 2019, to \$10 per hour on January 1, 2020, and to \$11 per hour on January 21, 2021.

The following statements are examples of 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?

- Raising the minimum wage helps hard working families cover basic needs, and that money goes right back into local communities and Arkansas' economy. It's more customers for small businesses, which means more hiring and more jobs. When working families do well, Arkansas thrives.
- No one working full time should live in poverty. The cost of housing and groceries has been going up for years, but the minimum wage, just \$18,000 for a full-time worker, hasn't kept up. Gradually and responsibly raising the minimum wage will increase the incomes of low-wage workers who frequently rely on government programs, thus increasing their self-reliance and reducing the amount of taxpayer-funded assistance they use.
- Raising the minimum wage pays off in lower employee turnover, reduced hiring and training costs, lower error and accident rates, increased productivity and better customer service.

## What do opponents say?

- The free market should determine wages. Minimum wage laws typically have a negative impact on jobs for low-skilled workers and family businesses.
- Large corporations would take advantage of this and would further cut employee hours and further enhance automation therefore eliminating more jobs and exacerbating an already tenuous labor market in our state. The wage increase would not be paid by the employers but would be passed through in higher prices.
- A new report from the Bureau of Labor Statistics shows that teen unemployment is near a record low. But there's a dark side to this figure: Nearly 11 million teens have stopped looking for work or never started. Higher minimum wages at the state and local level are one factor eliminating workplace opportunities for teenagers and other job seekers with less experience.

Wages increased from \$6.25 per hour to \$7.50 per hour in 2015, then to \$8 per hour in 2016 and finally to \$8.50 per hour in 2017.

The 2014 law was the first time minimum wage was on the state ballot. Arkansas law established a minimum wage of \$1.25 a day for most experienced women workers in 1915, but it wasn't until 1969 that a minimum wage law of \$1 per hour took effect for the entire state. Since then, Arkansas' minimum wage has increased 25 times to the rate now paid today. All but the last three increases were adopted by the state legislature rather than by a citizen initiated law.

## 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 \$8.50 per hour, which is \$1.25 above 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:

If the state minimum wage is higher than the federal minimum wage, then the state law applies. Therefore, if voters approve Issue 5, businesses with four or more employees would be required to pay the proposed hourly wage unless they are already exempt by state law.

### Businesses not subject to federal minimum wage:

In Arkansas, the state minimum wage law applies to business with four or more employees. There are exceptions for some occupations and industries under state law. For example, some agricultural activities and newspapers with a small circulation are exempt from minimum wage rate requirements. Also, allowances are made for gratuities (tips) to be part of the hourly minimum wage rate for occupations in which gratuities are customary.

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

If Issue 5 passes, the state minimum wage will apply to employees who are not working in the exempted industries or occupations and currently earn less than the proposed minimum wage, which would be \$9.25 beginning Jan. 1, 2019.

### 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 minimum wages as established in Arkansas Code 11-4-202 was “to safeguard” workers’ “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 25 times since the initial minimum wage of \$1 per hour in 1969. The current minimum wage of \$8.50 took effect Jan. 1, 2017. States have raised their minimum wage from time to time because, due to inflation, \$1 today cannot buy the same goods and services as in the past.

The thin line in Figure 1 illustrates growth of minimum wage in current dollars (not inflation-adjusted dollars), while the thicker line shows minimum wage in terms of inflation adjusted 2018 dollars. For example, it would take about \$10.36 in 2018 to buy the same goods and services that the minimum wage (\$2.70) in 1978 purchased.

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

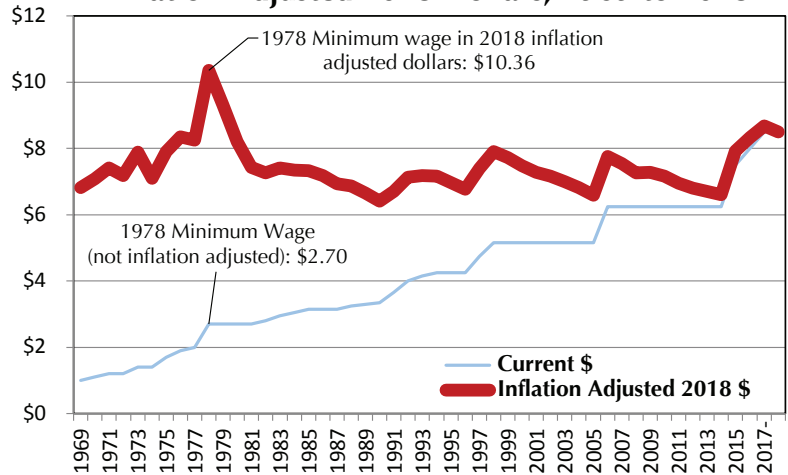
Because most workers are required to be paid at least the federal minimum wage (unless the state minimum wage is higher), it is useful to look at how the purchasing power of the federal minimum wage has changed over time. Purchasing power is the amount of goods and services that can be purchased from 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.

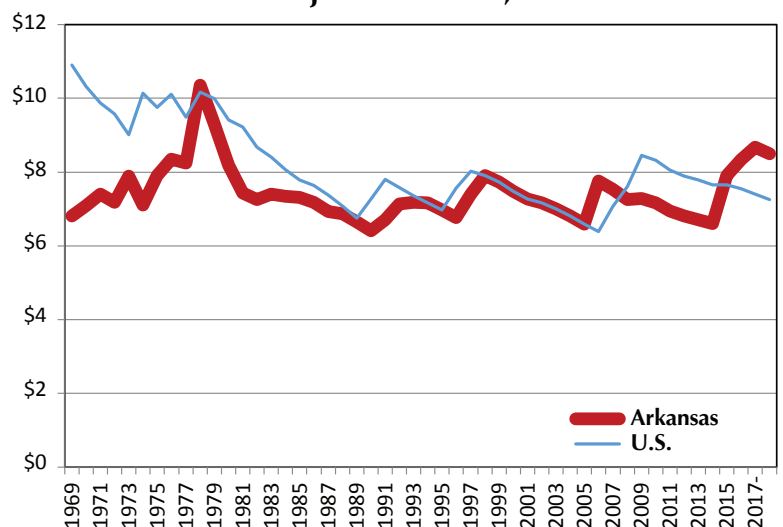
Today the federal minimum wage is \$7.25 per hour, which went into effect in 2009. The federal minimum wage has not kept up with inflation since 1969 (See Figure 2).

**Fig. 1: Arkansas Minimum Wage in Current and Inflation-Adjusted 2018 Dollars, 1969 to 2018**



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. Arkansas and U.S. Minimum Wage in Inflation Adjusted Dollars, 1969 to 2018**

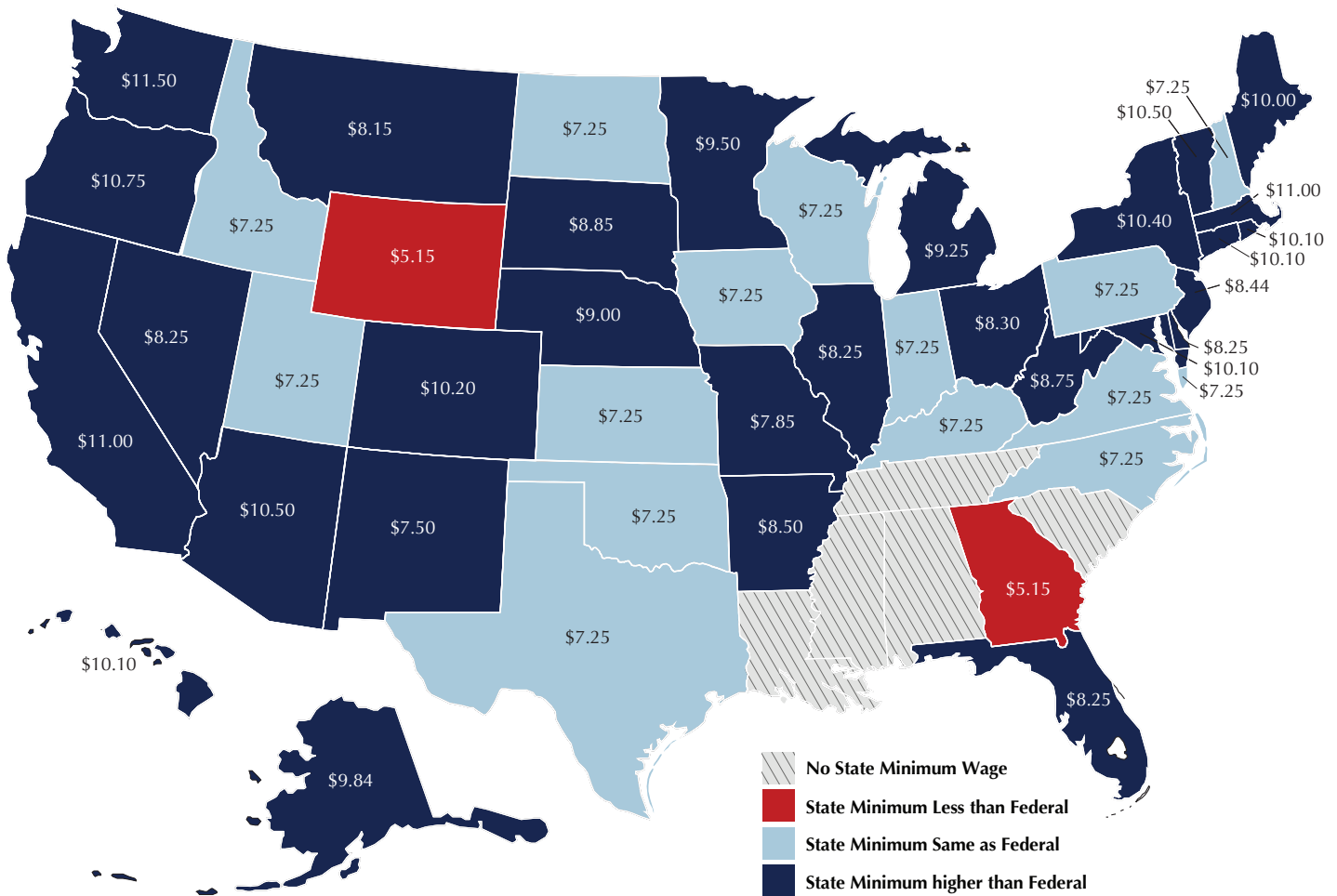


Source: U.S. Department of Labor and Arkansas Department of Labor adjusted for inflation using the CPI-U-RS from the Bureau of Labor Statistics.

The purchasing power of the federal minimum wage declined steadily from 1969 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 (34%) since its peak in 1969. It would take a minimum wage of approximately \$10.90 today to be able to purchase the same goods and services as could be purchased by the minimum wage in 1969.

### How does Arkansas’ minimum wage compare with the federal minimum wage?

The state minimum wage somewhat followed the federal level between 1978 and 2005. Between 1984 and 2008, the state



minimum wage was 90 percent or higher of the federal level. From 2008 to 2014, the state minimum wage was approximately 86 percent of the federal minimum wage.

Arkansas' minimum wage has been higher than the federal minimum wage since 2016, so state minimum wage laws have applied to all nonexempt businesses with four or more employees.

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

The average state minimum wage in 2018 is \$8.66, ranging from \$5.15 in two states to \$13.25 in the District of Columbia.

According to the U.S. Department of Labor, Arkansas is one of 29 states where the state minimum wage is higher than the federal minimum wage. Of these:

- Seventeen states plus the District of Columbia have passed legislation to increase their minimum wage requirements annually based on an index – often using the Consumer Price Index (CPI).
- Sixteen states have minimum wage requirements higher than \$9.25 an hour. Of these, three have minimum

wages at or above \$11 an hour. Eleven states have legislation requiring increases to their minimum wage once or more over the next two years. Five states have set levels that are not required to be adjusted according to their current laws.

- Four states have minimum wage requirements above \$8.50 but less than \$9.25 per hour.
- Eight states have minimum wage requirements below \$8.50 per hour but above federal minimum wage levels.
- Missouri, which has a minimum wage requirement of \$7.85 per hour, has a ballot measure this November seeking to raise the state's minimum wage to \$12 by 2023.

There are 14 states with minimum wages equal to that of the federal level and two states with lower than federal minimum wages.

Surrounding states – Oklahoma, Texas, Louisiana, Mississippi and Tennessee – follow the federal minimum wage rate. Louisiana, Mississippi and Tennessee don't have minimum wage requirements along with South Carolina and Alabama.

## 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.

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 gradually raising the minimum wage does not necessarily mean lower employment (Aaron, H., 2014). 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.

## If passed, when would Issue 5 take effect?

If approved, the Arkansas state minimum wage would increase to \$9.25 on Jan. 1, 2019, to \$10 on Jan. 1, 2020 and to \$11 on Jan. 1, 2021.

## Where can I find more information?

The complete wording of this initiated act can be found at [www.uaex.edu/issue5](http://www.uaex.edu/issue5)

## References

- Aaron, H., et. al. (2014). Letter to Speaker Boehner, Majority Leader Reid, Congressman Cantor, Senator McConnell and Congresswoman Pelosi. Retrieved from [www.epi.org/minimum-wage-statement/](http://www.epi.org/minimum-wage-statement/)
- Belman, D. & Wolfson, P. (2016). 15 Years of Research on U.S. Employment and the Minimum Wage. Tuck School of Business Working Paper No. 2705499. Retrieved from [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2705499](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2705499)
- Doucouliaagos, H. & Stanley, T. (2009). Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis. *British Journal of Industrial Relations*, Vol. 47 no. 2, pp. 406-428.

The following is the proposed act's name and title as they will appear on the state's November General Election ballot.

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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 eight dollars and fifty cents (\$8.50) Per hour to nine dollars and twenty-five cents (\$9.25) per hour on January 1, 2019, to ten dollars (\$10.00) per hour on January 1, 2020, and to eleven dollars (\$11.00) per hour on January 1, 2021

FOR

AGAINST