

Four States and Two Cities Hike Their Minimum Wage Rates



Article By

[Guy Brenner](#)

[Carolyn M. Dellatore](#)

[Proskauer Rose LLP](#)

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Somewhat overlooked in this week's election were the minimum wage referenda on the ballots in a number of states. Continuing a growing national trend, voters in Alaska, Arkansas, Nebraska and South Dakota approved proposals to increase their states' minimum wage rates on Tuesday.



In addition, voters in a fifth state, Illinois, indicated in a non-binding advisory vote that they would favor boosting that state's minimum wage to \$10 per hour. These initiatives follow recent minimum wage

increases in Minnesota, West Virginia, Maryland, Hawaii, Vermont, Michigan, Delaware, Rhode Island, Massachusetts, Guam, and the city of Seattle.

The key provisions of these new minimum wage hikes are highlighted below:

- **Alaska:** More than two-thirds of voters in Alaska agreed to raise the minimum wage to \$9.75 by 2016. The measure increases the state's current minimum wage from \$7.75 per hour to \$8.75 beginning January 1, 2015. This is followed by a second increase to \$9.75 on January 1, 2016. From that point on, the minimum wage will be adjusted based on inflation or remain \$1 higher than the federal minimum wage, whichever amount is greater.
- **Arkansas:** Arkansas voters overwhelmingly approved a measure to increase the state's minimum wage incrementally to \$8.50 per hour by January 1, 2017. On January 1, 2015, the hourly wage will increase from \$6.25 to \$7.50, then to \$8.00 on January 1, 2016. Of note, Arkansas is one of three states whose minimum wage is currently lower than the federal minimum wage of \$7.25 (though when a state's minimum wage is less than the federal minimum wage, the federal rate applies).
- **Nebraska:** Nebraska voted to increase its minimum wage in two increments: from \$7.25 to \$8.00 on January 1, 2015; and from \$8.00 to \$9.00 on January 1, 2016. When the first increase takes effect it will be the first time the state's minimum wage has been higher than the federal minimum wage.
- **South Dakota:** South Dakota passed Initiated Measure 18, increasing the minimum wage from \$7.25 per hour to \$8.50 per hour beginning January 1, 2015. The new law also guarantees an increase in the minimum wage each year thereafter to account for inflation. Additionally, the measure set the tipped employee minimum wage at half that of the minimum wage, raising the tipped employee minimum wage from \$2.13 to \$4.25 an hour.
- **Illinois:** Voters approved a nonbinding advisory question that calls on the state Legislature to approve a \$10 minimum wage effective January 1, 2015. The state's minimum wage is currently \$8.25 per hour.

In addition, a number of cities also had wage-hike referendums.

- **Oakland, California:** Voters approved a measure to increase the citywide minimum wage to \$12.25 beginning on March 2, 2015. The minimum wage rate will thereafter increase yearly on January 1st based on cost of living adjustments.
- **San Francisco:** The City, which currently has a minimum wage of \$10.74, passed an incremental minimum wage increase that will reach \$15 an hour on July 1, 2018. Under the new law, the minimum wage will rise to \$11.05 on January 1, 2015. On July 1, 2016, the minimum wage will increase to \$13 per hour; then \$14 on July 1, 2017. Beginning on July 1, 2019, the minimum wage will increase annually based on the Consumer Price Index.

Employers with employees earning at or slightly above the current minimum wage in these jurisdictions should begin taking steps to ensure compliance with the increases. Employers also should anticipate a similar increase in related overtime costs, as overtime typically is calculated as at least one and one-half times an employee's regular hourly rate of pay. Finally, employers in other states that have not recently increased their minimum wage rates should monitor state and local

developments as the trend of state and local minimum wage hikes is likely to continue.

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