FOIA Number: 2016-0531-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the William J. Clinton Presidential Library Staff.

Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: Cabinet Affairs

Series/Staff Member: Subject Files

Subseries:

OA/ID Number: 4755

FolderID:

Folder Title:
Minimum Wage

Stack:	Row:	Section:	Shelf:	Position:
S	25	4	10	3

(F)

MAKING WORK PAY -- THE CASE FOR RAISING THE MINIMUM WAGE
FACT SHEET

Americans know a raise in the minimum wage is one way to help make work pay. A higher minimum wage -- a floor to ensure workers that they're getting a fair deal for their efforts -- provides a foothold into the middle class for many hardworking Americans. And for those middle class Americans that already rely on the minimum wage, an increase is essential to their standard of living.

THE PROBLEM: THE MINIMUM WAGE IS WORTH LESS THAN IT USED TO BE

The American economy created more jobs in 1994 than in any calendar year for a decade. The unemployment rate fell to 5.4% in December, the lowest level in over 4 years, and the help wanted index has been climbing. However, census data for 1993 show that even in the current recovery the poverty rate has risen, and since 1979 the average real hourly wage of male high school graduates fell by 19%, and by 3% for women.

The Federal minimum wage is currently $4.25 per hour. Adjusted for inflation, the value of the minimum wage has fallen by nearly 50 cents since 1991, and is now 27% lower than it was in 1979.

Raising the minimum wage is one way to make work pay. A recent study concluded that the decline in the real value of the minimum wage since 1979 accounts for 20% of the rise in the wage inequality for men, and 30% for women (see DiNardo, Lemieux & Fortin). Further, 20% of those living on the minimum wage the last time it was raised in 1991 were in poverty, and an additional 13% were near poverty.

MANY ADULTS RELY ON THE MINIMUM WAGE AS A LIVING WAGE

Contrary to popular opinion, the average worker affected by an increase in the minimum wage is not just a teenager flipping hamburgers. The last time the US raised the minimum wage -- almost 4 years ago -- that worker brought home 51% of his or her family's weekly earnings. The fact is, two-thirds of minimum wage workers are adults.

President Clinton expanded the Earned Income Tax Credit (EITC) as a way for poor families to help make ends meet -- but even with EITC, a worker in a full-time, year round job earning the minimum wage does not make enough money to meet the Federal poverty level for a family of 3 (1 worker and 2 children), which the Congressional Budget Office (CBO) predicts in 1996 will be $12,557. For that year, a worker with 2 children earning $8,500 -- the full-time year round wage at $4.25 an hour -- would receive a tax credit of $3,400 under the 1996 provisions of the EITC -- but still, this tax credit will not be sufficient to raise the family's income above the poverty line in 1996. However, for a worker with 2 children earning $10,000 (the full-time year round wage at $5.00 an hour), the EITC would provide the maximum tax credit ($3,560) and increase their family income to $13,560 -- $1,000 above the projected poverty line in 1996.

According to the Bureau of Labor Statistics, 4.2 million workers paid by the hour earn at or below the minimum wage. An increase in this living wage is a strong response to the stagnant incomes that many of these workers face.

A MODERATE INCREASE IN THE MINIMUM WAGE DOES NOT COST JOBS

The standard criticism of the minimum wage is that it raises employer costs and reduces employment opportunities for teenagers and disadvantaged workers. However, several studies have found that the last two increases in the minimum wage had an insignificant effect on employment. Furthermore, an extension of the time-series studies that had previously been used to claim that raising the minimum wage decreases employment no longer finds a significant impact.

In a recent review of the literature, Professor Richard Freeman of Harvard, a widely respected labor economist, wrote: "At the level of the minimum wage in the late 1980s, moderate legislated increases did not reduce employment and were, if anything, associated with higher employment in some locales."

In discussing the minimum wage, Robert M. Solow, a Nobel laureate in economics at the Massachusetts Institute of Technology, recently told the New York Times, "The main thing about (minimum wage) research is that the evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small."

AMERICANS WANT AN INCREASE IN THE MINIMUM WAGE

A Wall Street Journal/NBC News poll of adults found that raising the minimum wage is "favored by 75% and opposed by only 20%" of respondents. This poll found that support for a minimum wage increase was stronger among blacks (77%), women (78%) and young people (85%, ages 18-34) -- the groups most likely to be affected by an increase. (Wall Street Journal, December 16, 1994)

Despite expected criticism in some corners, the minimum wage has traditionally had bipartisan support. In 1989, the minimum wage increase passed the House by a vote of 382 to 37 (with 135 Republicans voting for the bill), and 89 to 8 in the Senate (with the support of 36 Republicans).

Currently, nine states and the District of Columbia have minimum wages that exceed the Federal minimum wage (Alaska, Connecticut, Hawaii, Iowa, New Jersey, Oregon, Rhode Island, Vermont and Washington). Hawaii's minimum wage is $5.25 an hour; New Jersey's is $5.05.

MAKING WORK PAY -- QUESTIONS AND ANSWERS ON RAISING THE MINIMUM WAGE

With unemployment at its lowest level in 4 years, should we be tinkering with the minimum wage? Won't an increase in the minimum wage hinder the creation of new jobs?

The minimum wage is currently valued at 27% lower in real terms than it was in 1979.

A number of recent studies have found that a moderate rise in the minimum wage has little, if any, effect on job creation starting at such a low level. In fact, "The impact of a minimum wage rise on jobs is small," the New York Times quoted Nobel Laureate Robert Solow as saying. The Times also reported that economists agree that a minimum wage rise will lift the incomes of low wage workers.

Isn't the minimum wage poorly targeted to people in poverty? The Democratic Leadership Council reports that 40% of minimum wage workers are in households with earnings higher than the median worker. Wouldn't a rise in the minimum wage just help middle class teenagers?

Although some people who earn the minimum wage are teenagers, two-thirds are adults age 21 and older. The average minimum wage worker brings home about half of his or her family's earnings. Increasing the minimum wage will help these workers to make up for lost ground due to inflation -- it will help make work pay.

The minimum wage provides a foothold into the middle class. A family with two full-time year round workers would earn $20,000 a year with a $5.00 minimum wage.

Wouldn't a rise in the minimum wage hurt minorities and the disadvantaged due to job loss?

As the New York Times reported, most economists agree that raising the minimum wage increases the incomes of low wage workers, which more than offsets any effect on jobs.

Public support for a minimum wage increase is strong. A Wall Street Journal/NBC News poll found that 75% of adults favored a rise in the minimum wage. Support was strongest among blacks (77%), women (78%) and young workers (85%, ages 18 - 34) -- the groups most likely to earn the minimum wage.

How many workers are affected by a rise in the minimum wage?

More than 4.2 million workers paid by the hour had earnings at or below the minimum wage of $4.25 in 1993.

How can you contemplate a rise in the minimum wage with a new Congress intent on getting government off the backs of business?

The minimum wage has historically enjoyed bipartisan support. Sens. Dole and Kassebaum and Speaker Gingrich voted for the last minimum wage increase to $4.25 an hour in 1989.

Governors across the country are fighting against unfunded mandates. Isn't the minimum wage an unfunded mandate on businesses and states?

The minimum wage is not a new unfunded mandate. In fact, given the erosion of the value of the minimum wage over the last 15 years it is now much less of a mandate on businesses and the public sector than it used to be.

What do you say to all the businesses that will lose profit and possibly go bankrupt if the minimum wage is raised? Aren't you just antagonizing the business community by proposing a minimum wage increase?

Inflation has eroded the minimum wage so much that it is currently at its second lowest level since the 1950s. The economy has been very strong, but wages have not grown as much as they need to for the middle class to keep up.

The Clinton Administration has pursued economic policies to put our fiscal house in order, laying the foundation for the current economic expansion. But the problem is that low-wage and middle class workers have not shared fully in this recovery.

How can President Clinton claim to be a new kind of Democrat when his agenda includes increasing the minimum wage?

The President proposed to increase the minimum wage to make up for inflation during his campaign and in <u>Putting People First.</u>

MAKING WORK PAY -- THE CASE FOR RAISING THE MINIMUM WAGE
TALKING POINTS

Despite the growing economy and the impressive decline in unemployment under the Clinton administration, many Americans are finding it difficult to make ends meet.

- o The unemployment rate stands at 5.4%, the lowest level in 4 years.
- o The help wanted index has been climbing steadily.
- o The average real hourly wage of male high school graduates fell by 19% since 1979, and by 3% for women.
- o A higher minimum wage -- a floor to ensure workers that they're getting a fair deal for their efforts -- provides a foothold into the middle class for hardworking Americans.

The minimum wage is worth less than it used to be. The current minimum wage is $4.25 per hour -- or only $8,500 per year for a full-time year round worker.

- o Adjusted for inflation, the value of the minimum wage has fallen by nearly 50 cents since 1991, and is now 27% lower than it was in 1979.
- o According to a recent study, the fall in the real value of the minimum wage since 1979 accounts for 20% of the rise in the wage inequality for men, and 30% for women.
- o 20% of those living on the minimum wage the last time it was raised in 1991 were in poverty, and an additional 13% were near poverty.

Many adults rely on the minimum wage as a living wage.

- o The last time the US raised the minimum wage -- almost 4 years ago -- that worker brought home half of his or her family's earnings.
- o Two-thirds of minimum wage workers are adults over the age of 21.

Even with the Earned Income Tax Credit (EITC), which President Clinton expanded in 1993, a worker in a full-time year round job earning the minimum wage does not even make enough money to meet the Federal poverty level for a family of 3 (1 worker and 2 children).

- The Congressional Budget Office (CBO) projects that the poverty line for a family of 3 will be $12,557 in 1996. A worker earning the current minimum wage of $4.25 an hour and working full-time year round ($8,500) would receive a tax credit of $3,400 under the 1996 provisions of the EITC. This tax credit is insufficient to raise the family's income above the poverty line in 1996.

- A worker with 2 children earning $10,000 at a full-time year round minimum wage job paying $5.00 an hour will receive the maximum EITC tax credit ($3,560) and increase the family income to $13,560 -- $1,000 above the projected poverty line for 1996.

Americans know a raise in the minimum wage is one way to help make work pay.

- A Wall Street Journal/NBC News poll is favored by a margin of 75% to 20%. Further, a breakout shows support among blacks of 77%, women of 78% and young adults ages 18 to 34 of 85%. These are the groups most affected by an increase in the minimum wage.

Despite current posturing, increasing the minimum wage traditionally garners bipartisan support.

- In 1989, the vote on increasing the minimum wage was 382 to 37 in the House, and 89 to 8 in the Senate.

Currently, 9 states and the District of Columbia have minimum wages that exceed the Federal minimum wage:

- Alaska, Connecticut, Hawaii, Iowa, New Jersey, Oregon, Rhode Island, Vermont and Washington have a higher minimum wage.

- Hawaii's minimum wage is $5.25 an hour; New Jersey's is $5.05.

Appendix Table. Value of the Minimum Wage, 1955-1995

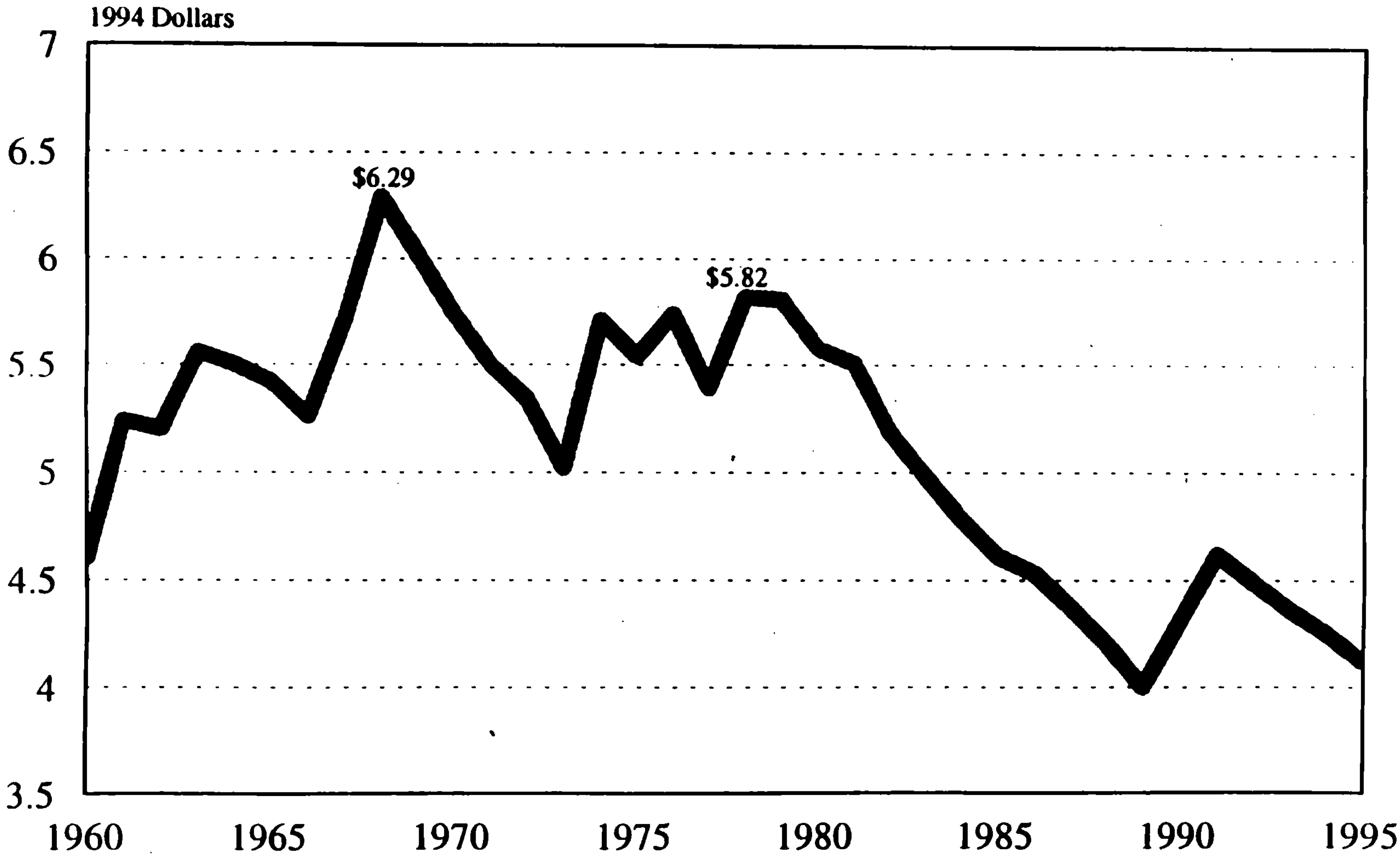
Year	Value of the Minimum Wage, Nominal Dollars	Value of the Minimum Wage, 1995 Dollars*	Minimum Wage as a Percent of the Average Private Nonsupervisory Wage
1955	$0.75	$3.94	43.9%
1956	1.00	5.16	55.6
1957	1.00	5.01	52.9
1958	1.00	4.87	51.3
1959	1.00	4.84	49.5
1960	1.00	4.75	47.8
1961	1.15	5.41	53.7
1962	1.15	5.36	51.8
1963	1.25	5.74	54.8
1964	1.25	5.67	53.0
1965	1.25	5.59	50.8
1966	1.25	5.43	48.8
1967	1.40	5.90	52.2
1968	1.60	6.49	56.1
1969	1.60	6.21	52.6
1970	1.60	5.92	49.5
1971	1.60	5.67	46.4
1972	1.60	5.51	43.2
1973	1.60	5.18	40.6
1974	2.00	5.89	47.2
1975	2.10	5.71	46.4
1976	2.30	5.92	47.3
1977	2.30	5.56	43.8
1978	2.65	6.00	46.6
1979	2.90	5.99	47.1
1980	3.10	5.76	46.5
1981	3.35	5.68	46.2
1982	3.35	5.36	43.6
1983	3.35	5.14	41.8
1984	3.35	4.93	40.3
1985	3.35	4.76	39.1
1986	3.35	4.67	38.2
1987	3.35	4.51	37.3
1988	3.35	4.33	36.1
1989	3.35	4.13	34.7
1990	3.80	4.44	37.9
1991	4.25	4.77	41.1
1992	4.25	4.63	40.2
1993	4.25	4.50	39.2
1994	4.25	4.38	n/a
1995	4.25	4.25	n/a

*Adjusted for inflation using the CPI-U-X1.

Source: Center on Budget and Policy Priorities

The Real Minimum Wage

DRAFT **1960-1995**

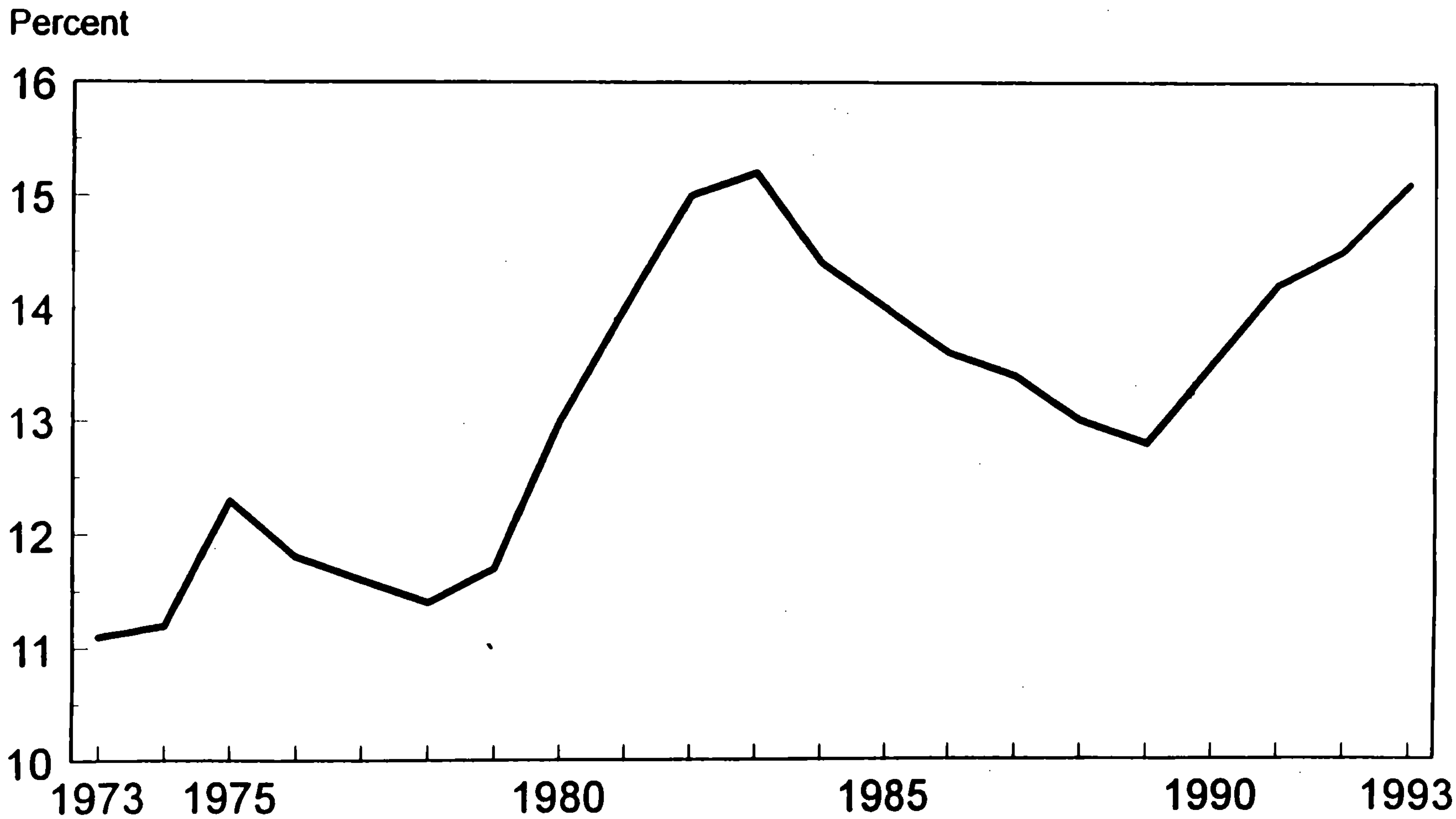


NOTE: Minimum wage is in 1994 CPI-U-X1 Dollars. The inflation rate for 1995 is assumed to be 3.2 percent.

DRAFT

The Poverty Rate has Increased

Poverty Rate: 1973-1993

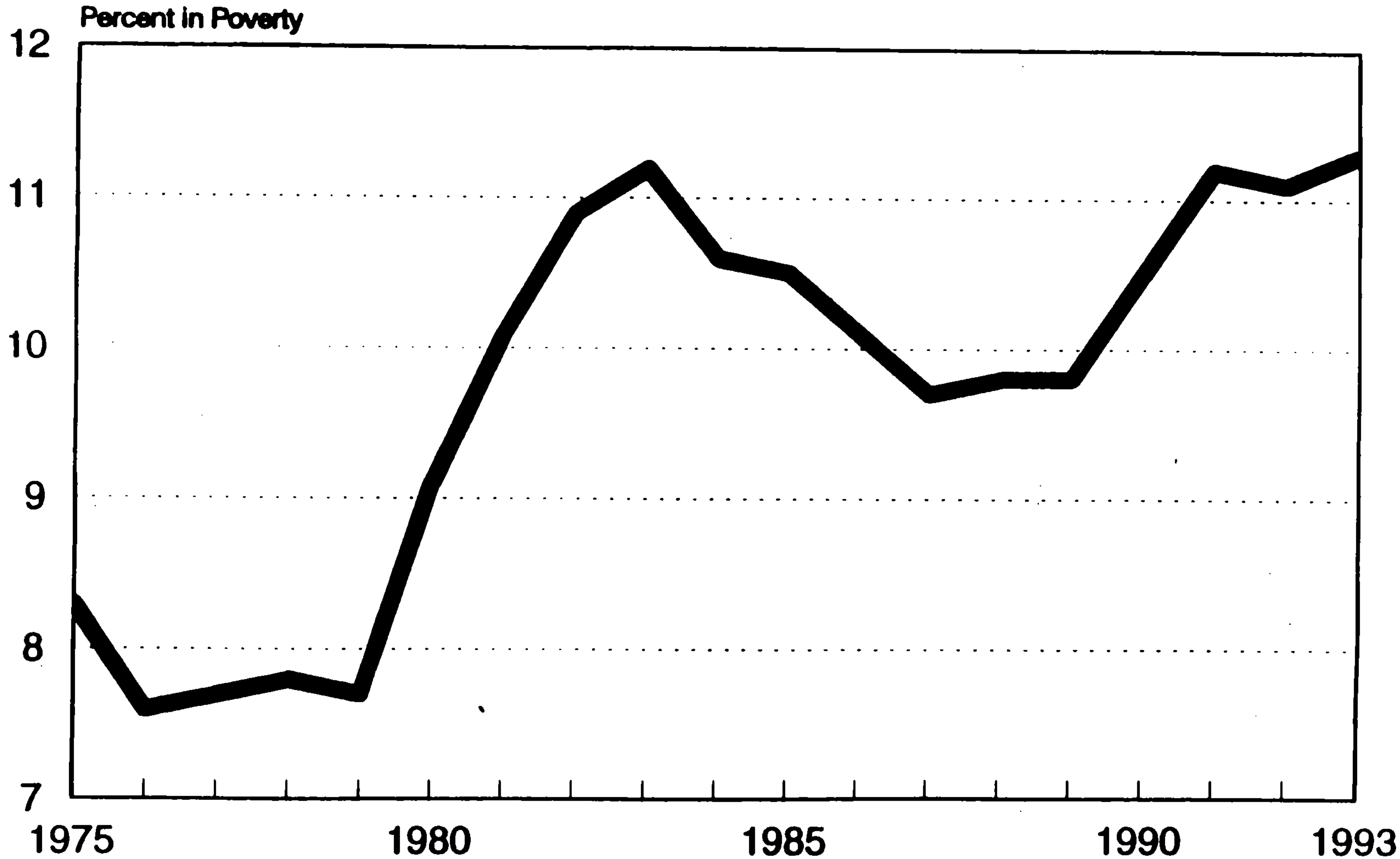


SOURCE: Bureau of the Census, Department of Commerce.

DRAFT

More Working Families are Poor

Percentage of Working Families in Poverty: 1975-1993

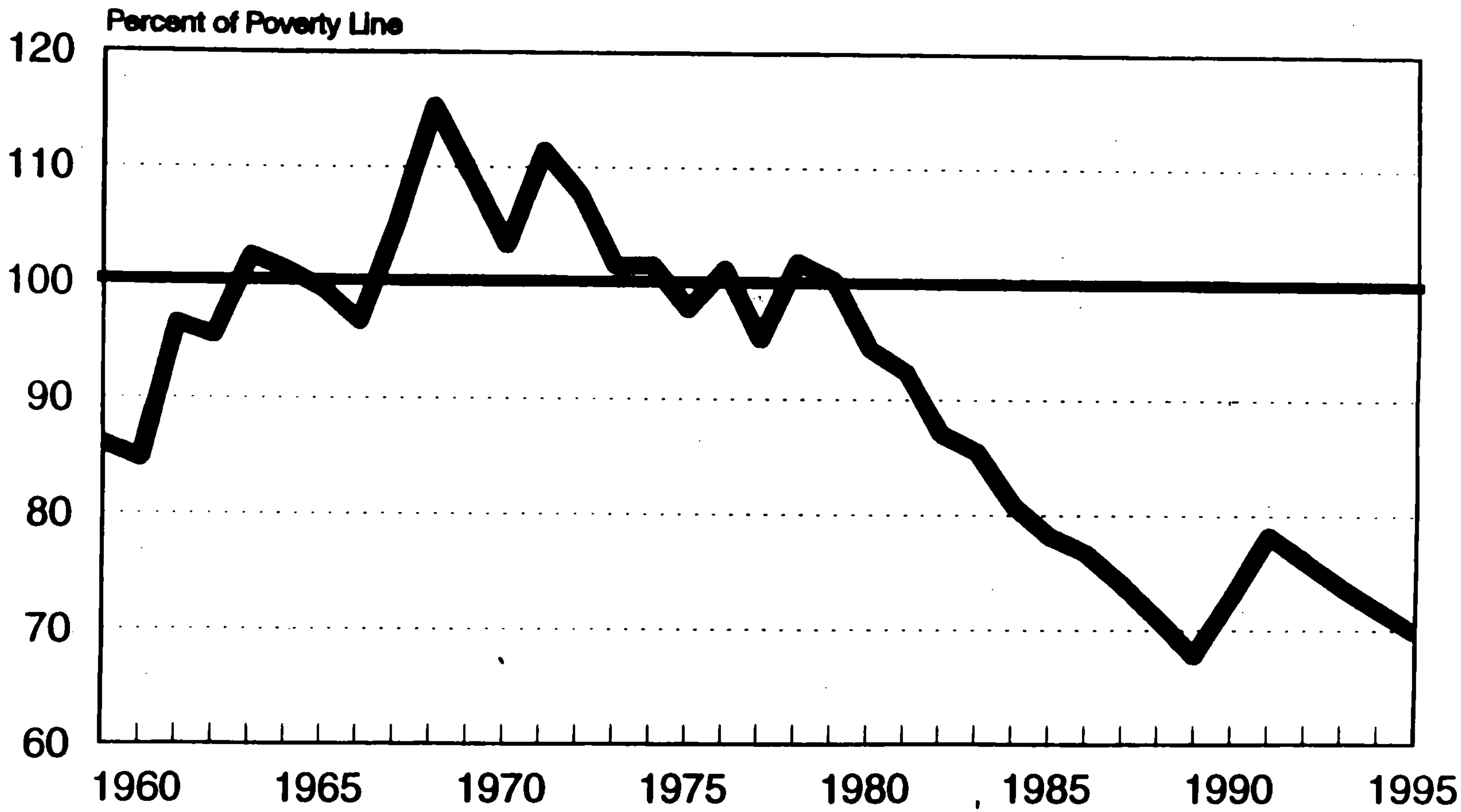


Source: Bureau of the Census, Current Population Survey. A working family is defined as one with children where someone in the household worked.

DRAFT

Minimum Wage Work No Longer Lifts Families Out of Poverty

Annual Earnings at the Minimum Wage as a Percentage of the Poverty Line: 1959-1995



Note: Annual earnings for a family of three with one full-time, year-round minimum wage worker as a percentage of the three-person poverty line. The three-person poverty line for 1994 and 1995 are from Congressional Budget Office projections.

DRAFT

Who was Affected by the Last Minimum Wage Increases:

Distribution by Family Earnings

= will be updated