

# After 2014 Minimum Wage Increase, Arkansas' Economy Saw Strong Growth and Record Low Unemployment Rates

*In 2014, Arkansas voters overwhelmingly approved a minimum wage increase to \$8.50 over three years. Despite scaremongering from critics that the state would lose jobs and workers' wages would decline, research and data show that the state fared just as well or better than neighboring states with lower minimum wages in the years following the increase. **From 2014 to 2017, Arkansas' unemployment rate fell faster and average annual earnings rose more rapidly than in five out of six neighboring states.** The state's experience remaining economically competitive with its neighbors after minimum wage increases confirms 25 years of sophisticated research that overwhelmingly concludes that minimum wage increases do not harm employment. This November, Arkansas voters will again choose whether to raise the minimum wage, this time to \$11 by 2021, which would raise incomes for 300,000 workers across the state.*

## After Three Years of Consecutive Minimum Wage Increases from 2014 to 2017, Arkansas Hit Record Low Unemployment Rates

---

- In 2014, Arkansas voters approved gradually raising the minimum wage from the state's minimum of \$6.25 to \$8.50 by January 2017, where the minimum wage currently remains.<sup>1</sup>
- In raising the minimum wage to \$8.50 in 2017, Arkansas achieved the highest minimum wage among its six neighboring states: Louisiana, Mississippi, Missouri, Oklahoma, Tennessee, and Texas.<sup>2</sup> The federal minimum wage of \$7.25 is currently the minimum in all six states with the exception of Missouri, where the minimum wage is \$7.85.<sup>3</sup> See Table 1.
- **From 2014 to 2017, unemployment in the state dropped from 6 to 3.7 percent, for a total year-to-year decline of 38.3 percent.** Only Tennessee experienced a larger decline in unemployment among Arkansas' six neighboring states. Significantly, among the seven states, Arkansas and Tennessee tied for lowest unemployment in 2017. See Table 2.
- In February 2017, the U.S. Department of Labor's Bureau of Labor Statistics announced that Arkansas hit its lowest unemployment rate since the agency started its current state unemployment data series in 1976.<sup>4</sup> **As of September 2018, Arkansas' unemployment rate stands at 3.5 percent—only Missouri has a lower unemployment rate among its neighbors.**<sup>5</sup>

	Federal	Arkansas	Louisiana	Mississippi	Missouri	Oklahoma	Tennessee	Texas
Minimum Wage	\$7.25	\$8.50	No state minimum wage. Federal minimum wage rate applies.	No state minimum wage. Federal minimum wage rate applies.	\$7.85	\$7.25	No state minimum wage. Federal minimum wage rate applies.	\$7.25

Source: National Conference of State Legislatures, State Minimum Wages, <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx> (last visited Oct. 23, 2018).

	Arkansas	Louisiana	Mississippi	Missouri	Oklahoma	Tennessee	Texas
2014	6.0	6.4	7.5	6.1	4.5	6.6	5.1
2017	3.7	5.1	5.1	3.8	4.3	3.7	4.3
Change (in % points)	-2.3%	-1.3%	-2.4%	-2.3%	-0.2%	-2.9%	-0.8%
Year-to-year change	-38.3%	-20.3%	-32.0%	-37.7%	-4.4%	-43.9%	-15.7%

Source: NELP analysis of U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, [Unemployment Rates for States, 2014 Annual Averages](#), and [Unemployment Rates for States, 2017 Annual Averages](#).

## Average Employee Earnings in Retail and Food Services Industries Grew Rapidly Statewide After Minimum Wage Bump

- Before its increase to \$7.50 in 2015, Arkansas’ minimum wage had been stagnant since 2006.<sup>6</sup> The real value of the minimum wage therefore was slowly eroding and, as a result, minimum wage workers’ paychecks were worth less and less.
- Research shows that between 2014 and 2017, average employee earnings grew robustly in Arkansas, and growth was especially strong in service-oriented industries like retail and accommodations and food.
- **Over a three-year average, Arkansas saw the second-highest rate of average annual earnings growth across industries among its neighbors.<sup>7</sup>** In the retail trade, the state had the fastest growth in earnings at 5 percent. In accommodations and food services, growth was even stronger at 8.2 percent. See Tables 3, 4, and 5.
- If voters approve Issue 5 this November, it is likely that workers will experience similar gains. By 2021, each worker directly affected will earn an average of \$1,040 more annually and wages will increase by an estimated average of \$1,520 when taking into account both directly and indirectly affected workers.<sup>8</sup>

	Arkansas	Louisiana	Mississippi	Missouri	Oklahoma	Tennessee	Texas
2014	41,130	47,417	37,797	46,287	45,654	46,939	56,141
2017	42,708	46,811	37,933	47,821	45,171	49,012	56,583
Difference	1,578	-606	136	1,534	-483	2,073	442
% Change	3.8	-1.3	0.4	3.3	-1.1	4.4	0.8

Source: NELP analysis of U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), average annual pay and average weekly wage, for all industries, Retail Trade alone, and Accommodations and Food Services alone, 2014 and 2017. Nominal 2014 figures are adjusted to 2017 values with CPI data from the Congressional Budget Office, *10-Year Economic Projections*, August 2018.

**Table 4. Average Annual Earnings for Retail Trade in Arkansas and Neighboring States**

	Arkansas	Louisiana	Mississippi	Missouri	Oklahoma	Tennessee	Texas
2014 (Nom.)	24,667	26,249	24,136	25,780	26,728	28,606	30,013
(In 2017\$)	25,543	27,181	24,993	26,695	27,677	29,621	31,078
2017	26,815	27,499	25,204	27,810	27,927	30,746	31,594
Difference	1,272	318	211	1,115	250	1,125	516
% Change	5.0	1.2	0.8	4.2	0.9	3.8	1.7

Source: NELP analysis of U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), average annual pay and average weekly wage, for all industries, Retail Trade alone, and Accommodations and Food Services alone, 2014 and 2017. Nominal 2014 figures are adjusted to 2017 values with CPI data from the Congressional Budget Office, *10-Year Economic Projections*, August 2018.

**Table 5. Average Annual Earnings for Accommodations and Food Services in Arkansas and Neighboring States**

	Arkansas	Louisiana	Mississippi	Missouri	Oklahoma	Tennessee	Texas
2014	14,519	18,222	16,804	16,178	15,653	17,280	18,833
2017	15,709	18,619	16,918	17,607	16,046	18,599	19,644
Difference	1,190	397	114	1,429	393	1,319	811
% Change	8.2	2.2	0.7	8.8	2.5	7.6	4.3

Source: NELP analysis of U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), average annual pay and average weekly wage, for all industries, Retail Trade alone, and Accommodations and Food Services alone, 2014 and 2017. Nominal 2014 figures are adjusted to 2017 values with CPI data from the Congressional Budget Office, *10-Year Economic Projections*, August 2018.

## Sales Tax Revenues Grew Robustly Between 2014 and 2017, Showing Increased Consumer Spending and Business Activity

- Sales tax data is one indicator that economists use to describe the state of an economy. By this measure, Arkansas grew robustly between 2014 and 2017, the years during which the minimum wage gradually increased.
- Between 2014 and 2017, sales tax revenues grew by \$171 million (in 2017 dollars), for an increase of 8.3 percent. See Table 6.
- During this time, the sales tax rate did not increase.<sup>9</sup> This suggests that the growth in revenues is attributable to increased consumption and business activity. With more money to spend in their pockets, employees likely used their wage increases to pay for goods and services.
- Gains in worker productivity and reduced turnover also may have helped Arkansas businesses improve their performance. As summarized by *The Wall Street Journal*, “[a] large body of research . . . suggests that raising wages leads to lower employee turnover and better customer service, which generally correlate with higher sales and lower expenses,” and “[s]temming turnover, in particular, can save companies a lot of money.”<sup>10</sup>

**Table 6. Sales Tax Revenue Growth in Arkansas Between 2014 and 2017**

	2014	2017	Increase	Difference
Annual State Sales Tax Revenue	\$2,070,432,314	\$2,242,175,876	+\$171,743,562	+8.3%

Source: NELP analysis of State of Arkansas Department of Finance and Administration, Sales and Use Tax Section, [State Sales Tax Collections](#), September 24, 2018. Nominal 2014 figures are adjusted to 2017 values with CPI data from the Congressional Budget Office, *10-Year Economic Projections*, August 2018.

## **Arkansas' Experience and Extensive Economic Research Show that States Can Increase the Minimum Wage Without Negative Employment Effects**

---

Arkansas' experience confirms the more than 25 years of extensive economic research overwhelmingly concluding that states can increase their minimum wage without reducing employment. Sophisticated recent research and the actual experiences of U.S. states and cities show that increases are manageable for employers and have extensive benefits in increased productivity, lower turnover, and even higher earnings.<sup>11</sup>

### **Conclusion**

---

Raising the minimum wage would lift the incomes of working Arkansans and broadly benefit businesses with increases in consumer spending. As inflation erodes the real value of the minimum wage, workers face more difficulty meeting their basic needs, like rent, food, and clothing. This is why raising the minimum wage is vitally important for workers. Raising the minimum wage can also bring cost savings and growth for businesses through reduced employee turnover, increased productivity, and improved customer service. As Arkansas' experience with the wage increases adopted in 2014 shows, workers, small businesses, and the broader Arkansas community and economy have much to gain from the gradual wage increase proposed in Issue 5.

## Endnotes

---

- <sup>1</sup> Arkansas Secretary of State, November 4, 2014 Arkansas General Election and Nonpartisan Runoff Election Official Results, <http://results.enr.clarityelections.com/AR/53237/149792/Web01/en/summary.html> (last viewed Oct. 24, 2018). Arkansas Department of Labor, Minimum Wage and Overtime, <https://www.labor.arkansas.gov/minimum-wage-and-overtime> (last viewed Oct. 24, 2018).
- <sup>2</sup> NELP analysis of U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, *Unemployment Rates for States, 2014 Annual Averages*, and *Unemployment Rates for States, 2017 Annual Averages*.
- <sup>3</sup> National Conference of State Legislatures, State Minimum Wages, <http://www.ncsl.org/research/labor-and-employment/state-minimum-wage-chart.aspx> (last visited Oct. 23, 2018).
- <sup>4</sup> U.S. Bureau of Labor Statistics, Unemployment rates in Arkansas and Oregon at record lows in February 2017, [https://www.bls.gov/opub/ted/2017/unemployment-rates-in-arkansas-and-oregon-at-record-lows-in-february-2017.htm?view\\_full](https://www.bls.gov/opub/ted/2017/unemployment-rates-in-arkansas-and-oregon-at-record-lows-in-february-2017.htm?view_full) (last visited Oct. 23, 2018).
- <sup>5</sup> U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics, <https://www.bls.gov/web/laus/laumstrk.htm> (last visited Oct. 23, 2018).
- <sup>6</sup> Brennan Center for Justice, Arkansas Minimum Wage Amendment, <https://www.brennancenter.org/legislation/arkansas-minimum-wage-amendment-2006> (last viewed Oct. 24, 2018).
- <sup>7</sup> NELP analysis of U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages (QCEW), average annual pay and average weekly wage, for all industries, Retail Trade alone, and Accommodations and Food Services alone, 2014 and 2017. Nominal 2014 figures are adjusted to 2017 values with CPI data from the Congressional Budget Office, *10-Year Economic Projections*, August 2018.
- <sup>8</sup> Arkansas Advocates for Children & Families, An Arkansas Minimum Wage Increase: How It Works And How It Would Benefit Arkansans And The State (Sept. 2018) at 6, [http://www.aradvocates.org/wp-content/uploads/AACF.miniwage.webfinal.rev\\_9.17.18.pdf](http://www.aradvocates.org/wp-content/uploads/AACF.miniwage.webfinal.rev_9.17.18.pdf).
- <sup>9</sup> Tax Foundation, State and Local Tax Rates in 2014, <https://taxfoundation.org/state-and-local-sales-tax-rates-2014/> (last visited Oct. 24, 2018). Tax Foundation, State and Local Tax Rates in 2017, <https://taxfoundation.org/state-and-local-sales-tax-rates-in-2017/> (last Oct. 24, 2018).
- <sup>10</sup> Lauren Weber, "One Reason Wal-Mart Is Raising Pay: Turnover," *The Wall Street Journal*, Feb. 19, 2015, <http://blogs.wsj.com/atwork/2015/02/19/one-reason-wal-mart-is-raising-pay-turnover/>. See also Michael Reich et al., Institute of Industrial Relations, University of California, Berkeley, Living Wage Policies at San Francisco Airport: Impacts on Worker and Businesses (Nov. 2003), <http://irle.berkeley.edu/files/2003/Living-Wage-Policies-at-San-Francisco-Airport.pdf>; Amanda Gallear, UC Berkeley Labor Center, The Impact of Wages and Turnover on Security and Safety in Airports: A Review of the Literature (Oct. 18, 2017), <http://laborcenter.berkeley.edu/the-impact-of-wages-and-turnover-on-security-and-safety-in-airports/>.
- <sup>11</sup> Arindrajit Dube et al., "Minimum Wage Effects across State Borders: Estimates Using Contiguous Counties" *The Review of Economics and Statistics* (Nov. 2010), 92(4): 945–64. See also Doruk Cengiz et al., "The Effect of Minimum Wages on the Total Number of Jobs: Evidence from the United States Using a Bunching Estimator," *Society of Labor Economists* (Apr. 2017), <http://www.sole-jole.org/17722.pdf>. (Updated Dec. 2017 version can be accessed from the American Economic Association, <https://www.aeaweb.org/conference/2018/preliminary/1530>). Sylvia Allegretto et al., Center on Wage and Employment Dynamics, The New Wave of Local Minimum Wage Policies: Evidence from Six Cities (Sept. 6, 2018), <http://irle.berkeley.edu/the-new-wave-of-local-minimum-wage-policies-evidence-from-six-cities/>.

© 2018 National Employment Law Project. This report is covered by the Creative Commons "Attribution-NonCommercial-NoDerivs" license fee (see <http://creativecommons.org/licenses>). For further inquiries, please contact NELP ([nelp@nelp.org](mailto:nelp@nelp.org)).