

Understanding Arizona's Propositions: Prop 206

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Proposition 206 – The Fair Wages and Healthy Families Act

Proposition 206, the Fair Wages and Healthy Families Act, would increase the state's minimum wage up to \$12 an hour by 2020 and would require employers to provide paid sick leave benefits for their employees. Supporters argue this increase in the minimum wage would bring direct benefits to the lives of about 779,000 workers in Arizona – close to 30 percent of the state workforce, many of whom have families to support and are in dire financial straits. Supporters also argue an increase would be good for the economy and bring several operational benefits for the affected businesses. Opponents argue that the measure would place a heavy burden on employers, especially small companies, and due to increased labor costs could result in job losses or increased prices and hurt the economy.¹

The Proposal

In 2006, Arizona voters approved by a 2-to-1 margin an initiative measure that for the first time established a state minimum wage. It set the minimum wage at \$6.75 an hour, which was \$1.60 more than the federal minimal wage, and required annual inflation adjustments. These adjustments have brought the minimum wage to its current level of \$8.05. The federal minimum wage is \$7.25 an hour.

Proposition 206 would amend the 2006 act by increasing the state's minimum wage and, for the first time, require employers to provide paid sick leave. It would increase the minimum wage to \$10 an hour in 2017 and, in steps, to \$12 an hour by 2020. After 2020, raises would be tied each year to changes in the cost of living. The measure also would establish a \$9 hourly base for tipped workers (this is in keeping with the 2006 law that set the hourly wage for tipped workers at \$3 less than the hourly wage for those who are not tipped). It would require employers to provide employee paid sick leave for at least three days for companies with fewer 15 employees and five days for those with 15 or more employees.

Several labor, community, educational and faith based groups allied with an organization called Arizonans for Fair Wages and Healthy Families and have been working along with some like-minded national organizations in support of Proposition 206.² The proposition has encountered the opposition of a coalition of business leaders and business groups headed by the Arizona Chamber of Commerce and Industry and the Arizona Restaurant Association.

Twenty-nine states and the District of Columbia now have a minimum wage higher than the federal minimum. Twenty-one states and D.C. have higher minimum wages than Arizona.³

Minimum wage measures also are on the ballot in Colorado, Maine and Washington. In Colorado and Maine, as in Arizona, the measures would increase the minimum to \$12 over the next few years and then adjust it to the cost of living. The Washington measure, like the one in Arizona, would require employers to provide paid sick leave to their employees. The minimum would go to \$13.50 in Washington by 2020. New York and California have minimum wage plans passed by their legislatures, which will lead to a \$15 hourly minimum in small steps by 2022.

Arguments In Favor

- Many minimum-wage workers, especially those with families, are barely earning enough to get by. The minimum wage has not kept up with inflation. The \$8.05 rate brings in less than \$17,000 a year, for someone who works 40 hours a week for 52 weeks.
- The measure will immediately help hundreds of thousands of workers, old and young, meet basic needs and living expenses. About 770,000 workers in Arizona make less than \$10 per hour and 934,000 go without any paid sick leave.
- Increasing the minimum wage has benefits for businesses in improving worker morale and productivity, building a cohesive team of employees, reducing employee turnover, and lowering recruiting and training expenses.
- Increasing the minimum wage increases the spending of low-wage workers which, in turn, ripples through the economy, increasing the revenues of retailers and other businesses and boosting the economy across the state.
- The graduated increase in the minimum wage to \$12 is likely to have only a low, if any, negative impact on employment levels.

Arguments Against

- Bring more unemployment because businesses, concerned with higher labor costs, might decide to eliminate jobs and/or reduce the number of people they hire.
- Be especially devastating to small businesses, because they have less ability to absorb inflated labor costs.
- Likely lead to increases in the price of goods and services.
- Encourage companies to invest more in automation in order to reduce the need for employees.

- Make it especially difficult for teenagers and those with few skills to find jobs.
- Bring cuts in the number of hours employees work and various fringe benefits, and reduce the ability of employers to reward worthy employees.
- Place Arizona at a competitive disadvantage against other states in attracting businesses looking to expand operations.

Discussion

Many of the above arguments, pro and con, have a long history on the state level. On the national level they have been aired at least since 1937 when the idea of a federal minimum wage was initially proposed and the 22 times since 1938 when it has been increased. Proponents have seen increases as bringing badly needed relief to low-income workers while opponents, largely business people, have predicted disaster.

One can cite conflicting studies on whether increasing the minimum wage would contribute to unemployment. The large volume of minimum-wage literature is divided on this question. The more advanced studies using matching or comparative techniques and looking at the broader picture, however, have generally found minimum-wage increases having little or no effect on changes in employment.⁴ A few years ago, several hundred economists, including seven Nobel Prize winners, passed along a similar conclusion to President Barack Obama based on their review of the academic literature.⁵ Increases could have a small, stimulative effect on the economy and bring some benefit in increasing worker morale and reducing turnover.⁶

On the other hand, increases in the minimum wage also could have some negative effects such as increasing prices or reducing the number of hours employees work. Some of the predicted consequences such as increased investment in automated processes reducing the need for employee appear likely to occur whether or not there is an increase in the minimum wage. All in all, increases in minimum wages likely would have costs and benefits for workers, business people and the economy.

Prospects

Drives to increase the minimum wage through the initiative process have been common and often successful in recent years. Voters in four states adopted minimum wage hikes in 2014. Proposals to increase the minimum wage have polled well across the country, revealing broad popular support. Recent survey research in Arizona is consistent with this – showing 61 percent of registered voters supporting Proposition 206 and only 31 opposing it.⁷ Many apparently feel the increase is justified or, at least, will do more good than harm.

¹ The pro and con statements presented here represent a summary of arguments found in statements filed with the Arizona Secretary of State, on the websites of relevant organizations, and in newspapers and other publications.

² A list of group sponsors can be found on the Arizona Healthy Families website. See, for example, “Proposition 206 Accepts Key Endorsement from AZ Teachers,” August 25, 2016, <http://www.azhealthyfamilies.org/press-releases>.

³ The Economic Policy Institute Minimum Wage Tracker, August 24, 2016, <http://www.epi.org/minimum-wage-tracker/>.

⁴“The Importance of Study Design in the Minimum-Wage Debate,” Report, by Daniel Kuehn • September 4, 2014; Economic Policy Institute website: <http://www.epi.org/publication/importance-study-design-minimum-wage-debate>.)

⁵“Minimum Wage Mythbusters,” U.S. Department of Labor Website, “Minimum Wage Mythbuster,” <https://www.dol.gov/featured/minimum-wage/mythbuster>

⁶ Ibid

⁷ Mary Jo Pitzl, “Poll: Most Arizona voters buy a \$12 minimum wage,” *Arizona Republic*, September, 7, 2016. A recent poll in Colorado shows a comparable level of support, of 55 percent, for a \$12 an hour minimum wage increase on the ballot. See: John Frank, “New poll: Colorado voters favor minimum wage hike and presidential primary,” *Denver Post*, September 7, 2016)

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