

ISSUE BRIEF:

Youth Minimum Wage-Referred Law 20 (SB 177)

July 2016

Approved by the Executive Committee: July 25, 2016

Approved by the Board of Directors: July 27, 2016

The Sioux Falls Area Chamber of Commerce will remain “NEUTRAL” on Referred Law 20 on the 2016 general election ballot.

Background

Most laws passed by the legislature and signed by the governor are subject to popular referral. A couple exceptions include measures that include an emergency clause or are for the basic support of state government and its institutions. To refer a law to a vote, petitioners must gather valid signatures equaling at least 5% of the total votes cast in the last gubernatorial election. Petitions must be submitted within 90 days of the adjournment of the legislature. If a petition is certified, the law being referred does not go into effect. Petitioners seeking to refer SB 177 turned in qualified signatures equaling 17,077 which is more than the required 13,871. Thus, this issue has been placed on the 2016 general election ballot as Referred Law 20. A vote “yes” would enact the measure as passed by the legislature. A vote “no” would defeat the measure and leave existing law in place.

In the 2014 General Election, South Dakota voters passed IM 18, which raised the state minimum wage from \$7.25 an hour to \$8.50 an hour with annual indexing (Jan. 1, 2016 hourly rate is \$8.55). During the 2015 legislative session, SB 177 was passed into law in an attempt by the legislature to override the legal effect of IM 18. The effect of its passage was the establishment of a youth minimum wage and thereby lowering of the required threshold for workers under the age of eighteen to \$7.50 an hour.

In summary, passage of Referred Law 20 would do the following:

- Implement a youth minimum wage at \$7.50 per hour as passed in SB 177.

Discussion

From a federal perspective, under the Fair Labor Standards Act, employers must pay employees under the age of 20, at least \$4.25 per hour for their first 90 consecutive days of employment as long as their work does not displace other workers. Where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher minimum wage rate.

Nineteen states have a youth minimum wage at the federal youth minimum level of \$4.25. There are eight states that have a youth wage between the federal youth rate and the regular federal rate of \$7.25 an hour. Twenty-three states and the District of Columbia have a youth rate above the regular federal rate. The state of Washington holds the highest youth minimum wage rate at \$9.47 an hour.

Proponent Rationale

Proponents feel that failure to establish a youth minimum wage minimizes the number of entry-level jobs that employers can provide and when this occurs, it restricts the opportunities that could be provided for more young workers. They also believe that

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without a youth minimum wage fewer jobs would be available for workers who need them the most, due to the economic constraints that a universal minimum wage would impose upon businesses, leading to a constriction of the job supply in South Dakota.

Opponent Rationale

Opponents believe a youth minimum wage takes advantage of a minor by paying them less for doing equivalent work as an adult—that people should be paid on merit, not on arbitrary distinctions based on age. In addition, they believe legislators have ignored the will of the people when IM 18 was passed by a 55 percent to 45 percent margin, and where the legislature abdicated the legal effect of IM 18 through the passage of SB 177 just a few months later in March 2015.

Note: Detailing “Proponents” and “Opponents” rationale is designed to provide the reader with an understanding of the opinions and talking points from each perspective. They are not intended to reflect any position of the Sioux Falls Area Chamber of Commerce.

Chamber Position: (Adopted Sept. 28, 2016)

The Sioux Falls Area Chamber of Commerce is “NEUTRAL” on Referred Law 20 on the 2016 general election ballot.

Rationale:

Though the Chamber supported SB 177 during the legislative process and has generally been opposed to minimum wage mandates, the Board of Directors believes that this law and establishing a youth minimum wage has very little impact within Sioux Falls and does not rise to an issue where the Chamber should actively engage.

Sources:

"Exemption from Minimum Wages Would Help Younger Workers." *Economics21*. 2015. Web. 02 May 2016.

National Conference of State Legislatures, July 2014

"South Dakota Secretary of State, Shantel Krebs." *South Dakota Secretary of State, Shantel Krebs*. Web. 02 May 2016.