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Minimum Wage

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Minimum Wage
Aug 20 '96

President Clinton is Helping Every American
Meet the Challenge of Raising a Family
August 20, 1996

Raising the minimum wage and providing retirement security. Today President Clinton signed into law a 90 cent increase in the minimum wage, helping more than ten million Americans who work hard and play by the rules. The bill will also make it dramatically easier for small businesses to offer pension plans, and lets more Americans take their pensions with them when they change jobs. Finally, the bill will make adoption easier and more affordable for American families.

* **A promise made and a promise kept.** In *Putting People First*, Bill Clinton and Al Gore proposed to "increase the minimum wage to keep pace with inflation." The President specifically proposed a 90-cent increase 18 months ago in February 1995.

* **Ensuring No Parent Has To Bring Up Their Kids In Poverty.** President Clinton's dramatic extension of the Earned Income Tax Credit (EITC) helped lift hundreds of thousands of working families out of poverty. With a 90-cent minimum wage increase and the expanded EITC, we can ensure that no parent who works full-time and plays by the rules will have to bring up their kids in poverty. *For a full-time minimum wage worker, a 90-cent increase would raise their yearly income by $1,800 -- as much as the average family spends on groceries in over 7 months*

* **Helping Adult Workers Trying To Support Their Families.** According to the Bureau of Labor Statistics:

    * 69% of those workers who would benefit from an increase are adults, age 20 or over;
    * Three-fifths (59%) are women, many of whom are trying to raise the family on $4.25; and

    * The average minimum wage worker brings home half of their family's earnings.

* **Giving A Pay Raise To 10 Million Workers At or Near The Minimum Wage.** An estimated 10 million hourly workers earn between $4.25 and $5.14 and would directly benefit from the President's proposal. An increase in the minimum wage could also have a "ripple" effect on the over 3 million workers who earn within 60 cents of the new minimum wage.

EMPIRICAL EVIDENCE SHOWS THAT RAISING THE MINIMUM WAGE WILL NOT COST JOBS. Nearly two dozen empirical studies have found that moderate increases in the minimum wage do not have a significant impact on employment. These studies include state-specific research in California, Texas, and New Jersey that shows that state minimum wage increases did not result in any job loss.

* **101 Economists Including 3 Nobel Prize Winners Agree That A Minimum Wage Increase Won't Cost Jobs.** In the fall of 1995, 101 economists -- including 3 Nobel Prize-winners Kenneth Arrow, Lawrence Klein, and James Tobin -- signed a letter supporting the President's proposal to raise the minimum wage, affirming that it would not have a significant effect on employment, and concluding that *"overall effects [of an increase] on the labor market, affected workers, and the economy would be positive."*

- More -

Tax cuts for small businesses. The minimum wage bill also contains many small business tax cuts proposed and supported by President Clinton:

* **Cuts taxes to create jobs for economically disadvantaged workers through a new Work Opportunity Tax Credit.**
* **Cuts taxes and encourages investment** by increasing the small business expensing limit to $25,000 as the President first proposed in 1993 and proposed again in his balanced budget;
* **Encourages R&D** by reinstating the research tax credit; and
* **Encourages businesses to provide workers with education** by reinstating the Section 127 tax exclusion for employer-provided educational assistance.

President Clinton's Pension Proposals in the Minimum Wage Bill. While many people are not aware of it, the minimum wage bill also includes many of the Presidents proposals to expand pension coverage, portability, and protections, contained in President's Retirement Savings and Security Act.

* **Expands Pension Coverage by Creating a New Small Business 401(k) Plan** with no red tape and a simple one-page form to make it easier for small businesses to provider workers with pensions. The President first proposed his small business pension plan in June 1995 at the White House Conference on Small Business. Currently only 24% of workers in small businesses have pensions compared to 76% in large businesses. The bill also **simplifies pensions for businesses of all sizes** as recommended by Vice President Gore's Reinventing Government initiative and first proposed in June 1995.

* **Increases Pension Portability by Taking Away the 1-year Wait to Save at a New Job.** The bill contains many of the President's proposals to help workers who change jobs and want to keep saving in their new jobs, including amending the law that encourages employers to make new employees wait a year before they can join their pension.

* **Enhances Pension Security by Protecting Government Employees' Savings from Orange-County Style Fiascos** by requiring that state and local government pension plans be held in trust so workers do not lose their savings if the government declares bankruptcy.

Making adoption easier and more affordable for America's families. Finally, today's bill takes important steps to ease and encourage adoption for the tens of thousands of children who today are waiting for permanent homes. A $5,000 tax credit ($6,000 for families that adopt children with special needs) allows middle class families -- for whom adoption is often too expensive -- to adopt children to love and nurture. In addition, the bill prohibits states from denying or delaying adoption on the basis of race, color or national origin -- building on the President's longstanding goal to end the historical bias against interracial adoptions.

ADDITIONAL TAX PROVISIONS IN H.R. 3448 THAT THE ADMINISTRATION SUPPORTS

In addition to the provisions that simplify pensions and expand coverage, H.R. 3448 contains a number of tax provisions that the Administration has long supported, including:

- **Small-business Expensing** -- The bill increases the amount of tangible depreciable property that small businesses can expense from $17,500 to $25,000 by the year 2003. The President pushed for such an increase in 1993, and the President's FY 1997 budget contains this proposal, except that the tax relief would have been phased in more quickly. The bill provides an important incentive for small businesses to increase their capital investment, and will simplify reporting for small businesses.

- **Adoption Credit** -- The bill provides a nonrefundable $5000 adoption credit (increased to $6000 for domestic adoptions of children with special needs), phased out for AGI between $75,000 and $115,000. In addition, the bill provides a maximum $5,000 exclusion for amounts paid by the employer in connection with an adoption. The Administration believes that helping families adopt is one of the most important things we can do to strengthen families and give children a healthy home. The Administration has strongly supported such measures as a means to help alleviate economic barriers to adoption and enable many middle-class families, for whom adoption might otherwise be too expensive, to adopt children who need homes.

- **Temporary Extension of Employer-Provided Educational Assistance** -- The $5,250 exclusion for employer-provided educational assistance, which expired after December 31, 1994, is reinstated retroactively and extended until May 31, 1997. It would apply to post-graduate education, but only for courses that began before July 1, 1996. The Administration strongly supports this incentive for employer-provided educational assistance, which is important for U.S. competitiveness because it encourages better-educated employees and boosts the productivity of the American workforce. The Administration is disappointed, however, that Congress has not made this incentive permanent, and has eliminated the incentive for post-graduate education. The Administration will continue to work to improve this provision, as well as to provide small businesses with a ten percent tax credit for educational assistance.

- **Work Opportunity Tax Credit** -- The bill replaces the targeted jobs tax credit (TJTC) with a new Work Opportunity Tax Credit. The new credit will provide incentives to employers to hire individuals from targeted groups most in need of jobs and with the least skills, and it will promote longer, more meaningful work experiences for individuals hired under the credit. Targeted groups include welfare recipients, food stamp recipients, former felons and young adults in empowerment zones and enterprise communities.

- **State Prepaid Tuition Plans** -- The Administration worked with Congress to develop and strongly supports these provisions, which clarify the tax treatment of investments in State prepaid tuition plans, including a provision that investors in such programs generally will not be taxed on the increase in value of their investment until the time of withdrawal. These changes will help parents save for their children's education.

- **Temporary Extension of R&E Credit** -- The credit, which expired June 30, 1995, is reinstated prospectively only, for the period July 1, 1996, through May 31, 1997, and is modified in certain respects. The Administration strongly supports the research tax credit and is disappointed that the Congress has rejected its recommendation that the research tax credit should be fully reinstated back to July 1, 1995 and made permanent. Research projects take many years to complete, and the impact of the credit will be undermined if firms cannot count on it.

- **Temporary Extension of "Orphan Drug" Credit** -- The credit, which expired December 31, 1994, is reinstated prospectively, for the period July 1, 1996, through May 31, 1997. The Administration supports this credit, which provides an incentive for the testing of drugs for rare diseases and conditions, and would have preferred a permanent extension.

- **Subchapter "S" Simplification Proposals** -- The Administration has supported Subchapter S simplification, which is important to helping small businesses. The provisions include increasing the number of eligible shareholders from 35 to 75, and allowing S corporations to hold subsidiaries.

- **Reform Foreign Trust Rules** -- The bill contains a series of provisions designed to prevent sophisticated tax avoidance techniques using foreign trusts. The provision is similar to one contained in the Administration's budget.

- **Contributions of Appreciated Stock to Private Foundations** -- This provision, which expired December 31, 1994, would be reinstated for the period July 1, 1996, through May 31, 1997.

ADOPTION PROVISIONS IN THE SMALL BUSINESS JOB PROTECTION ACT
August 20, 1996

The Clinton Administration is committed to breaking down barriers to adoption. The Small Business Job Protection Act includes two adoption provisions that President Clinton has strongly supported. It provides an adoption tax credit and prohibits adoption agencies that receive Federal funds from denying or delaying placement of a child based on race, color or national origin. These provisions will help give more children what every child in America deserves -- loving parents and a healthy, stable home.

America's Waiting Children. More than 450,000 children in this country live in foster care. Eight out of ten of these children have special needs -- they are disabled, older, have siblings who also need to be adopted, or are minorities. The average child may wait as long as two years to be placed in an adoptive home even after they are legally free to be adopted. Minority children may wait twice as long.

Clinton Administration's Commitment to Encouraging and Easing Adoption. The President and the First Lady have worked hard to promote adoption, especially for children with special needs. The Administration's efforts include:

- Increased by 60% the number of children with special needs who have been adopted with Federal adoption assistance.
- Strongly supported the Multi-Ethnic Placement Act that sought to end discrimination and delays in adoption because of race or ethnicity.
- Championed the Family and Medical Leave Act -- which enables parents to take time off to adopt a child without losing their jobs or their health insurance.
- Created an honor roll of private companies who have pledged to make adoption easier for workers and their families by paying adoption benefits, offering leave time after adoption or other programs.
- Launched a public education campaign to highlight waiting children and the importance of adoption.

Helping Families Afford Adoption. This legislation will allow families, many of whom find adoption too expensive, to adopt children to love and nurture. It provides:

- A $5,000 tax credit for costs related to adopting a child. If an employer agrees to pay for adoption expenses, their employee can claim an income deduction of up to $5,000.
- A $6,000 tax credit or income deduction for costs related to adopting a child with special needs.

The full credit and income deductions are available to adoptive parents with annual incomes of up to $75,000 and gradually phase out as income reaches $115,000.

Breaking Down Racial Barriers to Adoption. The legislation builds on the Multi-Ethnic Placement Act, signed by the President in 1994, by strengthening the prohibition against denying or delaying placement on the basis of race, color or national origin. The bill also provides for stronger enforcement against states that fail to comply within 6 months.

WORK OPPORTUNITY TAX CREDIT

The Small Business Job Protection Act of 1996 provides a work opportunity tax credit (WOTC) for hiring individuals from certain targeted groups. The credit equals 35 percent of qualified wages paid during the first year of employment with the employer up to $6,000. The maximum credit is $2,100. The credit is effective October 1, 1996 and expires after one year (September 30, 1997).

The targeted groups are the following: (1) Members of families receiving assistance (AFDC or successor program) for a period of at least 9 months part of which is during the 9-month period ending on the hiring date; (2) Qualified ex-felon who is a member of a family during the six months before the earlier of the date of determination or the hiring date which on an annual basis is 70 percent or less of the BLS lower living standard; (3) High-risk youth 18-24 years old who reside in an empowerment zone (EZ) or enterprise community (EC); (4) Vocational rehabilitation referral; (5) Qualified summer youth employee 16 or 17 years old who reside in an EZ or EC; (6) Qualified veteran who is a member of a family receiving AFDC for a 9-month period, part of which is during the 12-month period ending on the hiring date, or a food stamp program for at least three months part of which is during the 12-month period ending on the hiring date; (7) Qualified food stamp recipient who is 18 to 24 years old and a member of a family receiving food stamps for a period of at least six months ending on the hiring date, or, in the case of certain individuals without dependents that cease to be eligible because the minimum work requirement under welfare reform has not been met, receiving such assistance for at least 3 months of the 5-month period ending on the hiring date.

No credit is allowed for wages paid unless the eligible individual is employed by the employer for at least 180 days (20 in the case of qualified summer youth) or 400 hours (120 hours in the case of qualified summer youth).

An individual is not treated as a member of a targeted group unless: (1) on or before the day the individual begins work for the employer, the employer received in writing a certification from the designated local agency that the individual is a member of a specific targeted group, or (2) on or before the day the individual is offered work with the employer, a pre-screening notice is completed with respect to that individual by the employer and within 21 days after the individual begins work for the employer, the employer submits the notice, signed by the employer and the individual under penalties of perjury, to the designated local agency as part of a written request for certification. The pre-screening notice will contain the information provided to the employer by the individual that forms the basis of the employer's belief that the individual is a member of a targeted group.

REIMPOSE AIRPORT AND AIRWAY TRUST FUND EXCISE TAXES

Current Law

Before January 1, 1996, the Airport and Airway Trust Fund was supported by taxes on air passenger transportation, domestic air freight transportation, and noncommercial aviation fuel. The tax on domestic air passenger transportation was 10 percent of the amount paid for the transportation, the tax on international departures was $6 per person, the tax on domestic air freight transportation was 6.25 percent of the amount paid for the transportation, and the tax on noncommercial aviation fuel, to the extent dedicated to the Trust Fund, was 17.5 cents per gallon (15 cents per gallon in the case of gasoline). The taxes on air passenger and air freight transportation, the dedicated tax on noncommercial jet fuel, and a 1-cent-per-gallon dedicated tax on noncommercial aviation gasoline expired on December 31, 1995. The authority to transfer tax revenues to the Trust Fund also expired on December 31, 1995.

Reason for Change

To provide for necessary Federal airport and airway expenditures, the aviation excise taxes should be reinstated and revenues from the reinstated taxes should be transferred to the Airport and Airway Trust Fund.

Proposal

The aviation excise taxes would be reinstated for the period after the date of enactment and before October 1, 2006. (The Administration understands that these taxes may be replaced by a fee-based structure before the proposed expiration date.) The reinstated taxes on air passenger and air freight transportation would not apply to amounts paid on or before the date of enactment. The authority to transfer revenues to the Airport and Airway Trust Fund would be reinstated for the period after December 31, 1995, and before October 1, 2006.

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The bill also contains several elements that the Administration has opposed, including:

Possessions Tax Credit -- The bill repeals the tax credit related to corporate investments in Puerto Rico without providing effective mechanisms to create jobs in the islands. The Administration proposed a different approach -- phasing out the less effective portion of the tax credit and maintaining the portion that provides tax benefits based directly on real economic activity in these underdeveloped areas. The Administration also proposed using the revenue raised from this change for social and employment training programs in Puerto Rico. It is unfortunate that the Congress adopted a proposal that is likely to have negative effects on Puerto Rico.

Section 956A -- The bill repeals an Administration initiative that reduces the tax benefits available to firms that maintain operations abroad. The bill would allow multinational firms to accumulate assets in foreign subsidiaries and avoid U.S. income taxes on these earnings without limit.

PRESIDENT CLINTON HAS ALWAYS SUPPORTED THE MINIMUM WAGE AS A WAY TO MAKE WORK PAY

April 2, 1996

CLAIMS THAT PRESIDENT CLINTON OPPOSED A MINIMUM WAGE INCREASE ARE JUST NOT TRUE.

- President Clinton has always supported the Minimum Wage -- and he has NEVER opposed a minimum wage increase. President Clinton has always supported increasing the minimum wage -- from the campaign in 1992 to the present. He specifically proposed a 90-cent increase 14 months ago.

- Republican Members point to a 10-word *Time* magazine quote from 1995 that alludes to President Clinton's opposition to the minimum wage in 1993. But President Clinton didn't say any such thing. The statement *Time* refers to does not appear in any transcript, tape, or speech text.

- For four years now President Bill Clinton has fought for several provisions that would raise the standard of living of hard-working families, including: increasing the minimum wage, expanding the Earned Income Tax Credit, and providing health care coverage for working families.

- President Clinton initially focused his legislative agenda on raising workers' incomes and increasing economic security through expansion of the Earned Income Tax Credit and health care reform, but he has always supported a Minimum Wage increase. Together with his EITC expansion, the President's minimum wage increase would ensure that no parents would have to raise their children in poverty.

PRESIDENT CLINTON HAS ALWAYS SUPPORTED A MINIMUM WAGE INCREASE AS A WAY TO MAKE WORK PAY

SUPPORTED MINIMUM WAGE HIKES AS GOVERNOR. As Governor of Arkansas, Bill Clinton supported two increases in the state minimum wage. And he changed state minimum wage law to cover more workers.

1992: CANDIDATE CLINTON CALLS FOR EXPANDING EITC AND RAISE MINIMUM WAGE TO MAKE WORK PAY. In 1992, President Clinton proposed expanding the Earned Income Tax Credit and raising the minimum wage to keep pace with inflation in order to ensure that no parent who was willing to work full-time would have to raise their children in poverty.

- **In *Putting People First*,** Presidential Candidate Clinton and Vice-President Candidate Gore proposed to "increase the minimum wage to keep pace with inflation." (p. 127)

- **In the Clinton/Gore Welfare Information packet,** Candidate Clinton and Vice-President Candidate Gore proposed to make the minimum wage a fair wage, and index it to inflation because "working people shouldn't have to lose purchasing power just because of inflation." [Clinton/Gore Welfare Information Packet, September 9, 1992]

- **On October 30, 1992,** the *Star Tribune* wrote that Candidate Clinton wants to "increase the minimum wage to keep pace with inflation and expand the earned income tax credit to guarantee no full-time workers lives in poverty." [Star Tribune, October 30, 1992]

AUGUST 1993: PRESIDENT CLINTON EXPANDS EITC AS FIRST STEP TO MAKE WORK PAY. In 1993, President Clinton took the first necessary step to achieving the goal of ensuring that anyone who worked full-time didn't have to bring up their children in poverty: he expanded the Earned Income Tax Credit to provide a tax break for 15 million of our most hard-pressed households.

- **In April of 1993, *The Washington Post* wrote that:** "Mr. Clinton's goal is ambitious: to make sure that in households with children where at least one person works full-time, the family won't fall below the poverty line. Under current law, the maximum EITC benefit for a family with two or more children was scheduled to rise to $ 2,000 next year; Mr. Clinton would boost the maximum to $3,370 by 1995. He would also raise the benefits for families with one child and establish a small new credit for workers without children....***On top of this, Mr. Clinton would try to boost the earnings of the working poor by hiking the minimum wage.***" [The Washington Post, April 20, 1993 -- emphasis added]

IN 1994 PRESIDENT CLINTON FOUGHT FOR UNIVERSAL HEALTH CARE -- WHICH WOULD HAVE BEEN THE EQUIVALENT OF A MINIMUM WAGE INCREASE FOR MILLIONS OF LOW-WAGE WORKERS. NONETHELESS, HE STILL MAINTAINED HIS SUPPORT FOR A MINIMUM WAGE INCREASE.

- JUNE OF 1994, *THE WASHINGTON POST* WROTE THAT: "From health-care reform to ***a higher minimum wage*** to more training opportunities to increased earned-income tax credits to mandatory fringe benefits. the Clinton administration wants to increase dramatically the income security of the more than 6 million American adults whom it classifies as the 'working poor.'" [The Washington Post. June 26, 1994 -- emphasis added]

1995: PRESIDENT CLINTON PROPOSES MINIMUM WAGE INCREASE TO FULFILL COMMITMENT TO MAKE WORK PAY. On February 3, 1995. President Clinton put forward his proposal to increase the minimum wage from $4.25 to $5.15 over two years in two equal steps. This proposal would directly benefit 10 million American workers.

- **In his 1995 State of the Union, President Clinton called for Congress to raise the minimum wage:** "The goal of building the middle class and shrinking the underclass is also why I believe that you should raise the minimum wage. It rewards work. Two and a half million Americans -- 2.5 million Americans. often women with children, are working out there today for $4.25 an hour. In terms of real buying power, by next year that minimum wage will be at a 40-year low. That's not my idea of how the new economy ought to work.

  Now, I've studied the arguments and the evidence for and against a minimum wage increase. I believe the weight of the evidence is that a modest increase does not cost jobs. and may even lure people back into the job market. But the most important thing is, you can't make a living on $4.25 an hour. Especially if you have children. even with the working families tax cut we passed last year. In the past, the minimum wage has been a bipartisan issue, and I think it should be again. So I want to challenge you to have honest hearings on this; to get together; to find a way to make the minimum wage a living wage.

  Members of Congress have been here less than a month, but by the end of the week, 28 days into the new year, every member of Congress will have earned as much in congressional salary as a minimum wage worker makes all year long." [State of the Union Address to the Nation, January 25, 1995]

- **On February 3, 1995, President Clinton proposed raising the minimum wage from $4.25 to $5.15:** "Our job is to create enough opportunity for people to earn a living if they'll exercise the responsibility to work. That's why we fought so hard to expand the earned income tax credit - a working family tax cut for 15 million families - in 1993; precisely why we're calling on Congress today to raise the minimum wage 90 cents to $5.15 per hour.

  The only way to grow the middle class and shrink the underclass is to make work pay. And in terms of real buying power, the minimum wage will be at a 40-year low next year if we do not raise it above $4.25 an hour. If we're serious- let me say this, too, emphatically- if we are serious about welfare reform, then we have a clear obligation to make work attractive and to reward people who are willing to work hard...

  If in 1990, because the minimum wage had not been raised in such a long time, a Republican president and a Democratic Congress could raise the minimum wage, surely in 1995 - facing the prospect that work, full-time work, could be at a 40-year low in buying power unless we act - a Congress with a Republican majority and a Democratic president can do the same for the American people." [Announcement by President Bill Clinton of Minimum Wage Increase, February 3, 1995]

- **JUNE, 1995. At town hall meeting with Speaker Gingrich, the President reiterated his support for a minimum wage increase:** "The reason that I am for it is that I believe that -- first of all, I know that a significant percentage of people on the minimum wage are women workers raising their kids on their own. And I just believe that we shouldn't allow -- if we don't raise the minimum wage this year, then next year, after you adjust for inflation, it will be at a 40-year low...

  And I believe, if you go back to when they did it when -- the last time it was done was, when, '89 or something, I think, on balance, we did fine as a result of doing it. And I think we should do it again. [Remarks by President Clinton, Speaker Gingrich at Senior Center in Claremont, N.H., June 11, 1995]

- **In May 1995, President Clinton calls for minimum wage increase:** "I believe it is especially important to women that we raise the minimum wage this year. Women represent three out of five minimum wage workers, but only half the work force. I have done everything I could to create a climate in which people are encouraged to be successful parents and successful workers. I believe that. That's what the Earned Income Tax Credit was all about in 1993... But it isn't enough. If we do not raise the minimum wage this year, next year it will be in real dollar terms, the lowest it has been in 40 years. Now that is not my idea of what the 21st century American economy is all about. [Remarks at Women's Bureau Reception, May 19, 1995]

- **On Labor Day 1995, President Clinton tells California that the minimum wage should be raised:**"I also think we ought to raise the minimum wage. Let me tell you. if we don't raise the minimum wage this year, on January the 1st of next year. our minimum wage in terms of what the money will buy will be at a 40-year low. I want a high-wage, high-growth. high-opportunity, not a hard-work, low-wage 21st century. And I think you do, too. And that's what we ought to do." [Remarks at the Dedication of California State University at Monterey Bay in Monterey, California, September 4, 1995]

1996 PRESIDENT REITERATES HIS CALL FOR AN INCREASE IN THE MINIMUM WAGE

- **Speech to Keene State College, New Hampshire.** "[A]mong the greatest heroes in this country are the people who work 40 hours a week and do their best to raise their kids and only make the minimum wage. If we do not raise the minimum wage, this year it will drop to a 40-year low in terms of what it will buy. There is always a lot talk in Washington about family values. It's hard to raise a family on $4.25 an hour. Let's raise the minimum wage." [President Clinton. Keene, New Hampshire, February 17, 1996]

- **1996 State of the Union Address.** "More and more Americans are working hard without a raise. Congress sets the minimum wage. Within a year, the minimum wage will fall to a 40-year low in purchasing power. Four dollars and 25 cents an hour is no longer a minimum wage, but millions of Americans and their children are trying to live on it. I challenge you to raise their minimum wage." [President Clinton, State of the Union Address to Congress, January 23, 1996]

Future Efforts to Further Improve Pensions

Our Nation's retirement system has been very successful in providing pensions to millions and increasing national savings. At the same time, we all recognize that it needs improvement in a number of areas.

- The Small Business Job Protection Act takes a constructive step in the right direction.

- But we believe that a good deal more can and should be done:

  - ***To increase pension portability and retirement savings and, especially, to ensure that moderate- and lower-wage workers receive a fair share of the benefits.***

    - For example: the Administration's proposal would have provided more generous matching and other contributions under the simplified small business plan and would have given all plan participants an automatic minimum 1% employer contribution, both under the 401(k) safe harbor available to all employers and under the simple plan for small business.

  - ***To enhance pension security .*** For example, the Administration's proposal would have:

    - required prompt reporting on misuse of pension funds;

    - increased the level of benefits guaranteed under "multiemployer plans" (industry wide plans for union employees); and

    - enhanced protections for survivors of civil service and railroad pension plan participants.

  - ***To simplify the rules.***

    - The President's proposal also included a number of other provisions that were not included in the bill, such as changes to simplify the rules applicable to multiemployer plans. Several of these provisions were included in the Senate version, and we hope will be included in future legislation.

We will continue to work to ensure greater retirement savings, security, and portability for working Americans.

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Minimum Wage 7/8/96

PRESS GUIDANCE
July 8, 1996

MINIMUM WAGE

Background: The Senate is debating the minimum wage today and is expected to vote on the bill tomorrow at 2:15pm. Each side may offer one amendment. The Kennedy amendment reaffirms some of the Democratic positions. The Lott amendment includes provisions which will provoke a Presidential veto. Per this morning's call, the Vice President was going to place a call to AP to put out our line on this today (see attached).

Points:

- Instead of just passing a clean, simple minimum wage increase, the Senate Republican Leadership wants a poison pill amendment (the Lott amendment) that will deny millions of workers a pay raise.

- President Clinton is determined to raise the minimum wage for all workers who deserve and need it. If they send him a bill with poison pills, he will veto it:

The Lott Amendment includes a number of provisions. Any of the following of these "poison pills" would force a presidential veto :

1. *The Senate Republican leadership's amendment would deny workers in two-thirds of ~~all firms~~ in the United States* -- all business with revenues of less than $500,000 annually -- an increase in the minimum wage.

2/3rds of all businesses

   - This provision is *far more extreme* than any previous small business exemption. It is true that prior to 1989 there was an exemption for employees in small retail and service establishments. But the Republican's current proposal would not only exempt workers in small retail and service firms, but would deny a higher minimum wage to *all* workers in two-thirds of America's businesses, including many garment industry sweatshop workers, farmworkers, and janitorial workers.

   - For workers in small businesses, this provision would lock in, for an indefinite period, a minimum wage that will be at a 40-year low in real terms. It doesn't matter the size of your employer, you can't raise a family on $4.25 an hour.

2. *The Senate Republican's so-called "Opportunity Wage" provision could deny a higher minimum wage to the 4.1 million workers at or near the minimum wage who have been with their employer for less than six months.* Under this provision any new hire of any employer, regardless of prior work experience, could be paid a sub-minimum wage for the first sixth months of employment.

- This is a more extreme provision than the House-passed minimum wage increase. The House-passed bill -- which the Administration strongly opposes -- applied a sub-minimum wage for workers under age 20 for their first 90 days with an employer. This amendment, by contrast, would deny a higher minimum wage to <u>all</u> workers for the first <u>180 days</u> of employment.

- In industries with high turnover -- like retail -- this would create the opportunity for employers to drop workers after six months, so that they would never graduate from the sub-minimum wage. And the anti-displacement provisions, intended to prohibit employers from dropping workers in a perpetual "churning" fashion, will prove to be extremely difficult to enforce.

3. *The Republican leadership would put off the first stage of a minimum wage increase until January 1, 1997.* As the real value of the minimum wage approaches a 40-year low, the Republican leadership wants to force our lowest-paid workers to wait until next year to see any minimum wage increase. President Clinton is determined to not let the minimum wage reach a 40-year low and will veto any bill that will let that happen.

President Clinton also strongly opposes Republican measures to deny pay increases to other workers (We have not talked about this provision in terms of a veto):

- *The Republican leadership would freeze the minimum wage for "tipped employees" such as waiters, waitresses, and delivery people at $2.13 an hour, thus denying any <u>current</u> or future minimum wage increase to these workers.*

- The impact of this tip credit amendment hits women particularly hard; about 80 percent of tipped workers are women.

- Tipped workers would receive a 45-cents an hour pay increase with the President's proposal. To many of these workers struggling to make ends meet, this small sum can make the difference between getting by and slipping through the cracks.

AMellody per guidance/points from Orszag, Sperling, and Brophy

IT'S TIME TO RAISE THE MINIMUM WAGE

THE SENATE REPUBLICAN LEADERSHIP SHOULD DROP THEIR POISON PILL AMENDMENT

July 3, 1996

IT'S TIME FOR SENATE REPUBLICANS TO JOIN THE MAINSTREAM AND RAISE THE MINIMUM WAGE. If we want to make work pay, we must make the minimum wage a living wage. President Clinton's minimum wage increase would ensure that -- along with his expanded Earned Income Tax Credit -- no parent who works full-time would have to raise their children in poverty. A bipartisan group in the House has done their part and voted to raise the minimum wage. The time for the Senate Republicans to do the same is long overdue.

MAIN STREET AMERICA DESERVES AN HONEST VOTE ON THE MINIMUM WAGE WITHOUT ANY POISON PILLS. The Senate should pass an increase in the minimum wage -- with no poison pills, no gimmicks, and no political games. That's the best way to help the American people make the most out of their own lives. As Republican Congressman Amo Houghton said: *"This is not a complicated issue. It should not be a partisan issue. It's timely. It's right, and I think we should do it."*

DON'T LET REPUBLICAN LEADERS FOOL YOU -- THEIR POISON PILL AMENDMENT TO A GOOD MINIMUM WAGE BILL WILL DENY A PAY RAISE TO MILLIONS OF WORKERS. The Senate Republican leadership offers the American people nothing more than a cruel shell game: claim that you are raising the minimum wage, but stick millions of first-rate workers with second-rate pay.

IF THE REPUBLICAN LEADERSHIP INSIST ON INCLUDING ANY OF THE FOLLOWING POISON PILL AMENDMENTS, THE PRESIDENT WILL VETO THE BILL:

2/3rds

- **Workers In Two-Thirds Of All Businesses Would Be Denied The Benefits Of A Higher Minimum Wage.** The Republican leadership would deny workers in two-thirds of all firms in the United States -- all business with revenues of less than $500,000 annually -- an increase in the minimum wage. For these workers, this provision would lock in, for an indefinite period, a minimum wage that will be at a 40-year low in real terms. It doesn't matter the size of your employer, you can't raise a family on $4.25 an hour.

4 million
<6 mos.

- **<u>Over 4 Million</u> Hard-Working Americans Would Be Denied A Pay Raise.** The Republican's so-called "Opportunity Wage" provision would deny the opportunity of a higher minimum wage to the 4.1 million workers at or near the minimum wage who have been with their employer for less than six months. In industries with high turnover -- like retail -- this would create the opportunity for employers to drop workers after six months, so that they would never graduate from the sub-minimum wage.

6 mo. delay

- **Low-Wage Workers Would Have To Wait Until Next Year For Pay Hike.** As the real value of the minimum wage approaches a 40-year low, the Republican leadership wants to force America's lowest-paid workers to wait until next year to see any minimum wage increase. While President Clinton says now is the time to raise the minimum wage, the Republicans are telling America's workers to wait. The Republican's six-month delay will cost a full-time minimum wage worker $878. When you're making only $8,500 a year, $878 makes a big difference.

EVERY DAY THE SENATE REPUBLICAN LEADERSHIP DELAYS A HONEST MINIMUM WAGE INCREASE, ITS REAL VALUE MOVES CLOSER TO A 40-YEAR LOW. The American people want the minimum wage increased. A bipartisan majority in the Senate wants the minimum wage increased. If we truly value work and family, we should raise the value of the minimum wage now.