

Voters Boost State and Local Minimum Wage Rates

On November 4, proponents of higher wage rates scored resounding victories as voters in four states and two major cities approved ballot initiatives that will gradually increase their minimum wage floors. Voters in a fifth state sent a non-binding message to legislators supporting a statewide minimum wage hike. Employers will have to adjust their pay structures for a series of increases, and factor them into their overall compliance strategies.

Background

With legislation stalled in Congress, states and cities are taking an increasingly prominent role in raising minimum wage rates. A number of states and cities have approved increases, including two of the nation's largest cities, Seattle and San Francisco. Going into last week's elections, twenty-three states and the District of Columbia already had minimum wages higher than the federal minimum wage of \$7.25, and proposals to hike state and local minimum wages remain a hot issue nationwide. (See our [July 8, 2014](#) *For Your Information*.)



Earlier this year, President Barack Obama issued an executive order that increases the federal minimum wage for certain federal contractors and subcontractors to \$10.10 per hour beginning January 1, 2015. Although legislation has been introduced in Congress that would gradually raise the federal minimum wage to \$10.10 per hour for all employees covered by the Fair Labor Standards Act, lawmakers have failed to advance it. (See our [May 2, 2014](#) *Legislate*.) Sensing strong and growing public support for higher minimum wages from last week's election results, DOL Secretary Tom Perez again [called](#) for an increase in the national minimum wage.

The Latest Minimum Wage Hikes

On November 4, 2014, voters in four states and in two major cities in California overwhelmingly approved ballot initiatives that will gradually increase their minimum wage floors over the next few years. On January 1, 2015, employers in Alaska, Arkansas, Nebraska, and South Dakota — as well as in San Francisco and Oakland — will face the first of the wage increases approved last week. While Illinois voters indicated they would support a wage hike in 2015, it remains for their state legislators to act.

Comment. Nine other states — Arizona, Colorado, Florida, Missouri, Montana, New Jersey, Ohio, Oregon, and Washington — will automatically increase their minimum wages for inflation on January 1, 2015.

Alaska

Alaska voters approved a ballot measure ([Alaska Minimum Wage Increase, Ballot Measure 3](#)) increasing the state's minimum wage from \$7.75 to \$8.75 per hour on January 1, 2015, and to \$9.75 per hour on January 1, 2016. Each year after 2016, the state's minimum wage rate will be automatically adjusted for inflation or will be set at \$1 over the federal minimum wage if Alaska's rate is lower.

Arkansas

Arkansas voters approved a ballot initiative ([Arkansas Minimum Wage Initiative, Issue 5](#)) incrementally increasing the state's current minimum wage, which at \$6.25 per hour is one of the lowest in the nation. The state's minimum wage will increase to \$8.50 per hour in three steps: to \$7.50 per hour on January 1, 2015; \$8.00 per hour on January 1, 2016; and \$8.50 per hour on January 1, 2017.

Illinois

Illinois voters strongly approved a nonbinding referendum ([Minimum Wage Increase Referendum Act](#)) supporting an increase in the state minimum wage from \$8.25 to \$10.00 per hour by January 1, 2015. Given the level of voter approval, legislative action is likely.

Nebraska

Nebraska voters approved a ballot initiative ([Initiative 425](#)) incrementally increasing the state's minimum wage to \$9.00 per hour by January 1, 2016. The wage hike will be phased in, with an increase from the current \$7.25 to \$8.00 per hour on January 1, 2015, and from \$8.00 to \$9.00 per hour on January 1, 2016.

South Dakota

South Dakota voters approved a ballot measure ([South Dakota Increased Minimum Wage, Initiated Measure 18](#)) to raise the hourly minimum wage from \$7.25 to \$8.50 per hour, effective January 1, 2015. The minimum wage will be adjusted annually thereafter for any cost-of-living increase, but it cannot be decreased.

San Francisco

On November 4, 2014, San Francisco voters passed [Proposition J](#), raising the hourly minimum wage from the current \$10.74 to \$15.00 by 2018. San Francisco's minimum wage will increase based on the following schedule:

Effective Date	Minimum Wage Rate
1/1/2015	\$ 11.05
5/1/2015	\$ 12.25
7/1/2016	\$ 13.00
7/1/2017	\$ 14.00
7/1/2018	\$ 15.00
7/1/2019 and each year thereafter	Prior year's minimum wage plus annual adjustments for inflation

With the scheduled increases, San Francisco is poised to join Seattle with the highest minimum wage in the country at \$15 per hour.

Oakland

Oakland voters overwhelmingly approved a ballot initiative ([Measure FF](#)) establishing a citywide minimum wage of \$12.25 per hour, beginning March 2, 2015. The initiative, which passed with 81% of the vote, also requires employers to offer at least five days of sick leave to all employees, with larger businesses required to provide nine days of sick leave. (See our [November 13, 2014 For Your Information](#).)

Employees that Oakland's new law will cover are now subject to the state's lower minimum wage, currently \$9.00 per hour, increasing to \$10.00 in 2016. Oakland's minimum wage rate, which will exceed state and federal minimums when it takes effect, will be indexed to inflation and increase annually on January 1.

Comment. Despite decisive victories in Oakland and San Francisco, advocates of higher minimum wages did not score a clean sweep in California. Bucking the Bay Area trend, 62% of voters in Eureka firmly rejected a ballot initiative ([Eureka Minimum Wage Ordinance Initiative, Measure R](#)) to raise the city's minimum wage to \$12.00 for employers with 25 or more employees.

In Closing

With legislation that would raise the federal minimum wage shelved in Congress, the trend toward state and/or local minimum wage hikes is likely to continue. Because changes in the applicable minimum wage rates can affect overtime eligibility and costs, minimum commission payments, and other obligations, employers will quickly need to take steps to ensure compliance with the many rate changes that will take effect on January 1, 2015. Employers will have to factor scheduled increases into their overall compliance strategies as they closely monitor additional state/local developments.

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