

# PAYING A LIVING WAGE WILL MAKE ARKANSAS A BETTER PLACE TO LIVE AND WORK

## Investing in Employees Will Benefit All of Us

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### Arkansas's Current Minimum Wage Is Inadequate

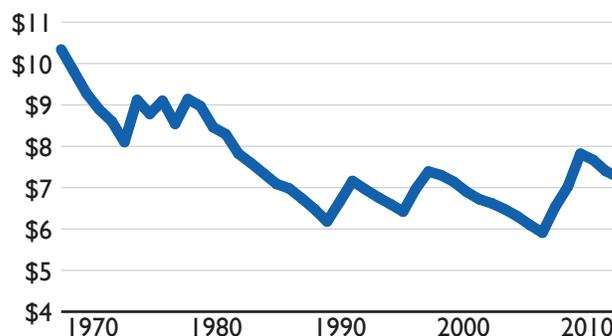
A fair and adequate minimum wage is critical to a strong economic system that both supports the economic well-being of workers and their families and meets the labor needs of businesses. Unfortunately, although there have been periodic increases in the federal minimum wage over the past four decades, the purchasing power of those dollars has dropped steadily since the late 1960s. Rising prices, and the failure to adequately raise the federal minimum over the years, means that the real value of the minimum wage is \$3 less today than it was in 1968.<sup>1</sup> If it had kept up with inflation over the past 40 years, the federal minimum wage would be over \$10 an hour, compared to the minimum wage rate of \$7.25 today.<sup>2</sup>

Many states have increased their own minimum wage laws to at least match the federal minimum wage. The Arkansas minimum wage is only \$6.25 an hour, a dollar less than the federal minimum wage of \$7.25. Arkansas is now one of only nine states that doesn't at least match the federal minimum wage.<sup>3</sup> An inadequate minimum wage has real day-to-day consequences for families. In the U.S. no one working for minimum wage can afford a two bedroom apartment at fair market rent (which is \$663 per month in Arkansas) working just a full 40 hour week. A minimum wage worker would have to work 63 hours a week to afford that rent at Arkansas's current minimum wage.<sup>4</sup>

Because Arkansas minimum wage is less than the federal standard, the federal minimum is enforced for most workers in our state. Arkansas can fix this by enacting a state minimum wage that will help make sure full-time workers can make ends meet. There will be a citizen-initiated act on the November ballot that, if approved by the voters, will increase the Arkansas minimum wage from the

### FAMILIES GETTING LESS AND LESS FOR THEIR DOLLAR

Federal minimum wage decline in purchasing power since 1968



SOURCE: <http://www.dol.gov/minwage/chart1.htm>

current level of \$6.25 to \$8.50 (a total increase of \$2.25) over a span of two years. The minimum wage in Arkansas hasn't seen an increase since 2006 when it went from \$5.15 to \$6.25. A 2013 PEW poll shows that a strong majority of Americans (71 percent) support increasing the national minimum wage to \$9 an hour.<sup>5</sup>

### All Arkansans Would Benefit from a Minimum Wage Increase

The majority of people who would benefit from a minimum wage increase are not teenagers working part time to earn extra spending money in their free time. Eighty five percent of those affected are over 20 years old. In fact, most workers who would see change from this legislation work mid- to full-time jobs and are at least 30 years old. On average these workers are responsible for providing about

## ARKANSAS WORKERS WHO WOULD BE AFFECTED BY A MINIMUM WAGE INCREASE TO \$8.50

Category	Estimated Workforce	Directly Affected	Indirectly Affected	Total Affected	Percentage of Workforce Affected (Directly or Indirectly)
<b>TOTAL</b>	1,143,124	130,798	37,276	168,074	14.7%
<b>Sex</b>					
Female	541,016	75,508	21,957	97,465	8.5%
Male	602,108	55,290	15,319	70,609	6.2%
<b>Age</b>					
20 and over	1,109,025	108,290	33,752	142,043	12.4%
<b>Race</b>					
White	871,564	80,405	26,229	106,634	9.3%
Black	144,885	28,362	7,787	36,149	3.2%
Hispanic	82,053	15,315	1,987	17,303	1.5%
Asian	44,621	6,715	1,273	7,989	0.7%
<b>Work hours</b>					
Part-time (<19 hours)	56,543	22,164	2,626	24,790	2.2%
Mid-time (20-34)	126,298	41,871	9,047	50,918	4.5%
Full-time (35+)	960,283	66,763	25,602	92,365	8.1%
Children with at least one affected parent	743,747	69,454	18,241	87,696	7.7%

Source: EPI Analysis of Current Population Survey, Outgoing Rotation Group public use microdata from 2012Q4 through 2013Q3

**Estimated Workforce** - Total estimated workers is estimated from the CPS respondents who were 16 years old or older, employed, but not self-employed and for whom either a valid hourly wage is reported or one can be imputed from weekly earnings and average weekly hours. Consequently, this estimate represents the identifiable wage-earning workforce and tends to understate the size of the full workforce.

**Directly Affected** - Directly Affected workers will see their wages rise as the new minimum wage rate will exceed their current hourly pay.

**Indirectly Affected** - Indirectly affected workers have a wage rate just above the new minimum wage (between the new minimum wage and the new minimum wage plus the dollar amount of the increase in the previous year's minimum wage). They will receive a raise as employer pay scales are adjusted upward to reflect the new minimum wage.

**Percentage of Workforce Affected** - Total annual amount of increased wages for directly and indirectly affected workers.

half of the income that their families live on. Many are also single parents. Twenty percent of all single parents in Arkansas would benefit from this increase.<sup>6</sup> There are an estimated 87,696 children living in Arkansas who would have at least one parent affected by this change; that's more than one in ten kids who would benefit.

In total, about 15 percent of Arkansans (almost 170,000 employees) are expected to benefit from wage increases as a result of this legislation. They won't be the only ones benefiting, though. Research has shown that increases in wages benefit employers as well as workers without harming job growth. If it sounds too good to be true, please explore our next section on the impact on jobs.

## A Living Wage Increases “Profit-Pumping Essentials”

The change, if any, to employment after mandatory wage increases is so small that it is practically irrelevant.<sup>7</sup> Most research on the effects of increases in minimum wage finds that the change in jobs after a minimum wage increase is either zero or very close to zero. There is a strong consensus, particularly among the most rigorous of these studies that a minimum wage increase will not lead to significant job loss.<sup>8</sup> In their breakthrough study on the effects of minimum wage increases, David Card and Alan Krueger surveyed hundreds of fast food restaurants along the New Jersey-Pennsylvania border before and after New Jersey raised its minimum wage. Their results showed no evidence for loss of employment after the New Jersey wage hike, in fact they saw employment rise in the New Jersey restaurants.<sup>9</sup>

This seems to defy some basic economic principles; if employers are faced with paying more for labor, won't they demand less labor to cover the costs? However, researchers have found that employers are frequently able to absorb the cost difference on their payroll expenses without reducing headcount. This is because most low-wage employees work for large companies who can afford to pay higher wages, and evidence shows they might be even better off if they do.<sup>10</sup> Wage increases save companies money by leading to abrupt decreases in turnover rates which reduces the need for expensive and time consuming training of new employees.<sup>11</sup> Research from the Institute of Industrial Relations also shows that paying a living wage increases profit pumping essentials like work performance, employee morale, and customer service.<sup>12</sup>

## Raising The Minimum Wage is Good for Businesses

Employees who work for the top 50 employers of low wage workers are seeing the value of their paychecks diminish year after year while the vast majority of their employers are profitable and making even more than they did before the recession.<sup>13,14</sup> These top 50 employers dole out an average of \$9.4 million a year to their top executives and on average give \$174.8 billion back to shareholders.<sup>15</sup> What would happen if they gave back to their employees instead? Costco President and CEO Craig Jelinek thinks it's a good idea.

The Costco experience demonstrates that paying a fair wage can be good for the business bottom line. Costco

STATES WHO HAVE MINIMUM WAGES ABOVE THE FEDERAL LEVEL	
State	Minimum Wage
Washington	\$9.32
Oregon	\$9.10
Vermont	\$8.73
Connecticut	\$8.70
DC	\$8.25
Illinois	\$8.25
New Jersey	\$8.25
Nevada	\$8.25
California	\$8.00
Colorado	\$8.00
Massachusetts	\$8.00
New York	\$8.00
Rhode Island	\$8.00
Ohio	\$7.95
Florida	\$7.93
Arizona	\$7.90
Montana	\$7.90
Alaska	\$7.75
Maine	\$7.50
Missouri	\$7.50
New Mexico	\$7.50
Michigan	\$7.40

employees make an average wage of \$20.89 an hour, a wage that towers above other leading retailers in the industry.<sup>16,17</sup> Costco's president and CEO, Craig Jelinek, supports an increase in the minimum wage, arguing to Congress that “We know it's a lot more profitable in the long term to minimize employee turnover and maximize employee productivity, commitment and loyalty.”<sup>18</sup> If the stock price of Costco's stock is any indication, Jelinek should know what he is talking about. From January 2009 – Jan 2014, Costco's stock's price is up 135%.<sup>19</sup> A business model that invests in a living wage for its employees can benefit everyone.

## Notes

<sup>1</sup><http://www.dol.gov/minwage/chart1.htm>

<sup>2</sup><http://www.raisetheminimumwage.com/facts/entry/amount-with-inflation/>

<sup>3</sup><http://www.dol.gov/whd/minwage/america.htm>

<sup>4</sup><http://nlihc.org/oor/2013/AR>

<sup>5</sup><http://www.people-press.org/files/legacy-pdf/02-21-13%20Political%20Release.pdf>

<sup>6</sup>EPI Analysis of Current Population Survey, Outgoing Rotation Group public use microdata from 2012 Q4 through 2013 Q3

<sup>7</sup>Hristos Doucouliagos & T. D. Stanley, 2009. "Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis," *British Journal of Industrial Relations*, London School of Economics, vol. 47(2), pages 406-428, 06.

<sup>8</sup>Hristos Doucouliagos & T. D. Stanley, 2009. "Publication Selection Bias in Minimum-Wage Research? A Meta-Regression Analysis," *British Journal of Industrial Relations*, London School of Economics, vol. 47(2), pages 406-428, 06.

<sup>9</sup><http://emlab.berkeley.edu/~card/papers/njmin-aer.pdf>

<sup>10</sup>[http://nelp.3cdn.net/e555b2e361f8f734f4\\_sim6btdzo.pdf](http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf)

<sup>11</sup>Arindrajit Dube, 2012. "Minimum Wage Shocks, Employment Flows and Labor Market Frictions," Institute of Industrial Relations, UC Berkeley.

<sup>12</sup>Michael Reich, 2003. "Living Wages and Economic Performance," Institute of Industrial Relations, UC Berkeley.

<sup>13</sup>Of the top 50 employers of low wage workers, 92% were profitable in 2011, 75% have revenues above pre-recession levels as of 2012.

<sup>14</sup>[http://nelp.3cdn.net/e555b2e361f8f734f4\\_sim6btdzo.pdf](http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf)

<sup>15</sup>[http://nelp.3cdn.net/e555b2e361f8f734f4\\_sim6btdzo.pdf](http://nelp.3cdn.net/e555b2e361f8f734f4_sim6btdzo.pdf)

<sup>16</sup>The average Costco Employee makes \$20.89 an hour compared to the average Walmart employee who makes \$12.67 an hour

<sup>17</sup><http://www.businessweek.com/articles/2013-06-06/costco-ceo-craig-jelinek-leads-the-cheapest-happiest-company-in-the-world#p1>

<sup>18</sup><http://www.businessforafairminimumwage.org/news/00272/costco-eileen-fisher-and-small-business-owners-nationwide-support-fair-minimum-wage-act-i>

<sup>19</sup><http://finance.yahoo.com/echarts?s=COST#symbol=cost;range=5y;compare=;indicator=volume;charttype=area;crosshair=on;ohlcvvalues=0;logscale=off;source=undefined;>

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