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MINIMUM WAGE

MINIMUM WAGE

STATEMENT OF ROBERT B. REICH
SECRETARY OF LABOR
BEFORE THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

DECEMBER 15, 1995

Madam Chairwoman and distinguished members of the Committee: I thank you for the opportunity to appear before you today to discuss an issue of great importance to millions of working Americans--the need to restore the eroded buying power of the minimum wage.

As you know, the Administration has long supported an increase in the Federal minimum wage, and indeed such an increase is prominently included with the Administration's current proposal for a balanced Federal budget. This proposal would raise the minimum from its current level of $4.25--a level set by legislation passed in 1989--to $4.70 an hour beginning next July and $5.15 an hour beginning in July 1997.

Today I would like to explain why the Administration gives such priority to this issue, even in the context of historical debates over the proper scale and purpose of government; why the arguments frequently raised against restoring the purchasing power of the minimum wage are unsound, or incomplete or, in some cases, disingenuous; and why--even beyond the economic case for making work pay--there is a compelling moral case for affirming the value of work by ensuring that a full-time worker can earn an escape from poverty.

Making work pay--for every willing worker--is among this Administration's most important goals. That goal remains to be fulfilled. The economy has generated over seven and a half million new jobs since President Clinton took office, a record of which I am enormously proud. Yet last year, even as employment grew, the stock market surged, earnings surged for the most fortunate workers, and inflation was kept in check, America's real median weekly wage actually declined. This represents a long-term trend of rising inequality and stagnant middle-class living standards that we have not yet reversed. Since 1979, 97 percent of the increase in average income has gone to the top one-fifth of households, while the other four-fifths have shared the remaining 3 percent of the income gains. And the least fortunate fraction of Americans have suffered real, significant, sustained declines in their earning power and living standards.

There are many factors behind their worsening fortunes. Part of the explanation lies in increased globalization; part lies in technological change that has reduced the demand for less skilled workers; part lies in the decline in union membership as a proportion of the workforce. But a significant reason why the wages of less-skilled workers have eroded--and as shown in several economic studies an explanation of 20 to 30 percent of rising wage inequality--is the sharp decline of the minimum wage, adjusted for inflation. A person who works full time--40 hours per week, 50 weeks per year --at the current $4.25 Federal minimum wage brings home only $8,500 for an entire year's work. This is just not enough to support a family. The inflation-adjusted value of the Federal minimum wage today is almost 30 percent lower than it was in 1979. The last increase in the Federal minimum wage four years ago has almost completely been repealed by inflation. Unless raised, the real value of the minimum wage will nearly reach a forty-year low.

Millions of low-wage Americans are working long hours, sometimes two shifts, at difficult, dirty, often dangerous jobs, struggling against enormous barriers to earn a better life for themselves and their families. They are janitors, maids, child care workers, waiters, cashiers, garment workers, fast-food cooks, assemblers, and gas station attendants, doing what needs to be done to make our economy function. These indispensable workers are working harder than ever before and playing by the rules, but are still barely making it financially. These are people who, despite their best efforts, are sometimes dangerously close to having to go on welfare. These are people who hope their kids don't get sick, that their rent or utility bills don't go up, because they don't have an inch of financial slack.

The most accurate measure of the gap between today's reality and our hope--not just our hope, but our moral commitment--to make work pay is this: over 11 percent of <u>working</u> families with children live today below the poverty line, up from around 7.5 percent as recently as the late 1970's.

I report these facts with considerable disappointment. The United States should be able to do a better job of affirming the value of work and rewarding those who take responsibility for improving their fate. Our agenda for making work pay is very far from complete. Yet making reasonable progress on this agenda <u>should</u>, it seems to me, summon bipartisan resolve. The values at stake are ones we all share.

One step towards embodying in policy our values about work--not a sufficient step, to be sure, but certainly necessary--is restoring the minimum wage as a bulwark against poverty, and rendering it a <u>liveable</u> wage. If we are serious about getting people off of welfare and into work, it is a necessary precondition that work pay a livable wage.

In February, President Clinton called for increasing the Federal minimum wage in two annual $.45 increments from the current $4.25 an hour to $5.15 an hour, and he has reiterated this call in his current budget proposal. When he called on Congress to enact his proposal, the President said that "if we really honor work, anyone who takes responsibility to work full time should be able to support a family and live in dignity." If Congress acts to restore the minimum wage, it can help lift the lives of nearly eleven million Americans who currently earn between $4.25 and $5.14 an hour.

Not everyone agrees with this assessment, to be sure. Much effort has been devoted to dismissing the need for a liveable wage, and I would be remiss if I did not address today some of the arguments that have been raised in opposition to the Administration's proposal. Earlier this year there was a brief campaign on the part of some to deny the rise in inequality and the collapse in low-skilled workers earning power, and hence to undercut the main rationale for a minimum wage increase. But as the evidence affirming the trend has continued to accumulate, and as such voices as Federal Reserve Board Chairman Alan Greenspan--not normally known as a reckless egalitarian--have expressed concern about the growth in inequality, claims that there is no low-wage problem to be solved have mostly faded away.

But while few any longer argue that there's no <u>problem</u>, some still claim that there is no <u>solution</u>. The forces behind growing income inequality, some say, are simply beyond America's capacity to defeat or deflect. Any attempt to escape the inevitable, by this view, are doomed to do more harm than good. In particular, there is a sizable industry grown up to advance the proposition that a higher minimum wage would actually be bad for working people.

It is frequently argued that the typical minimum-wage worker is a teenager from a prosperous family working part-time to buy a better stereo for his or her dorm room. If this were true, I agree, the moral case for a minimum-wage increase would be considerably diminished. But this stereotype is illusory. Only one in ten minimum-wage workers is a teenage student from a family with an above-average income. The typical worker who would be affected by the President's proposal brings home fully half of his or her family's earnings. Over 40 percent are from families in the bottom one-fifth of the earnings distribution. A minimum-wage increase of ninety cents an hour--which translates to a $1,800 raise for a full-time, year-round minimum wage worker--is by no means a trivial sum for a low-income family struggling to make ends meet. Sixty-two percent of workers paid the minimum wage or less are women, many of whom cycle on and off welfare primarily because of the precarious economic security of minimum wage jobs.

A second argument is that any increase in the minimum wage would instantly render many workers unemployable, since employers would be forced to pay them more than they are worth. At some level, to be sure, a higher minimum wage would lead to large-scale job loss. But both theory and experience identify that point as far beyond the level the Administration is proposing. Recall that the current minimum wage is substantially below its historical level, and inflation continues to erode it. Not even the Administration's proposal would restore the minimum wage at its worth of two decades ago.

More than a dozen independent studies have shown that moderate minimum wage increases, of the scale the Administration has called for, have little or no impact on employment levels. One of those studies was done by two Princeton professors: David Card, who was honored last year with the most prestigious economics prize short of the Nobel, and Alan Krueger, who served for a year as the Labor Department's chief economist. Their study found that a moderate 1992 increase in New Jersey's minimum wage did not have a detectable impact on employment in the state's fast-food industry. Some of you may recall a study by David Neumark of Michigan State University and William Wascher of the Federal Reserve Board that purported to refute the Card-Krueger study, and that was released with a great public-relations campaign earlier this year. Neumark and Wascher's original study relied on data supplied by an organization funded by the fast food industry. When the analysts sought to strengthen their case by gathering their own data and using it instead of the industry-supplied evidence, they found the same result as Card and Krueger: the minimum wage increase caused no measurable job loss. (Interestingly, the industry is much quieter about this revised study than it was about the previous version.)

A third argument--sometimes made by those whose concern for minority workers is not ordinarily conspicuous--is that raising the minimum wage hurts minorities. True enough, African-Americans and Hispanics are more heavily represented in the minimum wage workforce than they are in the workforce at large.

How might they be hurt, rather than helped, by a minimum-wage increase? In fact, minorities would be affected about the same as any minimum-wage workers. Even based on the most extreme of the responsible estimates of the impact on employment levels, for every minority worker who lost a job, a great many more would get a raise, and the total earnings of the low-wage minority workforce would increase in a wide range of sectors.

In sum, the economic arguments against a moderate minimum-wage increase are misleading, or feeble, or both. Earlier this fall a distinguished group of 101 economists--including three Nobel prizewinners--released a statement endorsing a minimum-wage increase of the scale the Administration has proposed. The group declared that a 90-cent increase over two years "falls within the range of alternatives where the overall effects on the labor market, affected workers, and the economy would be positive."

If economic reasoning permits a minimum wage increase, moral reasoning requires it. We cannot credibly pass on to our children the American ethic of work and its reward while witnessing the ongoing spectacle of millions of citizens laboring without any prospect of a decent reward. The American public instinctively grasps this truth. In poll after poll, huge majorities favor increasing the minimum wage, making it a liveable wage.

And a long-standing bipartisan consensus has mirrored, within Congress, this popular conviction that work should be rewarded. In 1989, large majorities of both parties voted for a minimum-wage increase of the same size as is now recommended by the Administration. The House vote was 382 to 37 in favor, and in the Senate the vote was 89 to 8 in favor--with those supporting an increase including yourself, Madam Chairwoman. Senator Dole said at the time, "This is not an issue where we ought to be standing and holding up anybody's getting a 30 to 40 cents an hour pay increase, at the same time that we're talking about capital gains. I never thought the Republican Party should stand for squeezing every last nickel from the minimum wage." Now it is 1995. Senator Dole's party is once again promoting a capital gains tax, and the real value of the minimum wage is declining to below what it was in 1989, when majorities of both parties recognized it was too low.

In light of this history, I am hopeful that today the deeply shared sentiment for affirming the value of work will overcome our current politically charged climate, and lead Congress to embrace as its own the President's proposal to restore the minimum wage.

Among the American values that transcend partisanship is the moral worth of work. Work ennobles. Work gives meaning. Work should be rewarded. Today's inflation-eroded minimum wage betrays that ethical imperative. It is within the power of

Congress to repair this neglect and affirm the value of work by making the minimum wage once again a liveable wage for hard-working people. I ask you to lend your support to the President's proposal for a responsible increase in the minimum wage.

This concludes my prepared remarks. I would be glad to respond to any questions.

Making Work Pay
The Case for Raising the Minimum Wage

U.S. Department of Labor
Robert B. Reich, Secretary
March 1995

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 is running at its lowest level in years, and the help wanted index is significantly higher than it was just one year ago. 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 (1995 dollars).

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.

In 1993, the president expanded the Earned Income Tax Credit (EITC), which raised income for 15 million households, helping many working families move above the poverty line. Yet to complete the goal of insuring that full-time working families are out of poverty, we need to raise the minimum wage. The Congressional Budget Office (CBO) predicts that in 1996, the poverty line for a family of 4 will be $16,092. A family of 4 with one worker earning $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, will collect food stamps worth $3,516, and will pay $650 in payroll taxes. This family would fall $1,300 short of the poverty line. On the other hand, for a family of 4 with one worker earning $10,300 (full-time year round worker at $5.15 per hour), the EITC would provide the maximum tax credit ($3,560), food stamps would provide $2,876, and they would pay $788 in payroll taxes. The increase in the minimum wage -- along with EITC and food stamps -- would lift the family out of poverty.

According to the Bureau of Labor Statistics, 4.1 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

The American public supports increasing the minimum wage by a solid margin. A national poll conducted in January 1995 for the Los Angeles Times found that 72% of Americans backed an increase in the wage, confirming a December 1994 Wall Street Journal/NBC News survey that found raising the minimum wage is favored by 75%. Nearly every survey finds overwhelming support for raising the minimum wage.

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.

The Minimum Wage
Myth and Reality

The federal minimum wage now stands at $4.25 per hour. A person who works full time all year long at that wage earns only $8500 in a year. The buying power of the minimum wage is already 27 percent lower than in 1979 -- and if left unchanged, will be at its lowest point in 40 years by 1996. To restore that buying power and to make work pay, the President has challenged Congress to raise the minimum wage.

But the debate has already been muddied by several myths that anti-minimum wage forces repeat at every opportunity.

Myth: The only Americans working for the minimum wage are teenagers.

Reality: 63 percent of minimum-wage workers are adults age 20 or over. (Source: Bureau of Labor Statistics)

Myth: Minimum wage workers don't support families.

Reality: The last time the federal minimum wage was increased, the average minimum wage worker brought home 51 percent of his or her family's weekly earnings. (Source: Analysis of Census Bureau's Current Population Survey by Professors David Card and Alan Krueger)

Myth: Raising the minimum wage hurts the poor by causing job loss.

Reality: Nearly 11 million working Americans would get a pay raise if the minimum wage is increased to $5.15 per hour. As Nobel Prize-winning economist Robert Solow said, "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small." (Source: *New York Times*, January 12, 1995)

Myth: The only study showing that raising the minimum wage does not cost jobs was a study funded by the U.S. Labor Department.

Reality: One major study -- conducted in 1992 and financed by Princeton University and the University of Wisconsin -- was published by two Princeton University economists. One of those economists later joined the Labor Department. (Source: *Washington Post*, January 11, 1995) Furthermore, a similar conclusion has been reached by at least ten other independent studies.

Myth: Raising the minimum wage will have a negligible impact on people's lives.

Reality: A 90-cent per hour increase in the minimum wage means an additional $1,800 for a minimum wage earner who works full-time, year round -- as much as the average family spends on groceries in over 7 months. (Source: Bureau of Labor Statistics)

Myth: Increasing the minimum wage has always been a bitter, partisan issue that only Democrats have supported.

Reality: In 1989, the last time the minimum wage was increased, the House of Representatives vote in favor of the proposal was 382 to 37, and the Senate vote was 89 to 8. Indeed, Senator Dole said at the time, "[T]his is not an issue where we ought to be standing and holding up anybody's getting a 30 to 40 cents an hour pay increase, at the same time that we're talking about capital gains. I never thought the Republican Party should stand for squeezing every last nickel from the minimum wage." (Source: *Congressional Quarterly Almanac 1989*)

Making Work Pay
Questions and Answers on Raising the Minimum Wage

With unemployment at its lowest level in 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 a number 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 $20,600 a year with a $5.15 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. Further, studies of minimum wage increases fail to show disproportionate impacts for minority youth.

Additionally, public support for a minimum wage increase is strong. A January 1995 Los Angeles Times poll found that 72% of Americans back an increase, confirming a December 1994 Wall Street Journal/NBC News poll that found that 75% of adults favored a rise in the minimum wage.

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

More than 4.1 million workers paid by the hour had earnings at or below the minimum wage of $4.25 in 1994.

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, Speaker Gingrich and Rep. Goodling 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 say they 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.

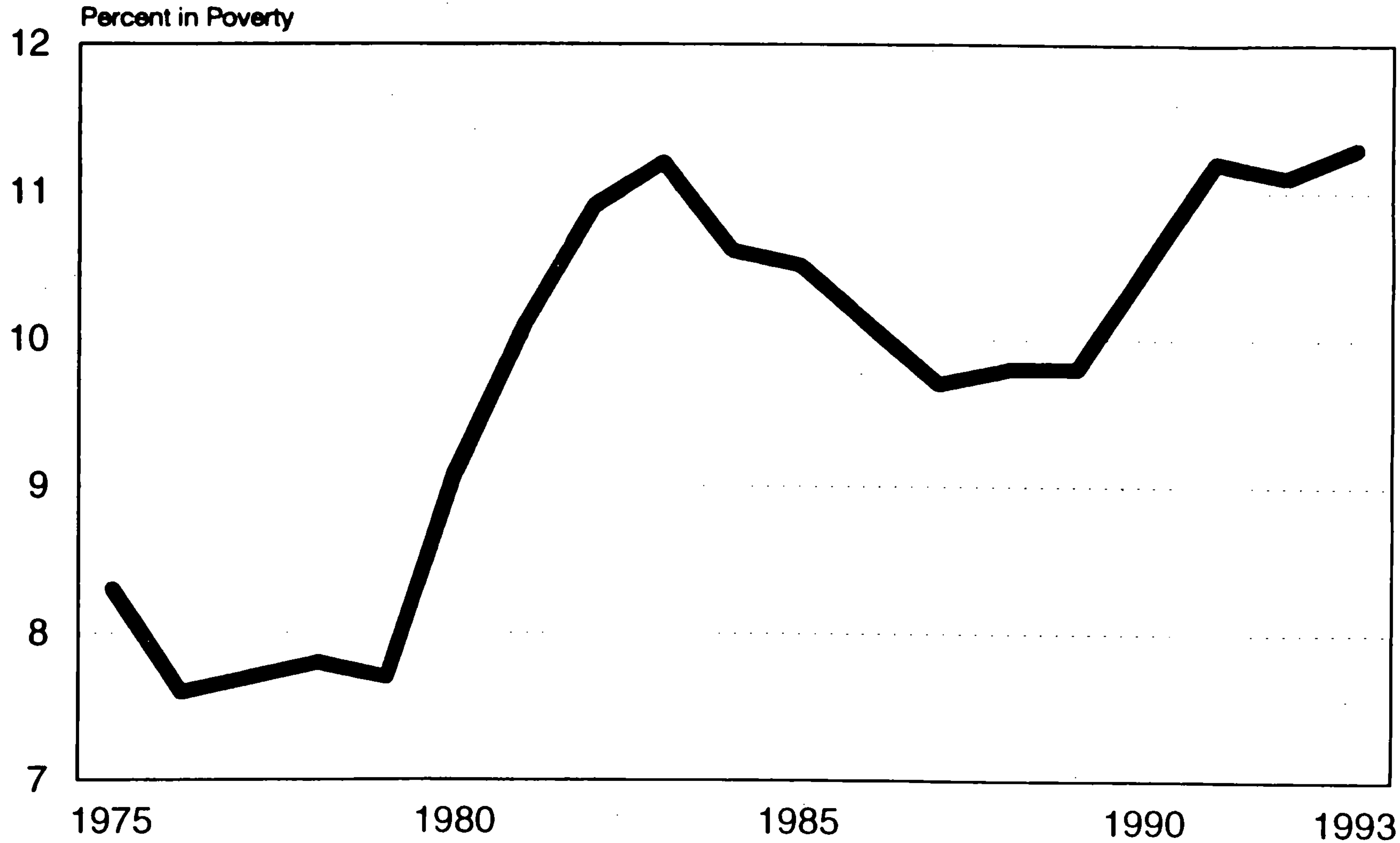
The Clinton Administration has pursued economic policies to put our fiscal house in order, laying the foundation for the current economic expansion. But the problem is that low-wage and middle class workers have not shared fully in this recovery.

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 Putting People First.

More Working Families are Poor

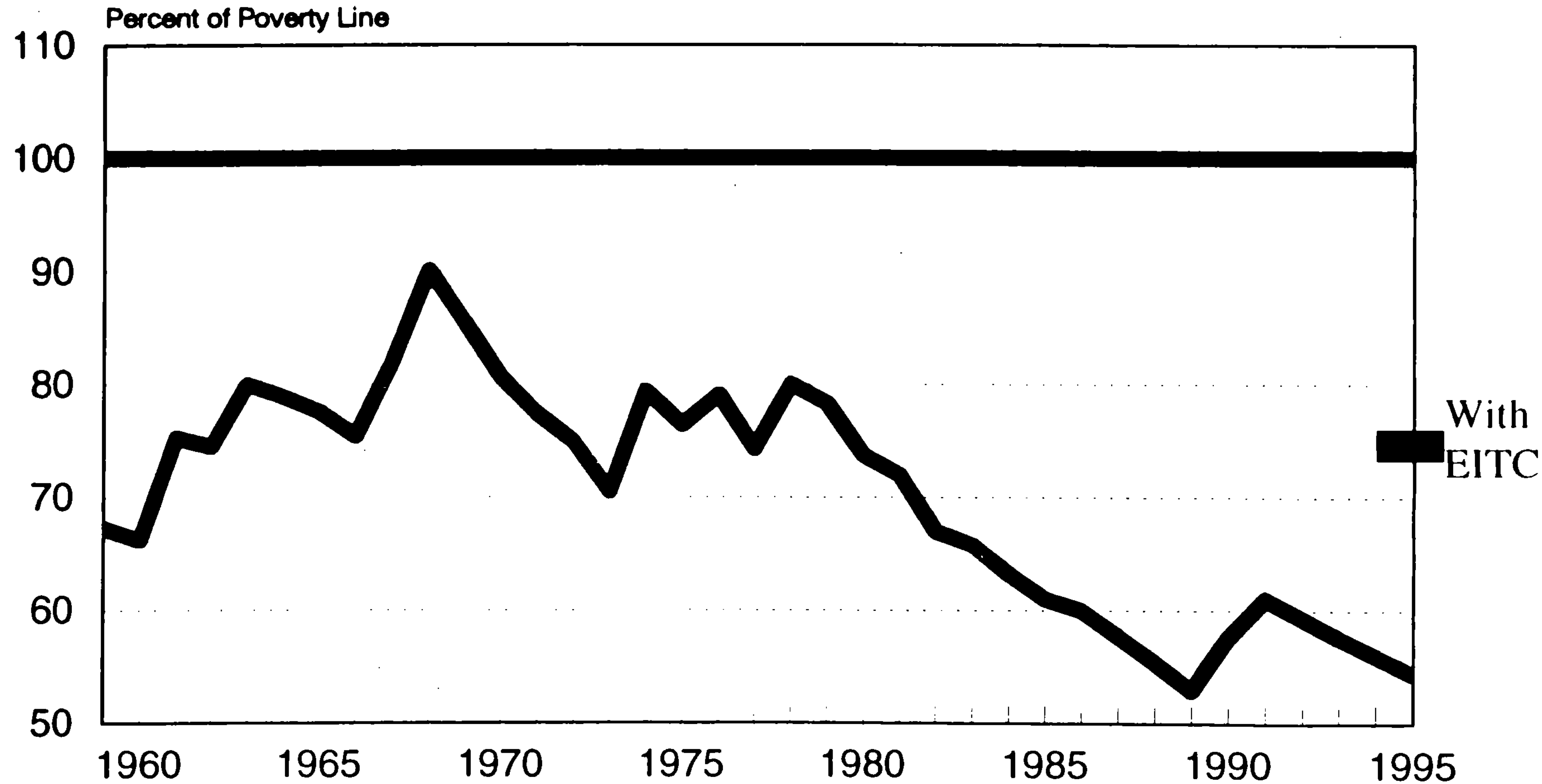
Percentage of Working Families in Poverty: 1975-1993



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

Minimum Wage Work Does Not Lift Families Out of Poverty

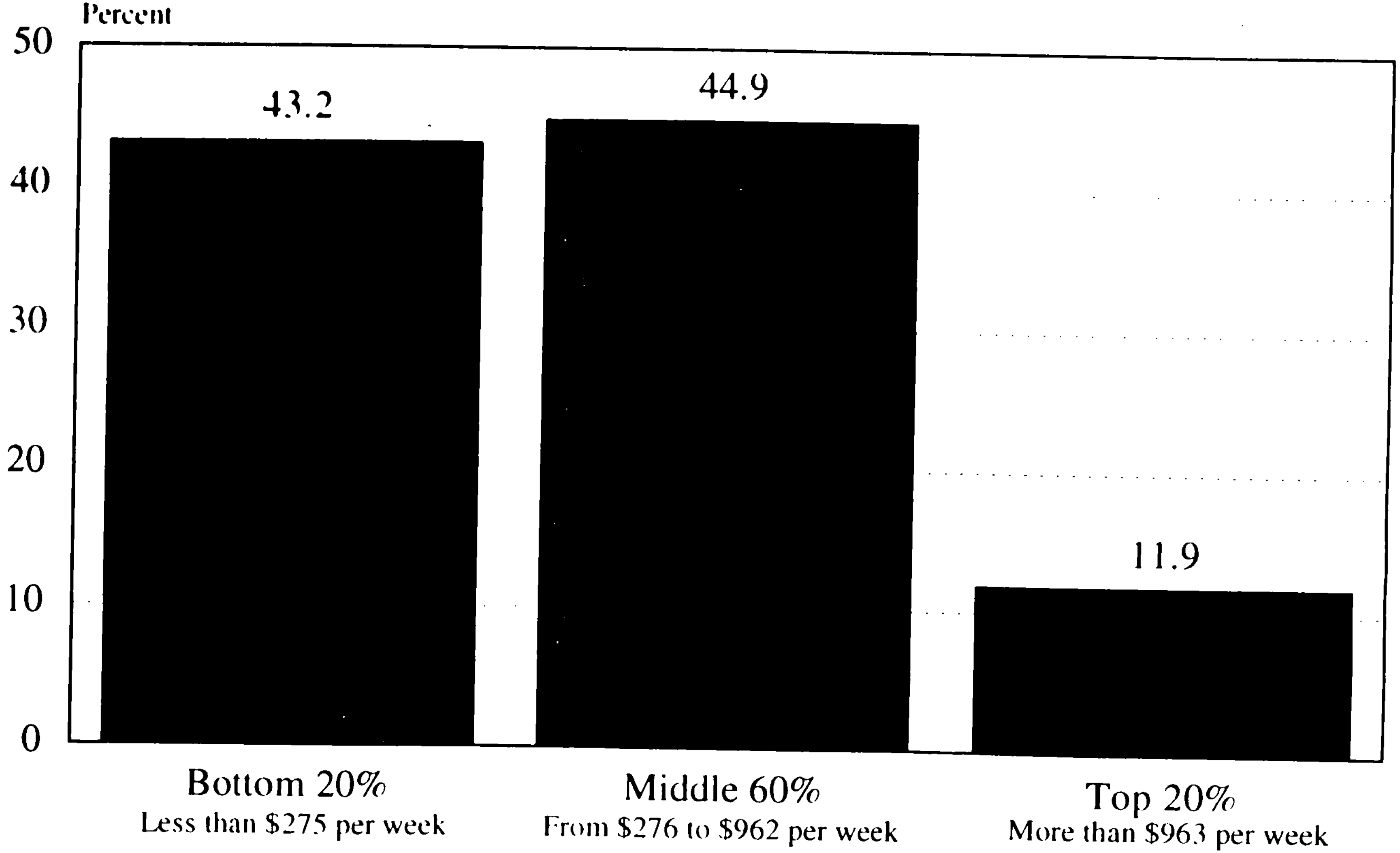
Annual Earnings at the Minimum Wage as a Percentage of the Poverty Line: 1959-1995



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

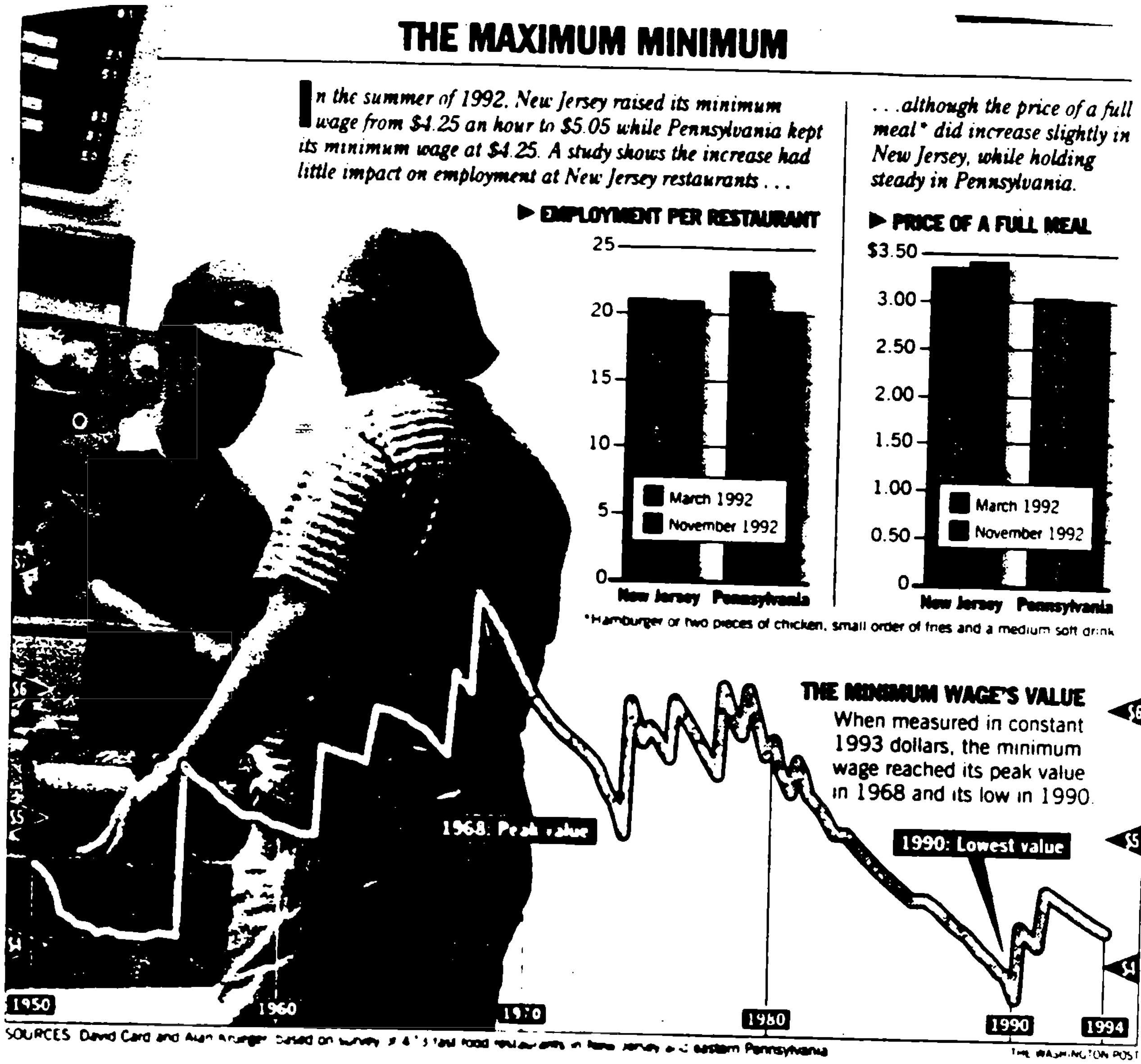
Who was Affected by the Last Minimum Wage Increase

Distribution by Family Earnings



Source: Card and Krueger (1995)

WASHINGTON POST
JANUARY 11, 1995



The Sages, Rethinking Wages

A New Study Challenges the Notion That Raising the Pay Floor Costs Jobs

By Steven Pearlstein
Washington Post Staff Writer

President Clinton's consideration of a hike in the minimum wage rekindles an old Washington debate between Democratic politicians, who think it a good way to help the poor, and economists, who hold a near-religious conviction that the minimum wage robs the economy of income and jobs.

Now comes new research by a group of young economists that finds that the politicians may be right after all.

It is one of the bedrock principles of economic theory that any time you raise the price of something—in this case the price of low-skilled labor—then demand for it will fall. The theory does not predict how much it will fall, but various studies, relying on broad employment data, have shown that a 25 percent increase in the minimum wage—it's now $4.25 an hour—would cost anywhere from half a million to 2 million jobs.

To test that theory, economists David Card and Alan Krueger of Princeton University and Lawrence Katz of Harvard University did something unusual in their profession—they talked to businesses.

In the most compelling study, Card and Krueger surveyed 437 fast-food restaurants in New Jersey and nearby eastern Pennsylvania in the spring of 1992, at a time when New Jersey was raising the state's minimum wage. If economic theory was right and a higher minimum wage really resulted in lower employment, they reasoned, then the New Jersey restaurants should see a decline in fast-food employment relative to whatever was going on across the Delaware.

As the accompanying chart shows, however, it didn't work out quite that way—the average hamburger joint in Jersey actually added employees while in Pennsylvania things remained unchanged.

To pay for the increased cost, Card and Krueger found, the New Jersey restaurants apparently turned in part to their

See WAGES, D3, Col. 4

1

Study Challenges Theory on Minimum Wage

WAGES, From D1

customers, raising prices for the most popular items on the menu. But contrary to economic theory, there was no evidence that the minor price increase drove customers away.

The Card-Krueger-Katz findings have now caused a minor furor in the field of labor economics, at least in part because Krueger, and before him Katz, serve as the top economist at the Clinton Labor Department.

At a panel discussion on the topic last weekend at the annual meeting of the American Economic Association, critics said the focus on fast-food workers was too narrow and the follow-up survey was done too quickly, before the job losses were likely to occur.

But even those who don't quite accept the conclusion that the minimum wage has no employment impact concede that the effect may be less than was once thought.

Brookings Institution economist Gary Burtless, for example, noted that during the 1980s teenage employment lagged behind the rest of the economy despite a minimum wage that drifted downward in inflation-adjusted dollars. If a higher minimum wage robs young people of jobs, he asked yesterday, why didn't a decline in the rate spur youth employment?

"Anyone who says we are as sure as we used to be about the job losses just isn't being honest," said David Neumark, a University of Michigan economist who has published several critiques of the Card-Krueger-Katz work.

But while much of the public debate focuses on the net number of jobs that might be at stake in a hike in the minimum wage, there is near-universal concern among economists about who wins and who loses if the wage goes up.

One traditional argument is that almost all the income benefits of a higher minimum wage go to teenagers working in middle-class families. Krueger and Card try to knock down this criticism, but even their data indicate that only about a third of workers affected come from households at or near the poverty line.

There is also evidence that a rising minimum wage encourages employers to "trade up," dropping low-skilled employees for those with higher skills or more energy who offer greater productivity. Texas A&M economist Finish Welch, for example, found that the last time the minimum wage was raised, employment growth lagged noticeably among the young, Hispanics, high school dropouts—exactly the low-skilled workers the minimum wage is supposed to help.

And in his own research, Neumark finds that a significantly higher minimum wage induces a small but troubling percentage of the nation's high school students to drop out and join the labor force.

Robert Shapiro, vice president of the Progressive Policy Institute, a centrist think tank, has said minimum wage laws have little impact on large portions of the underclass, including many seasonal workers, the self-employed and the unemployed. And to the extent the minimum wage leads firms to raise the price of their goods—such as a Big Mac or a cheap polyester blouse—Shapiro fears that it may well wind up reducing the purchasing power of the poor in particular.

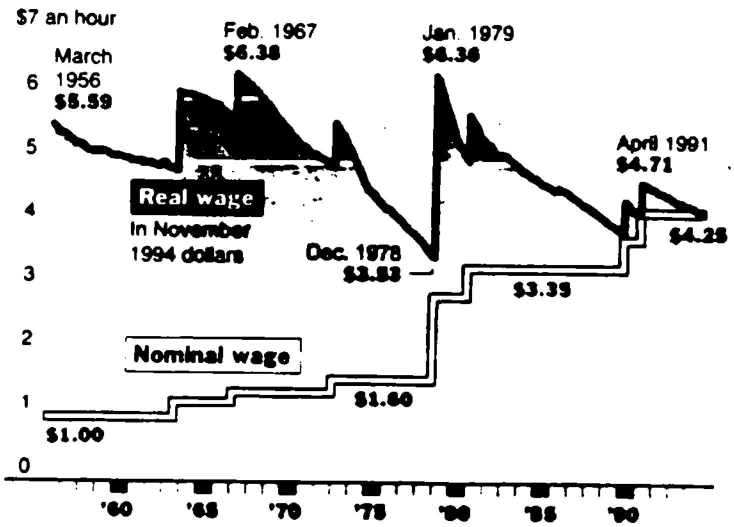
"The notion that the minimum wage destroys jobs is vastly exaggerated," said Shapiro, once a Clinton adviser. "But as a way of helping low-income people, it is very badly targeted."

NEW YORK TIMES

JAN 1 2 1995

What the Lowest-Paid Are Paid

The Federal minimum wage in nominal terms and in terms of today's money. Job categories covered by the minimum have varied over the years; some states set higher minimums. Figures are plotted monthly and are adjusted for inflation based on the consumer price index (seasonally adjusted starting in 1972).



Source: Datastream

The New York Times

Minimum Wage and Jobs

Economists Are Finding a Smaller Threat Of Dismissals After Legislated Pay Rises

By LOUIS UCHITELLE

News Analysis

The Clinton Administration, which appears to be advocating a higher minimum wage as one of its major policy objectives, is doing so at a time when most economists find less damage from raising the minimum wage than they once did.

A chief argument against raising the minimum wage among both economists and politicians is the fear of job losses. The threat is that employers will dismiss thousands of workers on the ground that they lack the skills to be worth more than the minimum wage, which is $4.25 an hour. But nearly all these estimates of job losses have shrunk as research continues.

"The main thing about this research is that the evidence of job loss is weak," said Robert M. Solow, a Nobel laureate in economics at the Massachusetts Institute of Technology. "And the fact that the evidence is weak suggests that the impact on jobs is small."

That does not quiet the debate. The new Republican leaders in Congress have vowed to reject any bill to raise the minimum wage, invoking the prospect of job losses as the chief reason. Representative Dick Armey of Texas, House majority leader, said last week that he not only opposed an increase in the minimum wage but would also like to repeal the law.

Still, Vice President Al Gore and the House minority leader, Richard A. Gephardt of Missouri, in recent appearances have publicly supported a higher minimum wage. President Clinton may endorse the move this week or next. He said yesterday that he was awaiting a recommendation from his advisers.

"Lifting the minimum wage is one of several major initiatives designed to lift the wages of all working Americans," a senior Administration official said. He ranked its importance with the President's recent tax cut proposals for middle-income families.

For all the political controversy surrounding the minimum wage, economists who study the issue have managed to agree on several key findings. These agreements help to explain why the minimum wage debate, as Mr. Gephardt put it, has become "a metaphor for the differences between Democrats and Republicans."

Contrary to popular wisdom, for example, economists have found that only one-third of the roughly four million minimum-wage earners are teen-agers. The rest are adults over 25, a significant number of whom — some say as many as 45 percent — provide nearly half of their families' incomes. Raising the minimum by 75 cents an hour, the amount under discussion in the Administration, would bring a gain in living standards, but only for those who do not lose their jobs.

Economists have also found that raising the minimum wage produces a net gain in total income. That is, the total income growth for minimum-wage workers who keep their jobs exceeds the income lost by those who lose theirs.

The gains in income, for some economists and politicians, can thus outweigh the loss in jobs. "If your objective is to make work pay well enough so that it takes fewer wage earners in a family to keep the family out of poverty, then raising the minimum wage is a worthy goal," said Henry J. Aaron, an economist at the Brookings Institution.

That is a goal mentioned by Administration officials. But for many Republicans and for Finis Welch, a labor economist at Texas A & M University, saving jobs should be the higher priority. "We are in effect telling unskilled people that if they are not worth the wages we set, they cannot work," said Mr. Welch, who added that he believed most employers would do little to train low-skilled workers so they could become more valuable and eventually worth the higher minimum wage.

Continued on Page D19

more

7

min. Wage 2...

But Mr. Welch and other economists agree that a higher minimum wage tends to lure people out of idleness and into jobs by making work more valuable than, say, the alternative of government welfare programs. As a result, the cost of low-income workers shifts a bit to business from the public sector.

Finally, there is agreement that a higher minimum wage has a ripple effect, pushing up wages for those earning up to 50 cents above the old minimum. More than 5.5 million workers, or nearly 5 percent of the workforce, receive wages within 50 cents of the minimum, which rose to $4.25 in 1991 from $3.80. That's one reason, among several, that business regularly opposes increases in the minimum wage.

Yet the principal battle cry against raising the minimum wage — job losses — is no longer as powerful an argument as it once was. A decade ago, most studies concluded that 1 percent or more of all minimum wage workers lost their jobs for each 10 percent increase in the minimum wage. The most recent studies put the job losses at less than 1 percent, or roughly 40,000 people if Congress were to increase the current minimum by 75 cents, a jump of nearly 18 percent.

Some studies go even further. Two Princeton University economists, David Card and Alan Krueger, contend that there is little evidence of any job loss at all from increasing the minimum wage. Mr. Krueger recently became chief economist at the Labor Department, where he is an adviser to Robert B. Reich, the Secretary of Labor and a principal advocate within the Clinton Administration of lifting wages at the low end of the job ladder.

By contrast, Professor Welch at Texas A & M insists that the traditional view about job loss is still correct. His new study, done with two colleagues, Donald Deere of Texas A & M and Kevin M. Murphy of the University of Chicago, was made public last Sunday at the annual meeting of the American Economic Association in Washington. It estimated that each 10 percent rise in the minimum wage between 1989 and 1991 produced job losses of at least 1 percent of all minimum wage workers, or roughly 60,000 people if the minimum is raised by 75 cents.

Alone among the most recent studies, said Charles Brown, a University of Michigan labor economist, "the Welch findings go back to an older thesis that there was a bigger job impact when the minimum wage rose."

President Clinton promised, during the 1992 election campaign, to raise the minimum wage. But he took no action while he pursued a health insurance bill. Now Administration officials argue that raising the minimum, which has lost a third of its purchasing power since 1979, would help narrow the wage gap between low- and middle-income workers.

Professor Solow of M.I.T. agrees. "When the minimum wage has deteriorated so much in purchasing power," he said, "there are probably enough people who would be worth the higher wage and would not lose their jobs."

Estimates of job losses from higher minimum pay are reduced.

8

The New York Times
Jan 26, 1995

A Proposal Worth Fighting For

On three separate occasions during his State of the Union address, President Clinton declared that he and the Republicans must work to "build the middle class and shrink the underclass." He said too many Americans had been left behind by the economy's recovery, and he offered several remedies. One was new — raising the minimum wage. One was old — cutting taxes on the middle class. The others consisted mainly of limp warnings to Republicans not to pass irresponsible welfare programs or constitutional amendments.

The minimum-wage proposal is worth fighting for. It would fulfill the President's campaign pledge to make work pay — by which he meant that full-time workers should earn enough to raise their families out of poverty. Mr Clinton said he would let Congress write a minimum-wage bill and decide how much the rate should be raised, a strategy reaffirmed by his aides today. He needs to be more assertive and shoot for a $5-an-hour minimum.

He reaffirmed an earlier pledge to trim taxes on the middle class while warning that he would reject a tax cut that "explodes the deficit." He was less forthright on other issues. He opposed punitive welfare reform, but did not threaten to veto a G.O.P. attempt to strip welfare programs of the guarantee that Congress would provide money to serve every eligible family. Mr. Clinton said he would fight a balanced-budget amendment but, oddly, he did not reject outright an idea he knows is rancid.

Some Administration officials have recommended raising the minimum wage from $4.25 an hour to $5. At that level, a fully employed parent of two children would earn almost $10,500, and could also qualify for a tax credit — in effect a cash rebate — of up to $3,500 and food stamps worth about $3,000. After subtracting payroll taxes, the family would keep about $16,000 — enough to lift it out of poverty.

The G.O.P. objects because higher wages, it says, threaten to strip low-wage workers of their jobs. The evidence is mixed, but most research shows that employment effects are small, perhaps trivial. Research also shows that most minimum-wage workers are adults, not teen-agers. Nor can Washington achieve the same end by boosting the tax credit alone; the complexity of this credit creates a strong disincentive to work at higher wages.

Sadly, the Republicans seem viscerally opposed to Mr. Clinton's proposal — even though his small hike would leave minimum wages, after accounting for inflation, well below levels that prevailed in the 1970's.

Though Mr. Clinton drew few sharp lines Tuesday night, fudging on the balanced budget amendment and on the G.O.P.'s welfare bills, he scored a rhetorical hit on the minimum wage — pointing out that his audience earned more in a month than minimum-wage workers earn in a year.

USA TODAY JAN 1 8 1995

Raise minimum wage, give workers a fair shake

OUR VIEW People willing to work shouldn't have to supplement their wages with welfare.

Question: What do you call a family living on the minimum wage?

Answer: Miracle workers. Because the minimum wage isn't enough for a family to live on.

At $4.25 an hour, the current minimum wage is $2.09 an hour less than what a family of four needs to reach the poverty cutoff. It's 27 cents less than what is needed to support a mother and child.

Now, the Clinton administration may try to change that absurd situation. In an attempt to cast itself on the side of common working people, the White House has floated trial balloons about increasing the minimum wage by as much as $1 an hour and then indexing it to inflation.

Republicans, such as House Majority Leader Richard Armey and Senate Labor Committee chairman Nancy Kassebaum, playing to the business lunch set, say any such proposal is Dead on Arrival. Some would do away with the minimum wage entirely, saying it prices teens and other low-skill workers out of the labor market.

A hike in the minimum wage in the midst of recession might do just that. That's why putting it on automatic pilot by indexing it to inflation would be a mistake.

But otherwise, GOP lawmakers should stop preaching tax breaks for the rich and give some help to poor working stiffs.

Increasing the minimum wage now, during an economic expansion, can help increase wage fairness and lift poor families from poverty.

That was the basis for a minimum wage to begin with. The first minimum wage law set a 25-cent an hour wage in 1938 in order to provide "a minimum standard of living necessary for health, efficiency and general well-being for workers."

And for most of the next four decades, the minimum wage provided that floor to earnings, as Congress raised it a dozen times — once every three or four years — to keep up with inflation.

But then came the Reagan revolution. From 1979 to 1989, the wage was stuck at $3.35 an hour, losing nearly half of its purchasing power.

The result: a wider gulf between rich and poor, and an increasing reliance of working families on food stamps, tax credits and other welfare to make ends meet.

The 90-cent increase implemented from 1989 to 1991 helped lift nearly 200,000 families from that situation, the Labor Department found. But it still left 18% of full-time workers earning less than poverty wages for a family of four — a whopping 50% increase from 1979.

That's not the way it should be. The nation needs to narrow the gap between rich and poor. It needs to reward work. It needs to lessen dependency.

And it can help do that by gradually raising the minimum wage and making it a living wage again.

Philadelphia Daily News
January 27, 1995

In Our Opinion

If needed at $4.25, he's needed at $5

It may be hard for ivory-tower economists and well-fed congressfolk to imagine, but millions of people out there are actually trying to live on the minimum wage.

More than 4.2 million — two-thirds of them adults over 25, most of them women — are making $4.25 an hour and taking home an annual $8,840, according to the U.S. Labor Department's Bureau of Labor Statistics.

This means people can be working full-time and still live below the poverty line. These, by the way, are the jobs that welfare recipients are supposed to embrace with gratitude.

It's reprehensible that about 7 percent of the work force is trying to subsist on the lowest minimum wage, in real dollars, in 40 years.

Corporations and their congressional stooges have been whooping like goosed divas since President Clinton suggested the minimum wage go up.

Senate Majority Leader Dick Armey, R-Texas, has loudly proclaimed that he will fight a rise in the minimum wage "with every fiber of my being."

He claims that poor, small, struggling businesses — like McDonald's — would have to cut jobs if Congress increased the minimum wage from $4.25 to at least $5.

But a recent study indicates that an increase in minimum wage has almost no effect on employment.

The study compared fast-food restaurants in New Jersey and Pennsylvania in 1992, when New Jersey raised its minimum wage to $5.05 while Pennsylvania's stayed at $4.25.

The study showed that employment actually *increased* slightly in New Jersey.

Fast-food prices went up a little on the Jersey side, but so what? The increase was tiny.

Economist Laura D'Andrea Tyson, head of the president's Council of Economic Advisers, said in a meeting with the Daily News editorial board this week that an increase in minimum wages probably won't push up wages in general, because the minimum wage worker is so far behind the rest of the work force that a push upward on the average is near-impossible.

The bottom line: Employers will scream and yell and hold their breath until they turn blue, but they'll pay the increased wage. If they needed that worker at $4.25, they'll need him or her at $5 or even $5.25.

Congress should move on the issue pronto. ■

St. Louis Post-Dispatch
January 13, 1995

EDITORIALS

Making Work Pay

That old divisive issue between Republicans and Democrats, the minimum wage, is about to surface again. Battle lines are likely to be the same — Democrats for increasing the wage, Republicans against — but the shift in the balance of power in Washington will change the script of the debate. Though the dialogue should be interesting, the outcome probably will not be satisfying.

Labor Secretary Robert Reich started the latest discussion last week when he acknowledged that an increase in the minimum wage, set at $4.25 an hour since 1991, was "under active consideration" at the White House. An increase to $5.25 an hour reportedly was being urged on President Bill Clinton. Vice President Al Gore jumped in Sunday, saying "there's a very strong argument" for increasing the minimum wage because it has slipped behind the rate of inflation in the past 20 years.

That strong argument is likely to fall on deaf Republican ears. New House Majority Leader Dick Armey of Texas not only has promised to fight an increase "with every fiber in my body" but favors abolishing the minimum wage altogether. He and his fellow opponents resurrected the old argument that a higher minimum would hurt the very low-wage workers that it is designed to help, because employers would be forced to cut back on jobs. Many economists disagree. Mr. Armey said he would rather let wages seek their own level and have the government make up the difference to give such workers a decent income.

In the current anti-welfare climate of Washington, that argument sounds particularly jarring. What better way is there to give people the sense of lifting themselves up rather than depending on the government than to provide a decent wage? What better incentive could there be for people to want to work than a wage that would give them a start toward the American dream?

The minimum wage stagnated throughout the Reagan years, stuck at $3.35 an hour while the cost of living accelerated. Even with the higher minimum approved during the Bush administration — coupled with a subminimum wage for beginning workers that few businesses actually used — families barely kept up. With inflation, the wage of $3.35 in 1981 would have to have reached $5.51 last year to maintain its buying power. Even a $5.25 wage would not close the gap.

Some have argued that the minimum wage should be indexed to inflation, to rise automatically, so Congress does not have to have periodic fights while workers at the bottom of the salary ladder see their incomes erode. That may be worth considering, but what is more important at this point would be to reaffirm the basic argument behind the minimum wage: People who are willing to work deserve adequate compensation so they can support themselves. The new Republican majority, with its core belief in self-reliance, should easily agree.

JANUARY 25, 1995

CHICAGO SUN-TIMES

EDITORIALS

Push Now for Hike In Minimum Wage

It's time to boost the minimum wage.

President Clinton said in his State of the Union address that he wants to increase the minimum wage. Numbers weren't mentioned, but the White House had hoped for $5 an hour from $4.25. Millions of Americans labor for the minimum wage. They are teenagers and adults, married and single. They are hotel and farm workers, clerks, burger-flippers and more. They deserve better.

The minimum wage law was designed in 1938 to provide a base living wage, an entry-level rung on the employment ladder. Unfortunately, it no longer does this. At least 5 million Americans working full-time for minimum wage struggle far below the official poverty line of $11,500 for a family of three.

The minimum-wage earner of 1995 has less real income than in 1970, when the minimum wage was only $1.60 an hour. The minimum wage today isn't even three times the rate it was in 1970, though the cost of a bus ride has more than tripled and the price of everyday commodities has soared. Bread has increased more than 3.5 times. Coffee costs five times more than in 1970, chicken nearly three times as much.

The culprit is inflation, which chewed away at earning power while the minimum wage was stuck at $3.35 an hour from 1981 to 1990. Clinton's proposed two-step increase of 50 cents this year and 25 cents next year, though controversial, would still keep the minimum wage below inflation.

Opponents say any raise will hurt employment and increase costs for businesses already struggling to stay competitive. That is true, though economists Alan Krueger of Princeton and Lawrence Katz of Harvard believe actual job losses would be minimal. Still, it's a chance that must be taken on behalf of millions of workers who are struggling to make ends meet.

Clinton pledged during his campaign to raise the minimum wage. It's about time he fulfilled that pledge. Passage is hardly assured given the strong opposition of the Republican Congress, but Clinton is right to seek the increase.

With welfare reform being pressed and social programs facing cuts, the minimum wage ought to provide the base living it was conceived to. It's a floor below which the market rate for labor ought not fall. America's working poor deserve no less.

Clinton has finally proposed what he had promised; now he must fight for it

01

January 15, 1995

Lincoln Journal-Star

EDITORIALS

Opinions of the Journal-Star

Minimum wage: Time to move it up

THE last time Congress struggled with the emotional issue of increasing the minimum wage, newspapers were crammed with claims from business leaders about an approaching Armageddon of layoffs and unemployment mayhem. The contention was that the service sector, in particular, would be forced to choose downsizing over a bigger payroll.

When President Bush signed a bill that did the deed — authorizing a boost from $3.35 per hour to $3.80 in 1990 and $4.25 in 1991 — the news stories took on a new twist. The new conventional wisdom in Nebraska was that just about everybody was already paying wages well above minimum and that layoffs would be minimal.

It is time to increase the minimum wage again. It is time to endure another round of propaganda for the sake of minimizing employee exploitation at the low end of wage scale. The most recent estimate from the AFL-CIO is that 4.2 million people in the United States still earn the federal minimum or less for an hour's work.

Sen. Edward Kennedy, D-Mass., led the last legislative fight for an increase and he introduced a bill last week that would get the job done again. There may be some room for reasonable compromise on Kennedy's numbers and on his timetable — three increases of 50 cents per hour that would push the rate to $5.75 by mid-1997.

But it has been four years since the last increase. The level is falling further and further behind the intended benchmark of 50 percent of average hourly earnings that was in place when the minimum wage was established some 50 years ago.

That 50 percent standard was met through the 1960s and '60s, but dropped off into the 40s in the 1970s. It was at 38 percent last year.

Critics of a minimum wage argue that it has never kept families out of poverty, that it has no effect as a stimulus on the overall wage structure, and that most of the people who earn it are not the primary wage earners in their families.

Supporters say there are too many factors in any labor market to determine the employment effect of increasing the minimum wage. They also claim that failure to regularly adjust the minimum wage creates a subsidy for employers because employees turn more to public-assistance programs and to taxpayers to survive.

Beyond the claims and the arguments is the indisputable fact that a minimum wage sets a minimum standard for fairness in a paycheck. Beyond dispute also is a current national unemployment level of 5.4 percent — the lowest in four years and a fair gauge of full employment — a state unemployment rate of 2.7 percent, and a Lincoln-Lancaster County unemployment rate of 1.9 percent.

There is small risk of employment stagnation when virtually everybody is already employed and has various other employment options from which to choose. It is wages that have gone past risk into the reality of stagnation.

Buffalo News
January 7, 1995

Let Washington cooperate in raising minimum wage

It rewards work over welfare in strong economy

THOUGH IT has trod this road before, only to make a U-turn, the Clinton administration's pragmatic arguments for hiking the minimum wage are bolstered this time by an inviting political climate.

That means the current internal discussions about helping low-wage workers support their families might actually result in a concrete White House proposal.

Amid all of the talk about attacking welfare and giving people more incentive to work, a realistic minimum wage stands out like a beacon that would attract more of the poor into the labor force and make work pay off more for workers already there.

That is what those at both ends of Pennsylvania Avenue say they want to do. Yet the minimum wage has languished at a paltry $4.25 an hour since 1991, losing more ground to inflation each year and further trapping its recipients in poverty.

Labor Secretary Robert Reich has been a lonely voice crying for a more realistic minimum wage. But he was stifled in the past, as President Clinton feared roiling the waters while pushing other controversial proposals like health care and free trade.

White House is now freer to act

But Clinton's ambitious health care plan is history and his free-trade pacts already have been passed. That would seem to leave the White House free now to act on its stated conviction to help the working poor.

Moreover, the administration can seize the political high ground at a time Republicans are pushing welfare reform. One of the major impediments to reform is the fact that recipients often can make out better on welfare than by taking a low-paying job.

That's not because welfare benefits are so high. Rather, it's because some jobs pay so little that by the time child care, transportation and other associated costs of working are included — not to mention the likely loss of health care — taking a job can actually leave the new worker with less money to support a family.

Higher wage sweetens work incentive

Raising the minimum wage is the most obvious means of combating that fiscal disincentive to work. Republicans interested in helping people help themselves will have a hard time arguing otherwise.

In addition, this is an ideal time in economic terms to raise the legal minimum. Just-released Labor Department figures show a healthy economy with unemployment at its lowest point in more than four years.

With that level of business activity, the bogey-man threat of forced layoffs should the minimum wage rise carries even less legitimacy than usual. And more money in the pockets of workers means more money to be spent at the very businesses that seem so worried about a higher minimum pay scale.

When inflation is taken into account, today's minimum wage is more than 30 percent below that of 1968. That means the working poor have constantly lost ground.

This is no way to reward or encourage work. Nor is it any foundation on which to build a strong society. America should redress such a corrosive inequity. By substantially raising the wage floor, Washington can accomplish this without spending an extra dime from the taxpayers.

San Francisco Chronicle

THE VOICE OF THE WEST

JANUARY 30, 199

EDITORIALS

Boost Minimum Wage To 'Make Work Pay'

A BOOST in the minimum wage, urged by President Clinton in last week's State of the Union address, makes a great deal more sense than the middle-class tax cuts promoted by both the administration and the Republican Congress. And if a tax cut is enacted, as is almost certain, it would be unconscionable not to raise the minimum pay level of those who work at or below the poverty level.

Small increases in the rate have almost no impact on the availability of low-paid jobs

A boost from today's $4.25-per-hour minimum pay to at least $5 would cost the government virtually nothing, would have little or no impact on employment rates and would lift millions of working Americans out of poverty. It would be an important step toward fulfilling Clinton's pledge to "make work pay" — at least a livable income — and help make complete welfare dependency less attractive.

The traditional, knee-jerk assumption about the minimum wage — which still substitutes for reliable information among many Republicans and business-association lobbyists — is that every boost in the rate results in a loss of jobs, especially for teenage workers. That may once have been the case, but recent surveys from highly regarded economists have demonstrated convincingly that relatively small increases in the rate have almost no impact on the availability of low-paid jobs.

New research has also punctured the myth that minimum-wage boosts hurt young workers without helping families; it found that almost half of all workers earning the minimum wage or less are 25 or older, and many are supporting families.

In all, almost one of 10 California workers earn the minimum wage or less, as do 4.7 million workers nationally. Despite 10 small increases in the rate since the late 1960s, these workers have watched the purchasing power of their pay be eaten away by inflation from the equivalent of $6.58 an hour (in 1993 dollars) to today's $4.25.

At $5 an hour, a full-time minimum-wage worker would earn $10,000 a year. Combined with the earned-income-tax credit and other benefits, such as food stamps, the total income would equal close to $16,000 for a worker supporting two children. That is far from well-off, or even the lower margins of the middle class, which will be getting a break. But it is above the absolute poverty level such workers suffer today.

Unfortunately, Republicans such as House majority leader Dick Armey promise to fight the proposal "with every fiber of my being," and the issue has all the makings of a major partisan battle. If that is the case, the president should not hesitate to take a firm stand, accept no less than a 75-cent increase, and take the issue over the head of Congress directly to the people, where he is sure to get a sympathetic hearing.

THE BOSTON GLOBE • FRIDAY, FEBRUARY 10, 1996

The dwindling minimum

President Clinton's proposal for raising the national minimum wage to $5.15 an hour from the current $4.25 must be appraised in the context of inflation, which constantly erodes its buying power. Even at $5.15, the real value of the minimum wage would be less than the minimum has been in most years past and would remain far below the level required to lift a family out of poverty. The modest increase deserves congressional support.

Congress and some presidents have complicated the political problem of adjusting the minimum wage by postponing action for long intervals, making the increase seem large on a percentage basis even when it is not keeping up with inflation. This was the case during the Reagan administration, when it remained at $3.35 an hour from January 1981 to April 1990.

Adjusted for inflation, the minimum wage reached its peak in 1969 at $6.75 and has been on an uneven decline ever since. It stood at more than half the average wage in the 1950s and '60s but is only 38 percent of the average today.

In New England, there are only 33,000 hourly workers earning $4.25 an hour, according to figures provided by the federal Bureau of Labor Statistics. If the pay of all of those workers were increased to $5.15, a total of $1,188,000 weekly would be added to aggregate labor costs (including Social Security taxes) for the entire region, scarcely a drag on the economy or a measurable influence on inflation.

Increasing the minimum wage may exert mild upward pressure on other wages, although other factors are more important given the relatively small proportion of people at or below the minimum today. Similarly, it is reasonable to doubt those who contend that a higher minimum would discourage employers from hiring low-wage employees, since many must already pay more to fill vacancies, even in relatively low-skill jobs. The increase is overdue.

SAN JOSE MERCURY NEWS
February 7, 1995

Slightly less poor

Minimum-wage hike won't break, or make, anybody

IF a worker in Silicon Valley earns the minimum $4.25 an hour and supports two kids, she's broke. And if the minimum went to $5.15 an hour, as President Clinton proposes, they're still in the poor house.

Wait a minute.

Aren't prices and wages so high around here that nobody makes the minimum wage? Even the fast-food joints on Stevens Creek Boulevard pay more than five bucks an hour, don't they?

Meet Kimsa Ngo ($4.75) and Luisa Diaz ($4.50). As told recently to Mercury News reporter Michelle Levander, their stories add up to a convincing argument for a minimum wage hike.

Ngo is a seamstress. Diaz works in a fast-food restaurant. Crowded into modest apartments, their families barely survive on the edge of despair. Every rent increase, every unexpected expense is a crisis.

They are members of the mushrooming working poor who, unfortunately, tend to get lost in the labor statistics with working students and waitresses who collect good tips.

Most of the nation's 4.2 million minimum wage earners are adults. Three-fifths are women. And a good many of them, maybe one-quarter, work in California. They're too numerous to overlook, too deserving to neglect.

But let's be realistic. A minimum wage hike as modest as the president's won't cure what ails the working poor. After inflation, it would merely raise the lowest wage to its 1970s level of buying power. It has to be coupled with a tax credit.

A fully employed parent of two earning $5 an hour can qualify for the Earned Income Tax Credit — a cash rebate of about $3,500 and food stamps worth $3,000. That's enough to lift the family out of poverty.

While the Democrats in Congress oversell the minimum wage hike as a poverty buster, Republicans see all sorts of economic gloom and doom. Recent studies show that minimum-wage hikes in 1990 and '91 didn't wipe out jobs. Some evidence suggests it even increased employment in industries, like the fast-food business, that can't find enough workers. The wage hikes made those jobs more attractive.

President Clinton's small hike isn't a job killer or a poverty buster. It's really a reward for the working poor, an incentive to hang in there. And that makes it worth fighting for.

JANUARY 30, 1995

THE MILWAUKEE JOURNAL

Minimum-wage boost overdue

THE MINIMUM wage is much too low — a chief reason for the eroding income of many Americans. President Clinton was right in his State of the Union speech to single out the $4.25 wage for an overdue hike. The Republican Congress ought to stop opposing this good idea, which would shore up working America.

Opponents of a rise in the wage floor say that instead of helping workers, it would hurt them. A hike would wipe out many low-wage jobs by making them too expensive for employers, it is argued. And that unfortunate development would make it harder for welfare recipients to quit relief for work, the argument continues.

A minimum-wage hike should make it easier to move welfare recipients into jobs. Right now the wage floor is so low that many feel they may as well stay on welfare.

In truth, the theory does have the ring of rationality. There's just one little flaw, though: The theory doesn't hold up in practice.

The business lobby and others prophesied all manner of economic doom and gloom before the last hikes in the minimum wage, in 1990 and '91 — a false prophecy, it turns out. In fact, according to several recent studies, the increases produced virtually no job loss. The ranks of workers even swelled among fast-food restaurants in New Jersey, according to one research project. The theory is that the more attractive wage reduced vacancies.

Some studies do show job losses after raises in the wage floor, but only tiny losses. In any case, the pay increases lift overall income among low-wage workers.

As for welfare, a minimum-wage hike should make it easier to move recipients into jobs, not harder. Right now the wage floor is so low that it often doesn't pay to work; recipients feel they may as well stay on welfare. An elevation in the pay floor would make work a more attractive alternative to relief.

The minimum-wage law is rightly based on the assumption that business has some responsibility to society — specifically to help keep citizens out of poverty. However, over the last 15 years or so, the ranks of the working poor have been mushrooming — in part because the wage floor, measured in real dollars, has generally been falling. Taxpayers have been forced to pick up a good deal of the slack through (1) welfare, as work has become a less viable alternative, and (2) the earned income tax credit, which goes to low-wage workers.

The Clinton administration has increased the credit. Now it's business' turn to shore up the low end of the wage scale — through an increase in the minimum wage.

Sacramento Bee
February 3, 1995

A minimum obligation

The higher minimum wage that President Clinton touted in his State of the Union address is nowhere to be found in the Republican "Contract With America." That makes passage by the GOP-controlled Congress a long shot. But it shouldn't be. Raising the reward for work is a useful element in a policy that shifts more poor families from the welfare office to the workplace.

The driving idea behind the welfare reform push is that able-bodied people have an individual responsibility to work to support themselves and their children. But a decent society has a reciprocal obligation to its citizens: to assure that people who work hard receive enough income to pull themselves out of poverty.

Unfortunately, the minimum wage, one of several policy tools for meeting that obligation, has been badly eroded by inflation over the last two decades. The minimum wage would have to be raised from the current \$4.25 to \$5.25 per hour to restore its purchasing power to 1981 levels; it would have to rise to \$6 to return to the purchasing power of the late 1960s. A full-time job at the minimum wage used to pull a family of three close to the poverty line; today, it gets that family only two-thirds of the way.

Opponents of raising the minimum wage are again arguing that a higher wage would cost jobs. Stock economic theory suggests that a minimum wage increase would result in job loss, with the number of jobs lost determined by the size of the increase.

But recent empirical studies show that, in practice, moderate minimum wage increases have very little impact on jobs. In New Jersey, which raised its minimum wage in 1992 to \$5.05, Princeton University economists found no job loss even though nearby Pennsylvania retained a \$4.25 minimum. If the experience of the last national increase is a guide, raising the national minimum to \$5, as advisers inside the Clinton administration have suggested, is unlikely to damage the job market.

What it would do is send the right social signals for a nation that wants to spur work over welfare. If dependency is to be reduced and personal responsibility is to take the place of the dole, work must pay enough to create self-sufficiency. A \$5 minimum wage, when combined with the higher earned-income tax credit Congress approved in 1993, would make it possible for almost all full-time workers with children to support their families above the poverty line.

That's why, if Congress is serious about a welfare reform that is more than punishment for being poor, a higher minimum wage belongs on the Republicans' agenda, too.

OUR OPINION

Wages And Welfare

Raise Minimum as Work Incentive

As Congress prepares to tackle welfare reform, there are two critical issues that it must consider which are outside of the welfare system itself.

Both relate to what is universally hailed as the answer to welfare: work.

The federal government plans on leaving many of the systemic changes in welfare reform to the states, which is fine. State governments should be able to tailor programs to their experience.

Most states, however, including Pennsylvania, are contemplating reform proposals that call for an end of benefits for able-bodied recipients after a maximum of two years, coupled with mandatory job training.

A LIVING WAGE

Therein lies one reason that the Congress must approve an increase in the minimum wage as suggested Tuesday by President Clinton in his State of the Union Address. Although Clinton did not reveal a specific plan, it is widely believed that the White House plans to ask for an increase in the minimum wage from $4.25 to $5 an hour over the next two years.

Such an increase has merit on its own but it also is vital in terms of the welfare debate. The existing minimum wage simply is a disincentive for people to leave welfare. Raising the minimum wage to a level where workers could approach making a living, while maintaining health-care benefits, would be a strong incentive for welfare recipients to seek work.

In Congress, many Republicans oppose an increase because, they say, it will prompt employers to reduce the number of minimum wage jobs.

That is standard economic dogma but there is a new body of research which shows that minimum wage increases do not necessarily reduce employment.

The most recent study compared fast-food restaurants in Pennsylvania, where the federal $4.25 an hour wage is paid, and New Jersey, where the state has a $5.05 minimum wage. It found employment levels to be about the same in the wake of the New Jersey increase, although prices were slightly higher at the restaurants there.

FAMILIES AT STAKE

Studies also have found that, increasingly, those who hold minimum wage jobs are people trying to raise families, rather than teen-agers.

Congress also must keep in mind that the Federal Reserve Board is maintaining an unofficial policy which holds that unemployment of about 5 percent is necessary to control inflation. At the same time, there is a movement in Congress to revoke that part of the Federal Reserve charter that calls for full employment.

If monetary policy virtually guarantees a certain level of unemployment, it should be incumbent upon Congress to craft a welfare program to that circumstance.

Welfare is not some isolated program. It is intertwined with innumerable other social issues. Congress cannot consider it in a vacuum.

Scranton Times
January 28, 1995

Argus Leader
Sioux Falls, SD
January 24, 1995

Workers deserve fair, livable wage

EDITORIAL

Congress passed a minimum wage law in the 1930s for the health and general well-being of workers. The authors would no doubt be appalled to find so many full-time U.S. workers earning a wage that leaves them below the poverty line and dependent on welfare programs to survive.

Congress should raise the minimum to a realistically livable wage and include a mechanism that safeguards the standard with a yearly increase tied to inflation. With an expanding economy, lawmakers have an opportune time to start the ball rolling.

The Clinton administration has suggested raising the current minimum to $5 per hour over two years — up from the current $4.25. Democrats have suggested an increase of $2.25. Whatever the increase, the wage should be determined to be livable before it is locked into an automatic increase. Otherwise, an unfair wage system will be perpetuated.

The working poor fell into bad times during the Reagan years. From 1979 to 1989, minimum pay was static at $3.35 an hour. Even with a raise of 90 cents from 1989 to 1991, 18 percent of the full-time workers in the United States are earning wages that leave them below the poverty line, 50 percent more than the number that fell below the poverty line in 1979. The minimum wage of $4.25 is $2.09 an hour less than the pay needed by a family of four to climb out of poverty.

While the poor are getting poorer, the rich are getting richer. And as the gap widens, Congress is talking about cuts in taxes for the wealthy and middle classes.

It is an unfair system that allows low-wage earners — workers who are an integral part of the nation's economy — to bring home a paycheck that is so meager that it keeps them in poverty.

Congress should ensure that low-wage earners make enough to put food on the table and keep a roof over their heads. Surely the American pie can be divided more fairly than it is now.

Seattle Times
February 13, 1995

EDITORIALS

By

Lifting minimum wage: A good idea is doomed

POLITICS, not economics, will doom President Clinton's proposal to raise the federal minimum wage by 90 cents an hour over two years. An increase is overdue, but that will not happen soon.

The Republican-controlled Congress is in no mood to help Clinton fulfill one of his 1992 campaign pledges. The president's own Secretary of Labor first floated the idea 18 months ago, but the White House backed off to avoid upsetting business interests already skittish about health-care reform.

New Democrats and old Republicans seem unwilling to deal with the proposal on its merits.

Clinton had to know the raise would get a frosty reception, but he appears to have offered it solely to have the GOP knock it down. Republicans in turn are not rejecting it out of ideological conviction or consistency. When House Speaker Newt Gingrich and Senate Majority Leader Bob Dole were in the minority, they both voted for a 90-cent increase championed by President Bush. That raise took the minimum wage from $3.35 per hour to the present $4.25.

Six years later, gamesmanship abounds without regard to the financial circumstances of the working poor that both parties profess to represent.

IF THE MINIMUM WAGE can be likened to a safety net, it has a big hole. The current hourly wage would have to be $6.29 for it to equal the buying power of the minimum wage in 1968.

Clinton's proposal would phase in over two years a wage of $5.15 per hour. In some states, such as Washington and New Jersey, that would mean no change initially, where the pay is $4.90 and $5.05 per hour. Eventually, the federal rate would catch up to the paychecks of 100,000 to 160,000 workers in Washington state.

Something else eroded in the last six years besides the buying power of the federal minimum wage: many economic myths faithfully dragged out to fight it.

One hardy perennial is that increasing the minimum wage eliminates low-end job. Recent studies – especially heavily quoted and unchallenged two-year-old Princeton University findings – found zero impact in the service industry, where most minimum-wage jobs are clustered.

Pay raises in jobs that typically have high turnover actually attract more people to seek them out. Businesses are finding that high turnover has its own costs in emergency scheduling, interviewing and hiring, customer dissatisfaction, training and paperwork.

MYTH NUMBER TWO is that minimum wage is a synonym for a suburban high-school kid supporting a car. The Princeton study found that 44 percent of minimum-wage earners come from families with $15,000-a-year income, and tend to be women, minorities and people without high-school diplomas.

If Congress has some difficulty with raising the minimum wage because it tampers with the free-market system, or an old grudge against its New Deal origins, then two options exist.

Republicans and Democrats can further expand the Earned Income Tax Credit. This income supplement targets assistance to the working poor with small children. Benefits go to the high-school dropout mom, not those mythical teenagers. Clinton and Congress improved the plan in 1993. Will the Republicans accept the modest consequences on the budget and the deficit, and employ this device again?

The second option is live up to the battle cry of welfare reform, making work pay. The difference in wages that raise hope, bolster dignity and help keep a person off public assistance can be a few dimes an hour.

HELENA (MT) INDEPENDENT RECORD
FEBRUARY 5, 1995

Minimum wage hike is overdue

Generations of Americans have grown up with the assurance of a federally mandated minimum wage — a simple promise that as long as a person will work, he or she need not live in abject poverty.

It's a promise that has been eroding in recent years, and President Clinton's proposal Friday to boost the minimum by 45 cents a year over the next two years to $5.15 an hour is overdue.

GOP leaders are opposed to the president's plan, and sadly they have the congressional clout to kill it. That would be

An IR view

wrong.

If it is given that there should be such a thing as a minimum wage — and we realize not everyone would agree — then that wage should be high enough so that full-time workers can raise their families out of poverty.

Most research shows that the majority of minimum-wage workers are adults, not teen-agers, and that raising the wage in the past has had only small effects on employment. It just isn't true to say that raising the minimum will automatically destroy jobs for minority teen-agers.

Nor, on the other hand, is it fair to say as House Minority Leader Dick Gephardt, D-Mo., said last week that "To the Republicans, lower wages and fewer benefits are just money in the bank for American business — never mind that people are suffering while those profits soar."

Many employers of minimum-wage employees run small businesses on thin margins and can be excused for worrying about a higher minimum wage.

Again, however, the fact remains that if we are to have a minimum wage at all, it should be high enough to serve its purpose — keeping the "working poor" out of outright poverty.

At present, the real value of the minimum wage is at its lowest level in 40 years. Even if Clinton's proposal is approved, the wage still would be well below levels that prevailed in the 1970s after accounting for inflation.

People can argue economic idealogy all day long, but a person who puts in a full day at work should earn an honest wage for his toil.

THE WHITE HOUSE

WASHINGTON

August 28, 1995

MEMORANDUM TO THE PRESIDENT

FROM: GENE SPERLING
JON ORSZAG J.O.

SUBJECT: Minimum Wage and California

The Federal minimum wage was last raised to $4.25 per hour in April 1991. Since then, inflation has eroded more than half of the value of the increase. And next year--if it is not increased--the minimum wage will reach its lowest real level in four decades. The Administration's proposal to raise the minimum wage to $5.15 an hour--a 90 cent increase over two years--would help restore its real purchasing power and directly affect some 11 million hourly workers.

- In 1989, Congress voted with strong bipartisan support to increase the minimum wage from $3.35 to $4.25 per hour in two steps over two years. The Administration's proposal is for an identical 90 cent increase over two years.

- In 1994, 64 percent of minimum wage workers were adults, age 20 and over. And about 60 percent of minimum wage workers were women.

- The average minimum wage worker brings home half of his or her family's weekly earnings; and 39 percent of these workers are the sole breadwinner for their family.

- A minimum wage increase of 90 cents would mean a $1,800 raise for a full-time, year-round minimum-wage worker. This is not an insignificant sum for low-income families. Indeed, it is as much as the average family spends on groceries in seven months.

- Over a dozen empirical studies--including a majority of those published in peer-reviewed journals in the last five years--find that a moderate increase in the minimum wage does not cost jobs. Several of these studies extend previous ones that had claimed, that raising the minimum wage decreases employment. For example, a study by Jacob Klerman of the RAND Institute in California finds that when the conventional time-series study is updated to include data through the 1980s, the minimum wage does not have a statistically significant impact on teenage employment.

- A modest minimum wage increase may not hurt employment because it will encourage more people to work; and because employers will be able to fill vacancies more quickly and experience lower turnover.

CALIFORNIA:

- An increase in the minimum wage to $5.15 per hour would directly affect 1.2 million hourly workers in California, nearly 16 percent of all hourly-paid workers in the state.

- There is currently a bill in the California Legislature to raise the state minimum wage from $4.25 an hour to $5.00 in June 1996 and to $5.75 in June 1997. The Legislature adjourns on September 15.

- California increased its state minimum wage from $3.35 to $4.25 per hour in July 1988, three years before the Federal minimum increased to that level. David Card, an economics professor at Princeton University, conducted a study of California employment by comparing teenage, restaurant, and retail trade employment growth in California to a group of comparison states. Card's results showed, "Contrary to conventional predictions, however, there was no decline in teenage employment, or any relative loss of jobs in retail trade." A similar study of California by Lowell Taylor, an economics professor at Carnegie Mellon, reached a contrary conclusion. However, Card's results hold up under varying assumptions, while Taylor's do not.

- An article in the *Los Angeles Times* (April 18, 1995) quoted Andrew Kim, the owner of a building maintenance company that pays some of its workers less than $5.15 per hour, "Personally, I think [the minimum] should go up. I don't think it is enough for anyone to live off of."

- The *San Francisco Chronicle* led off its editorial on the minimum wage with, "Boost the minimum wage to 'Make Work Pay'" (January 30, 1995). The *San Jose Mercury News* wrote of the Administration's minimum wage proposal, "President Clinton's small hike isn't a job killer or a poverty buster. It's really a reward for the working poor, an incentive to hang in there. And that makes it worth fighting for" (February 7, 1995).

REWARDING WORK: THE CASE FOR INCREASING THE MINIMUM WAGE

The President's proposal would increase the minimum wage from $4.25 to $5.15 over two years, through two 45 cent increases. The last increase, passed by an overwhelming, bipartisan vote in 1989, and implemented in 1990 and 1991, was also a 90 cent increase in two 45 cent stages. For a full-time, year-round worker at the minimum wage, a 90 cent increase would raise yearly income by $1,800 -- as much as the average family spends on groceries in over 7 months.

MAINTAINING THE HISTORIC VALUE OF WORK: If the minimum wage were to stay at its current level of $4.25, it would fall to its lowest real level in 40 years. Indeed, the real value of the minimum wage is now 27% lower than it was in 1979, and has fallen 45 cents in real value since its last increase in April 1991. The first half of the President's 90 cent proposal simply restores the minimum wage to its value at the time of the last increase.

RAISING THE MINIMUM WAGE PRIMARILY HELPS ADULT WORKERS -- MOST OF WHOM RELY ON THEIR MINIMUM WAGE JOB TO SUPPORT THEIR HOUSEHOLDS: Nearly two-thirds of minimum wage workers are adults (64%); over one-third of minimum wage workers (38%) are the sole breadwinners in their families; and the average minimum wage worker brings home half of his or her family's earnings. Thus, a rise in the minimum wage is a significant boost to the standard of living of millions of households.

REWARDS WORK OVER WELFARE: The minimum wage increase provides another crucial measure to reward work and ensure that there is a strong incentive to choose work over welfare.

OVER 11 MILLION WORKERS WOULD BENEFIT FROM THE PRESIDENT'S PROPOSAL TO INCREASE THE MINIMUM WAGE: An estimated 11 million workers, paid by the hour, earn between $4.25 and $5.14. Research indicates that an increase in the minimum wage to $5.15 could have a "ripple" effect on the couple million workers who earn within 50 cents of the new minimum wage.

EMPIRICAL EVIDENCE SHOWS THE PRESIDENT'S PROPOSAL CAN INCREASE WAGES WITHOUT COSTING JOBS: Over a dozen empirical studies have found that moderate increases in the minimum wage do not have significant effects on employment. These studies include state-specific research that shows that large state increases in the minimum wage did not result in significant job impacts. As Nobel Laureate Robert Solow stated: "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small."

A 90 CENT INCREASE IN THE MINIMUM WAGE WILL LIFT A FAMILY OF FOUR OUT OF POVERTY. The dramatic extension of the Earned Income Tax Credit helped lift hundreds of thousands of working families out of poverty. Yet, by 1996, even the EITC is not enough to lift above the poverty line a family of four making the minimum wage. With the 90-cent minimum wage increase, food stamps, and the EITC, a family of four with a full-time, year round minimum wage worker would be lifted above the poverty line.

THE LAST MINIMUM WAGE INCREASE -- ALSO 90 CENTS -- GARNERED STRONG BIPARTISAN SUPPORT. In 1989, the minimum wage was passed by votes of 382 to 37 (135 Republicans) in the House, and 89 to 8 in the Senate (36 Republicans) and was supported by Senator Dole and Representative Gingrich.

THE IMPACT OF A MINIMUM WAGE INCREASE ON SMALL BUSINESS

The President's proposal would increase the minimum wage from $4.25 to $5.15 over two years, through two 45 cent increases. The last increase, passed by an overwhelming, bipartisan vote in 1989, and implemented in 1990 and 1991, was also a 90 cent increase in two 45 cent stages. The real value of the minimum wage is now 27% lower than it was in 1979, and has fallen by 45 cents in real value since it last increased in April 1991. The first stage of the President's proposal simply restores the minimum wage to its value at the time of the last increase.

THE SMALLEST BUSINESSES -- SUCH AS MOM AND POP STORES -- DO NOT HAVE TO ABIDE BY THE FEDERAL MINIMUM WAGE LAW. Businesses that do not have annual sales in excess of $500,000 or employees that participate in interstate commerce are not covered by the Federal minimum wage law. This means that many small businesses will not be affected by an increase in the Federal minimum wage.

MOST SMALL BUSINESSES ALREADY PAY ABOVE THE MINIMUM WAGE, AND HALF OF MINIMUM WAGE EARNERS WORK IN LARGE FIRMS. Ninety percent of workers in small businesses earn more than the current minimum wage. Approximately half of minimum wage earners work in firms with more than 100 employees. An increase in the minimum wage will, therefore, have little effect on the majority of small businesses.

SMALL BUSINESSES THAT ARE AFFECTED BY A HIGHER MINIMUM WAGE WILL FIND IT EASIER TO RECRUIT, RETAIN, TRAIN, AND MOTIVATE THEIR WORKERS. Four dollars and twenty-five cents per hour is not much of an incentive for people to look for a job. A 90-cent increase in the minimum wage will entice more workers to enter the labor force, which will make it easier for businesses to fill job openings. Small businesses will not have to spend weeks -- or even months -- trying to find workers. A rise in the minimum wage will also help reduce job turnover, so businesses will be able to retain their workers. With less turnover, small businesses will be more willing to train their workforce, increasing their productivity and quality of work. Finally, workers will have a greater incentive to work harder when their wages are increased.

MANY SMALL BUSINESSES HAVE FOUND MINIMUM WAGE INCREASES ARE MANAGEABLE. When New Jersey increased the minimum wage in 1992, many business leaders complained that it would cost profits and jobs. However, as one small businessman recently commented on WNYC's *On the Line*: **"I'm a small business owner here in Newark, New Jersey and I did study business and I always thought that raising the minimum wage would affect negatively a lot of people in the lower income levels [and small business owners]... As it turns out it was no big deal... Before, I hired people at $4.25 and I didn't expect much and I didn't get much from them. Now, at $5.00, I'm somewhat more careful and it certainly hasn't affected my business that much."**

MINIMUM WAGE FACTS FOR HOURLY-PAID WORKERS BASED ON 1994 DATA:

MINIMUM WAGE WORKERS:

4.1 million hourly-paid workers earn the minimum wage or less.

2.1 million hourly-paid workers earn exactly the minimum wage.

64 percent of hourly-paid minimum-wage workers (paid at exactly $4.25) are adults age 20 or over.

58 percent of hourly-paid minimum-wage workers are women.

17 percent of hourly-paid minimum-wage workers are black.

35 percent of hourly-paid minimum-wage workers work 35 hours or more per week (excluding workers with hours that vary).

38 percent of hourly-paid minimum-wage workers work between 20 and 34 hours per week (excluding workers with hours that vary).

WORKERS DIRECTLY AFFECTED BY THE PRESIDENT'S PROPOSAL TO INCREASE THE MINIMUM WAGE FROM $4.25 TO $5.15:

10.7 million hourly-paid workers would be directly affected by the President's proposal to increase the minimum wage from $4.25 to $5.15. (That is, 10.7 million earn from $4.25 to $5.14.)

71 percent of those hourly-paid workers directly affected by the proposed increase of the minimum wage are adults age 20 or over.

59 percent of those hourly-paid workers directly affected by the proposed increase of the minimum wage are women.

16 percent of those hourly-paid workers directly affected by the proposed increase of the minimum wage are black.

43 percent of those hourly-paid workers directly affected by the proposed increase of the minimum wage work full-time.

Source: Bureau of Labor Statistics, 1994 Current Population Survey.

MINIMUM WAGE

ACTIONS TO DATE

On February 3, 1995, the President's proposed an increase in the minimum wage from $4.25 to $5.15 over two years, through two 45 cent increases. The last increase, passed by an overwhelming, bipartisan vote in 1989, and implemented in 1990 and 1991, was also a 90 cent increase in two 45 cent stages.

BACKGROUND

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 Americans who already rely on the minimum wage, an increase is essential to their standard of living.

Minimum wage work just does not pay anymore. The real value of the minimum wage is now 27 percent lower than it was in 1979, and by next year -- if it is not increased -- the minimum wage will be at its lowest real level in four decades. Contrary to popular opinion, the average worker affected by an increase in the minimum wage is not just a teenager flipping hamburgers. The fact is that the average minimum wage worker brings home half of his or her family's earnings, and that two-thirds of minimum wage workers are adults. Furthermore, an increase in the minimum wage will help working families get by: for example, just a ninety cent per hour increase in the minimum wage means an additional $1,800 for a minimum wage earner who works full-time, year-round -- enough for the average family to pay for groceries for seven months.

$4.25 an hour is not enough earnings to pay the bills, and $8,500 per year is not a decent, livable income. At the same time as inflation has stolen much of the value of the minimum wage, the condition of America's working poor has declined. The Bureau of Labor Statistics estimates that the real average hourly wage of male high school graduates fell by 19 percent since 1979, and by 3 percent for female high school graduates. High school drop outs have fared even worse. This trend of declining real wages for less-skilled Americans has continued for 15 years.

Most disturbing, less-skilled workers have done poorly in times of economic growth as well as in times of economic downturns. The U.S. economy created more jobs in 1994 than in any other year in the past decade, and the unemployment rate fell to a four year low while the help wanted index climbed to a four year high. Yet the prosperity of this recovery, and of the past 15 years, has not been shared by all our citizens.

INITIATIVE

President Clinton's proposal to increase the minimum wage 90 cents an hour over two years can help lift the lives of the eleven million Americans who currently earn less than $5.15 an hour. For those workers putting in 40 hours a week, all year round, this minimum wage increase provides $1,800, which is enough money for the average American family to buy groceries for seven months.

In the 21st century, the most productive and powerful country in the world does not even guarantee its people that if you work full-time, year round -- even with the Earned Income Tax Credit (EITC) -- that you can raise a family out of poverty. To that end, President Clinton made a simple compact with America: if you work 40 hours a week, you will not have to bring up your children in poverty.

In pursuit of this objective, the President expanded the EITC as a way for low and moderate income families to make ends meet. But expanding the EITC is not enough. In order to ensure that there is a strong incentive for work over welfare, there needs to be a multi-tiered strategy. The EITC has fulfilled its part of this plan, now, the President has proposed an increase in the minimum wage to make every hour of work pay more.

With a 90-cent minimum wage increase, food stamps, and the EITC, a family of four with a full-time, year round minimum wage worker would be lifted above the poverty line. Simply, a $5.15 minimum wage would provide every American the simple guarantee that they could raise a family out of poverty, if they were willing to fulfill their side of the bargain: to work hard and play by the rules.

The critics claim, though, that an increase in the minimum wage will not guarantee a brighter future for working Americans, but will cost jobs for exactly the people that the President is trying to help. But their criticism is off-target. Over a dozen studies have found that increases in the minimum wage have had an insignificant effect on employment. Several of these studies even extended previous ones that had claimed that raising the minimum wage decreases employment and these studies, when updated, no longer find a significant impact. This "new view" is gaining support among economists: Professor Robert Solow, a Nobel laureate in economics, commented: "When the minimum wage has deteriorated so much in purchasing power, there are probably enough people who would be worth the higher wage and would not lose their jobs." Solow also notes that, "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small." And 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 1980's, moderate legislated increases did not reduce employment and were, if anything, associated with higher employment in some locales."

If the minimum wage doesn't cost jobs, critics say, than it certainly doesn't help the neediest workers. They propagate the myth that the typical minimum wage worker is a middle-class high school student. The facts suggest otherwise. Only one in 14 workers earning between $4.25 and $5.15 per hour is a teenaged student from a family with above-average earnings. Fully 47 percent of workers who would be affected by the President's proposal have family earnings in the bottom 20 percent of all working families; families that earn less than $360 per week. The average worker who would be affected by the President's proposal brings home half of his or her family's earnings; 38 percent of those affected are the sole breadwinner in their family. An increase in the minimum wage of 90 cents would mean a $1,800 raise for a full-time, year-round minimum-wage worker. This is not an insignificant sum for low-income families struggling to make ends meet on the minimum wage. Indeed, it is as much as the average family spends on groceries in seven months.

Despite the 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 support of 36 Republicans).

The current situation -- with the real minimum wage heading for its lowest real level in 40 years and with more and more workers finding that full-time work doesn't pay -- is unacceptable. And a reasonable remedy is at hand.

EMPLOYMENT POLICIES INSTITUTE FOUNDATION

August 28, 1995

TO: John Orszag
FR: John Doyle
RE: Request for Information

I have to assume you finally got my written request for the source of a statement made by President Clinton on June 11 regarding the minimum wage. I can't imagine how my letter got returned to me. You may want to check with your mail routing department.

In any case, here is my request ... again. I look forward to resolving this matter by either getting the cite as requested or an acknowledgement that the information does not exist. I will call you in a few days if I don't hear back from you. I know how busy things can get over there.

Suite 1110, 607 14th Street, N.W. - Washington, D.C. 20005 - (202) 347-5178 - Fax: (202) 347-5250

EMPLOYMENT
POLICIES
INSTITUTE
FOUNDATION

August 2, 1995

Mr. Joseph Stiglitz
Chairman, Council of Economic Advisers
Old Executive Office Building
17th Street and Pennsylvania Ave.
Washington, DC 20500

Dear Mr. Stiglitz:

Six weeks ago I called the Council of Economic Advisers requesting the source of a statement made by President Clinton on June 11 regarding the minimum wage. Since my initial request, I have spoken to CEA's office of public liaison, CEA's statistics department, CEA's chief of staff, CEA staffer Maya Federman and John Orszag from the Department of Labor. I have yet to receive the information I requested or even an acknowledgement that someone is trying to help.

I recently spoke to Mr. Orszag when he called me seeking information on an unrelated matter (which I promptly gave to him), and he said that all requests for information had to be made in writing. Hence this letter.

According to *The Washington Post*, President Clinton said, "There are other studies that say [a minimum wage hike] doesn't cost jobs, because for example people on welfare who are out of the work force will think it is more worth their while to come in and compete for those jobs and they'll want to work more." I would like to see a reference to that research.

I appreciate your attention in this matter and look forward to a reply.

Sincerely,

John Doyle

cc: John Orszag, Department of Labor

Suite 1110, 607 14th Street, N.W. – Washington, D.C. 20005 – (202) 347-5178 – Fax: (202) 347-5250

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See revision on p. 2

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April 2, 1995

Letters to the Editor
Wall Street Journal

By Fax: 1-212-416-2658

To the Editor:

Richard R. Berman argues (Journal, March 29) that the finding that "raising the price of labor increases the demand for it ... [i]n the dry field of labor economics ... was akin to declaring that Columbus was wrong and the world was flat after all." Berman is wrong on his history of economic thought and apparently ignorant of some of the subtleties of economic theory. It is insistence that raising the minimum wage must reduce employment that corresponds to the flat-earth view. Over half a century ago, the three-dimensional complication that argues the contrary was pointed out. It runs like this.

As economists and business men all know, in making a decision, it is the *marginal* or incremental costs and benefits that count. Now imagine a small firm paying $4 an hour to 10 employees. It has enough business to warrant hiring an additional employee if one could be found. It indeed has a help-wanted sign in the window offering $4 an hour but it has no takers. Why not then offer the $5 an hour that would turn up a new job-seeker?

The difficulty quickly becomes obvious. The added profit to the firm from having one more worker might well be $10, much more than the $5 the worker would be paid. But the firm cannot pay a new worker $5 without raising the wage of its existing workers to $5. The cost of this would be 10 times $1 or $10. Added to the $5 for the additional worker we find the total marginal or incremental cost is $15, far more than the $10 of added return from having an additional worker. The firm hence does not raise the wage and makes do with 10 workers.

Now suppose we introduce a minimum wage of $5 an hour or raise a minimum wage from $4 to $5. The firm is forced by law to pay all of existing workers that $5. Hiring an additional worker under these circumstances no longer means raising wages on the existing workers. It will hence cost only an additional $5. This is less than the $10 of additional return and the firm goes ahead and hires that additional worker. Thus, raising the minimum wage increases employment.

Note Revision

Of course, if there were additional workers available at that old $4 per hour the higher minimum wage would raise incremental costs so that employment could go down. It could even force some firms out of business. That is why the ultimate result, whether raising the minimum wage increases or reduces employment, or leaves it about the same, is an empirical question.

But there is nothing theoretically implausible about a minimum wage or a higher minimum wage--the current minimum is so low at $4.25 as hardly to matter--increasing employment. Knowledgeable economists were therefore not surprised by the results of the careful studies by Princeton economists David Card, about to be awarded the American Economic Association Clark medal to the outstanding economist under the age of 40, and Alan Krueger, currently Chief Economist in the Department of Labor. Mr. Berman may find fault with these studies. But their results are in fact consistent with the round-earth theory, that it is not merely price and profits but that third dimension of incremental costs and benefits that matter.

Robert Eisner is a past president of the American Economic Association and author of "*The Misunderstood Economy: What Counts and How to Count It.*"

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

February 21, 1995

The Honorable Connie Mack
Chairman, Joint Economic Committee
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I want to express my strong support for the President's proposal to raise the minimum wage.

The President's proposal to increase the minimum wage by ninety cents an hour helps offset the inflation-induced deterioration in the real value of the minimum wage. It would restore the minimum wage to the real value that it had in 1983. Fully half of the increase would do nothing more than reverse the inflation-induced deterioration in the real value of the minimum wage since its last increase in 1991.

Some are concerned that an increase in the minimum wage could increase unemployment. But there is little statistical evidence that moderate increases in the minimum wage have any noticeable effect on unemployment. And, as Robert Solow has said, "the fact that the evidence is weak suggests that the impact (of raising the minimum wage) on jobs is small."

In fact, I believe that the President's proposal could well have a positive effect on employment. One of the President's major goals is to "make work pay"--to strengthen the attachment of all Americans to the labor force and to the work ethic by boosting the relative rewards of work. Raising the minimum wage would increase the wages of between eleven and fourteen million workers.

It is worth remembering that one of the reasons for setting a minimum wage in the first place was that working people at the bottom of the economic ladder could not bargain effectively, and, as a result, labor markets did not function effectively for them, and thus a minimum wage was necessary.

In addition, raising the minimum wage is an effective way to offset some of the worrisome increase in income inequality that threatens to make America less of a middle-class society. More than three out of five of those who would be aided are adults. More than one-third of minimum-wage workers are sole breadwinners for their families. The average minimum-wage worker brings home more than half of family earnings.

In sum, I believe that our proposed increase is strongly in the public interest.

Sincerely,

Robert E. Rubin

Robert E. Rubin

~~CONFIDENTIAL~~

DETERMINED TO BE AN ADMINISTRATIVE MARKING
INITIALS: JAM DATE: 11/15/17
2016-0531-F

DRAFT

FEB 7 1995

INCREASING THE MINIMUM WAGE: LEGAL ISSUES

A bill to increase the statutory minimum wage (MW) may engender a variety of proposals to amend the Fair Labor Standards Act (FLSA) to deal with various concerns, particularly of affected employers. An amendment increasing the MW may also fall within the scope of the recently passed, but not yet enacted, Unfunded Mandates Reform Act. This memorandum will specifically address provisions related to the MW which may arise, as well as some of the additional issues which others may wish to address if the FLSA is amended.

<u>Phase-in for Puerto Rico</u>

When the MW was last increased in 1989, a phase-in period of seven years was provided for Puerto-Rico. The phase-in was differentiated, or "tiered," on the basis of average wages for various industries, including the public sector, with the final phase-in for the latter to take effect by April 1, 1996. Presumably questions will arise as to whether an additional phase-in period should be provided. Even if Puerto Rico is not given special treatment, the existing language on Puerto Rico will need to be clarified because of ambiguities which would arise. For example, it could be read to mean that the full 90-cent increase must be paid immediately, or there may be an argument that no increase at all would apply.

<u>Tip Credit</u>

The 1989 Amendments also provided for an increase (from 40% to 50% of the MW over a two-year period) in the credit which employers may apply against the MW for moneys received as tips. There may be pressure for an additional in the tip credit.

<u>Training Wage</u>

The 1989 Amendments provided for a
wage" for limited periods for persons
including multiple safeguards to prote
displacement of other workers. This p
April 1, 1993 and was not reenacted.
Department revealed very limited use c
employers, the major stated reason bei
workers at that wage (85% of the statu
reasons given included the difficulty
training costs.

<u>Northern Marianas</u>

The Administration is preparing a report to Cong
March 15) which will include a proposal on whether/how to apply the MW to the Commonwealth of the Northern Marianas (CNMI). Currently the OT provisions of the FLSA apply, but not the MW. A

bill has been introduced which would apply the industry committee system currently used in American Samoa to phase in increases to the full mainland MW.

Other Issues

In addition to proposals to address the above issues related to an increase in the MW, other changes in the statute may be proposed, such as the following:

o Increase the threshold for coverage of "enterprises" from $500,000. The threshold was increased from $250,000 ($362,000 for retail enterprises) in the 1989 amendments.

o Restore the exemption for small retail businesses, which was repealed in 1989 -- perhaps inadvertently. Formerly, employees of retail businesses below the dollar volume threshold for covered "enterprises" were exempt from both MW and overtime (OT). In the alternative, there may be pressure to eliminate coverage for individual employees engaged in commerce where they are employed by an enterprise which does not meet the threshold.

o Eliminate the "salary basis" requirement necessary to qualify for the executive, administrative and professional employee exemption from the FLSA. Such employees must be paid a guaranteed salary which may not be reduced on an hourly basis for employee absences. Hourly deductions are now allowed, by regulation, for employees of public agencies only.

o Authorize flexible workweek and/or compensatory time plans in lieu of statutory overtime in specified circumstances. Presently, all overtime worked in any workweek must be fully compensated at time-and-one-half rates and compensatory time is not allowed outside of the government sector.

o Exclude non-discretionary (i.e., contractual or bargained-for) bonuses from the rate on which overtime pay is based. Presently, only discretionary bonuses may be excluded.

o Provide for expanded use of "volunteers," particularly in the public sector. Presently, volunteer work (with nominal compensation) is authorized in the public sector, but not in the same occupation in which the worker is employed. In the private sector, volunteer work is permitted only for eleemosynary institutions, only for persons not regularly employed by such institutions, and no compensation of any kind is permitted.

o Clarify application of the FLSA to Indian tribes. The courts of appeals are split regarding whether statutes such as the FLSA apply to Indian tribes where the statute is silent on Indians but generally applies to all employers. DOL has taken the position that the FLSA does apply to Indian tribes.

The General Accounting Office has also strongly recommended the following:

o Stop the running of the statute of limitations for FLSA violations once a complaint is filed until the completion of an investigation and a finding by Wage-Hour.

o Provide for the imposition of civil money penalties for record-keeping violations, for which there are presently no statutory penalties.

Unfunded Mandates

The proposed minimum wage increase would apply to State, local and tribal governments as well as the private sector. Because the legislation does not provide funding to these governments, it could constitute an unfunded Federal intergovernmental mandate under the Unfunded Mandate Reform Act, legislation pending before a conference committee. If the pending unfunded mandates legislation has taken effect,[1] it could apply to subsequent Congressional consideration of the minimum wage measure. If the minimum wage measure is calculated by CBO to cost State and local governments $50,000,000 or more annually to implement, it would be subject to a range of procedural hurdles, including a point of order. The effect of subjecting such a legislative measure to a point of order is to authorize any member of the Body before which the bill is pending to force a vote on the specific provision creating the unfunded mandate. To overcome or waive the point of order and to enact the mandate requires an affirmative majority vote in specific support of the mandate, that is, to waive the point of order.

[1] The House- and Senate-passed versions of this legislation establish different effective dates for this legislation: October 1, 1995 and January 1, 1996 (or 90 days after appropriations are made available to the Congressional Budget Office for implementation of the Act) respectively. If the minimum wage measure receives Congressional consideration after enactment of unfunded mandates legislation, but before the effective date of that legislation, the minimum wage measure is not subject to the unfunded mandates law. However, this outcome may cause some members to seek a delay in consideration of the minimum wage measure until the unfunded mandates requirements took effect. (It should be noted that if Congressional action on the minimum wage measure is completed before the effective date of unfunded mandates legislation, but either or both of the two-stage wage increases take effect after the effective date of the unfunded mandates legislation, the latter would have no effect on implementation of these stages.)

CONFIDENTIAL

3:00 pm

February 10, 1995

NOTE FOR: GERI PALAST
ALAN KRUGER
KRIS BALDERSTON
SETH HARRIS
VINCE TRIVELLI

FROM: BOB SHAPIRO

SUBJECT: Minimum Wage - Transmittal - OMB Mark-up

Attached is the suggested revision of the transmittal message. OMB advises that most of the changes were suggested by Gene Sperling and George Stephanopoulos.

OMB is circulating this version to the relevant OMB and White House policy offices, with a deadline of 4:00 pm today.

Alan: My counterpart in OMB has asked us to focus on the next-to-last sentence in the fourth paragraph ("Numerous empirical studies indicate that an increase in the minimum wage of the magnitude proposed would not reduce employment levels"). They want us to verify that there are such studies and want to be confortable that we would have a list ready if asked. If not, OMB is looking to us for a suggested revision of this sentence.

Please let me know asap if you have any problems with this revision.

Attachment

~~CONFIDENTIAL~~ **DRAFT**

TO THE CONGRESS OF THE UNITED STATES:

~~The~~ Honorable Newt Gingrich
Speaker ~~of the~~ House
U.S. House of ~~Representatives~~
Washington, D.C. ~~20515~~

~~The~~ Honorable Al Gore
~~President~~
United States ~~Senate~~
Washington, D.C. ~~20510~~

~~Dear Mr. Speaker:~~

I am pleased to enclose for the consideration of Congress a draft bill entitled the "Working Wage Increase Act of 1995."

This draft bill would amend the Fair Labor Standards Act to increase the minimum wage from the current rate of $4.25 an hour in two 45 cent steps--to $4.70 an hour on July 4, 1995 and to $5.15 an hour after July 3, 1996. The pattern of increase proposed is identical to that of the last increase, which passed Congress with broad bipartisan majorities and was signed by President Bush in 1989. The first increment simply restores the minimum wage to its value immediately after that change.

If the Congress does not act now, the minimum wage will fall to its lowest real level in 40 years. That would dishonor one of the great promises of American life--that everyone who works hard can earn a living wage. More than 11 million workers would benefit under this proposal, and a full-time, year-round worker would get a $1,800 raise--the equivalent of 7 months of groceries for the average family.

We cannot truly reform the nation's welfare system until we make work pay, and this legislation would help achieve that result. It would offer a raise to families that are working hard but struggling to make ends meet. Most individuals earning the minimum wage are adults, ~~and~~ the average ~~minimum wage~~ affected worker brought home half of his or her family's earnings the last time the minimum wage was increased. Numerous empirical studies indicate that an increase in the minimum wage of the magnitude proposed would not reduce employment levels. The legislation would ensure that those who work hard and play by the rules can live with the dignity they have earned.

I look forward to prompt and constructive Congressional consideration and passage of this legislation.

~~Sincerely,~~

William J. Clinton ← (ALL CAPS)

THE WHITE HOUSE
February _, 1995

CONGRESSMAN DICK ARMEY
26TH DISTRICT TEXAS

MAJORITY LEADER

950003784

Congress of the United States
House of Representatives
Washington, DC 20515-6302

February 23, 1995

The Honorable Robert B. Reich
Secretary of Labor
U.S. Department of Labor
Washington, DC 20210

Dear Mr. Secretary,

Thank you very much for your kind offer to debate yet another Democrat proposal to increase the minimum wage.

I realize how important this issue is to your efforts to shore up the demoralized Democrat base, but at the moment I am fully engaged in efforts to keep the promises contained in the Contract with America. When that work is done, I would be pleased to discuss with you other issues we may consider in the House, including changes in the minimum wage law.

In the meantime, I trust that my position is quite clear: There is no economic theory under which you can raise the price of something without getting less of it. I am convinced that an increase in the minimum wage would cost American jobs. The best way to help the working poor is through other means--such as easing the tremendous burden of a bloated government on the economy.

Sincerely,

Dick

DICK ARMEY
Member of Congress

Jim
Greg

January 6, 1995

MEMORANDUM FOR ROB RODRIGUEZ

FROM: PETE GALVIN

SUBJECT: Unfunded Mandates and the Minimum Wage

I have divided this question into two parts. This paper addresses the question of whether a minimum wage increase would be regarded as an unfunded mandate and, if so, what we need to do to deal with that. An attachment explains how S.1, the pending legislation on unfunded mandates, would impact the legislative process for a minimum wage increase -- in the context of a more general discussion of how S.1 would impact existing DOL programs and regulations and new legislative and regulatory initiatives.

Is an increase an unfunded mandate and what do we do about that?

* The minimum wage requirements on state and local governments are regarded by many of them as an unfunded mandate, notwithstanding the issue of equity with the private sector.

    * In addition to the cost of the benefits, particular concern has been expressed about how Wage and Hour implements overtime obligations, even though the rules for the public sector are more relaxed than those for the private sector: e.g. the matter Steny Hoyer raised with the Secretary about requiring that some firefighters who used to perform certain services as volunteers be paid for that work. The mayors have complained that DOL is ignoring the requirements of Executive Order to consult with them about rules and regulations that impact them.

* If we propose a minimum wage increase that applies to state and local governments, the Administration may well be attacked for "not getting the message" about unfunded mandates, despite the President's stated support for legislation in this area. In addition, the manner in which the Department applies the law in the public sector could become a quick target -- because raising the minimum also raises the overtime rate.

* At the time of the announcement of any increase, we need to announce our rationale for such a new unfunded mandate. I'd suggest 3 points, and that we keep it simple:

    * While we recognize this imposes new costs on state and local governments, their lower wage employees have the same problems with current minimum wage as everybody else.

* There is no reason why government at all levels should not take upon itself the same obligation to its employees as we require for the private sector: and the Congress led the way on this just (last) week by applying minimum wage to its own employees for the first time in history.

    * This Administration has ordered all agencies (by Executive Order) to work especially closely with state and local officials as we implement mandates, and we certainly intend to do that in the application of all employment standards.

* Three alternative approaches won't work:

    * We should not confine the increase to the private sector -- it would be regarded as cynical, not to mention alienate key allies.

    * We cannot offer to have the Federal government pay the state's wage costs: apart from the money, it would set a horrible precedent.

    * While we could join the SEIU and some democrats who maintain that employment standards that apply to the public and private sector alike are not unfunded mandates -- but this is not likely to be enough to overcome the fact that the minimum wage has been identified as an unfunded mandates by the mayors and governors. Moreover the White House endorsement of the unfunded mandates legislation did not press for such a definition exclusion.

Hope this is helpful.

Attachment

S.1, Unfunded Mandates

Schedule : Introduced 1/4. Joint Budget/Government Affairs hearing held 1/5. Markup in both committees is 1/9. Dole anxious to move on the Senate floor next week; several members have already indicated intention to offer amendments. Parallel House bill introduced 1/4 scheduled for markup by Government Operations committee on 1/10, with floor action tentatively the week of 1/23, but action might await Senate outcome.

Support : Kempthorne reports 56 Senate co-sponsors already. John Glenn (ranking Govt. Affairs) and James Exon (ranking Budget) are co-sponsors. Mayors, governors, et al have endorsed. Chamber of Commerce and other business groups have endorsed.

Administration position: Testimony by Sally Katzen, 1/5. The bill is very similar to last year's legislation, and we endorse it to that extent; but a lot of new language has been added in past week, and other provisions remain under development, and we can't express an opinion until we review them.

DOL comments: DOL has been asked by OMB for any comments on the new bill by cob Friday 1/6. As of noon, it does not appear we will have any, because bill appears to be close to last year's in areas about which we might have concern.

Legislative context: Several members at 1/5 hearing noted this is only the opening salvo in realignment of responsibilities. In particular, governors and mayors were clearly told that if we're going to do a better job of only mandating what we pay for, they need to understand Congress will be taking steps to limit their ability to draw at Federal trough for nonmandate items ($120 billion a year excluding Medicaid): they have problems raising revenues for their basic needs, but so do Feds.

Effect on DOL existing laws: The legislation does not repeal existing public or private sector mandates. It will apply should any expiring program be reauthorized (it is not clear if the rules would apply to continuing to fund expired laws without a reauthorization). It would not appear that DOL programs requiring reauthorization involve mandates.

More significantly, S.1 provides for a high profile commission to review existing mandates and report back to the Congress in 9 months proposals to terminate, suspend, or otherwise alter such mandates. While S.1 thus keeps the issue alive, it does not provide a mechanism to facilitate Congressional action on the report; Sen. Gramm has indicated interest in an amendment that would add a base closing up or down vote on the entire package.

Effect on new DOL legislative initiatives: At 1/5 hearing, Sen. Kempthorne deferred on a direct inquiry from Sen. Levin as to how the legislation might apply to a proposal to increase the minimum wage; the SEIU testified that there was no question that the legislation would apply, and that is the DOL staff opinion as well. Sen. Kempthorne did, however, state that the bill would apply to a change in the FMLA.

* Unfunded mandates on state and local governments are not barred by S.1; but unless funding is provided (and the proposed new mandate legislation provides that the agency will not enforce the mandate should full funding not be provided in some future year), a point of order must first be overcome by a vote on any public sector mandate with a net cost of over $50 million. Unfunded mandates on the private sector don't have that hurdle.

* S.1 provides that it takes only a simple majority to overcome the point of order, and thus move a bill that imposes an unfunded Federal mandate on the public sector. Sen. Gramm is going to propose that a supermajority vote be required. Sen. Kempthorne has committed to supporting the simple majority.

* A mandate on the private sector or on the public sector is subject to a point of order if the committee report does not contain a required CBO analysis of the impacts of the mandate.

    * The analysis must look at the potential competitive disadvantage to the private sector should the Federal government fund the compliance costs of the public sector, since private businesses are in competition with state and local governments for a growing number of basic services.

    * The analytical work may well involve the use of an advisory committee under CBO direction. CBO traditionally contacts the key executive branch agency for its input, but also consults with foundations and other groups that produce estimates. If CBO advises it cannot perform a good analysis (e.g. it won't know the costs until an agency issues regulations) this is considered an acceptable report and the legislation can move forward.

    * The analysis apparently does not need to be provided if CBO estimates the net costs (costs minus benefits) to be less than $50 million for public sector mandates, and less than $200 million (Senate: $100 million House) for the private sector.

Effect on existing DOL regulations: Same as on existing legislation.

Effect on DOL regulatory initiatives: As with last year's bill, the Executive Order requirements for advance consultation with state and local governments would be enacted into law. There appear to be two changes here from last year's bill.

* Last year the bill set a threshold of $100 million above which an analysis of impact of a regulatory mandate on the public sector is required. The threshold was to be measured by looking only at the public sector part of mandates. Under S.1, the private sector part of any regulatory mandates in determining whether the threshold is met. This does NOT require an analysis on purely private sector mandates: it just affects the trigger for analysis on public sector mandates.

* As last year, the analysis in such cases must look at costs and benefits of mandate on the public sector; but this year it must also assess the effect of the private sector part of such a combined mandate. The impacts to be assessed include those on the national economy (including productivity, economic growth, full employment, creation of productive jobs, and international competitiveness of US goods and services).

* SOL's preliminary staff view (noon, 1/6) is that these changes are just clarifications of last year's bill and do not significantly alter our obligations under the Executive Order.

2/17/95
970 words

Debate Magazine
FOR raising the minimum wage

Robert B. Reich*

The current minimum wage -- $4.25 per hour -- is not a liveable wage. A person who works 40 hours per week, 50 weeks per year at this wage earns only $8500 for an entire year's work. If we truly want to make work pay, it's time to raise the minimum wage.

President Clinton's proposal to increase the minimum wage 90 cents an hour over two years is an important way to lift the lives of the eleven million Americans who currently earn less than $5.15 an hour.

These are the invisible workers of America -- working harder than they've ever worked before and barely making it. Hoping they or their kids stay healthy, because they can't afford to see a doctor. Hoping the rent doesn't go up again, because they can't afford another place to live. Hoping that interest rates don't rise again, because they're already behind on their car payments and their credit card payments, and they can't sink deeper into debt.

These Americans do work that's often hard on muscles and joints, the work that few relish but that needs to be done -- janitors, maids, child-care workers, cashiers, busboys, fast-food cooks, fork-lift operators, assemblers, gas-station attendants. These are the people who vacuum the boardrooms, file the papers, sew the clothing, and answer the phones. They aren't on welfare, although sometimes they come dangerously close. They don't need a capital gains tax cut, because they have no capital. They simply work hard -- very, very hard -- and play by the rules.

Yet still too many risk falling behind. Today, the real value of the minimum wage is 27 percent lower than it was in 1979. Since its last increase four years ago, the value of the minimum wage has fallen 45 cents per hour. If it's not boosted this year, it will be worth less than at any time in 40 years.

Unfortunately, the discussion about the minimum wage has often been muddied by mistruths. And many of them have been propagated by Congressional opponents of a liveable wage. Perhaps that shouldn't be surprising. After all, every

* This essay is adapted from "The Exclusive Revolution," a speech U.S. Secretary of Labor Robert B. Reich delivered on February 16, 1995.

member of Congress made more money in the first three weeks on January than a minimum wage worker will earn in all of 1995. So the members of Congress who don't want to give these workers a raise are attempting a strategy of myth over math. If their welfare plan was "Boys' Town," their minimum wage policy is "Pulp Fiction."

Here's an oft-repeated fiction: They say that the only Americans working for the minimum wage are teenagers. Here's the fact: 63 percent of minimum wage workers are adults over the age of 20, according to the nonpartisan Bureau of Labor Statistics. And three out of five minimum wage workers are women -- who are also shouldering most of the responsibility for cooking the meals, cleaning the house, and shuttling the kids to day care.

Fiction: minimum wage workers don't support families. Fact: the last time the federal minimum wage was increased, the average minimum wage worker brought home 51 percent of his or her family's weekly earnings.

Fiction: raising the minimum wage is a job-killer. Fact: more than a dozen independent studies have shown that moderate minimum wage increases have almost no effect on employment.

Fiction: raising the minimum wage hurts minorities. Fact: African-Americans and Hispanics are more heavily represented in the minimum wage workforce than they are in the workforce at large. Raising the minimum wage will actually benefit these Americans.

Fiction: this is a partisan issue. Fact: Last time the minimum wage was increased -- by 90 cents, just as the President is now proposing -- a majority of Republicans voted yes, including Newt Gingrich and Bob Dole. Not every Republican is an enemy of the minimum wage. Several have told me they'll support an increase. We supported a 90 cent increase five years ago, they explain, why not today? Harry Truman once said that Republicans do believe in the minimum wage. As minimum as possible. This is their chance to disprove a Democratic legend.

Making work pay by raising the minimum wage is only one part of the President's agenda for working families. Another part is equipping low-wage workers with the tools to make it on their own. He wants a new GI Bill for American workers. He'll streamline the tangle of more than 70 job training programs, and put resources for learning directly into the hands of the people who need it most. If you lose your job, or have low wages, you get up to $2620 a year, up to two years to get the skills you need for a better job.

Many Republicans, though, want to cut funds for education and job training to fund their budget-busting tax cuts. And who wins under their plan? Almost half of their proposed $725 billion dollar tax cut will go to families earning more than $100,000 per year. I'm not describing all Republicans, of course. A lot of sensible

Republicans aren't buying this deal. And corporate America shouldn't buy it either. In my travels around the country, I've seen that the very best companies treat their workers as assets to be developed rather than costs to be cut. They pay their workers a liveable wage, give them a share in the firm's prosperity, train them for better jobs in the company, arrange work hours so they can have a family life, and protect their safety and their health.

President Clinton and his administration are standing up for ordinary workers. We're fighting for the people who serve the food, watch the kids, empty the bedpans, haul the trash, pick the crops, and sweep the halls. These women and men ought to be honored and rewarded for doing the work that keeps America going. And what better tribute than making work pay? It's time to raise the minimum wage.

###

2/28/95

The Myth and Math of the Minimum Wage
Robert B. Reich

The current minimum wage -- $4.25 per hour -- is not a liveable wage. A person who works 40 hours per week, 50 weeks per year at this wage earns only $8500 for an entire year's work. If we truly want to make work pay, it's time to raise the minimum wage.

President Clinton's proposal to increase the minimum wage 90 cents an hour over two years is an important way to lift the lives of the **(INSERT NUMBER)** people in **(INSERT STATE)** who currently earn between $4.25 and $5.14 an hour.

These are the invisible workers of America, working harder than they've ever worked before and barely making it. These Americans -- janitors, maids, child-care workers, cashiers, busboys, fast-food cooks, assemblers, gas-station attendants -- do work that's often hard on muscles and joints, the work that few relish but that needs to be done. These are the people who vacuum the boardrooms, file the papers, sew the clothing, and answer the phones. They don't need a capital gains tax cut, because they have no capital. They simply work hard -- very, very hard -- and play by the rules.

Yet still too many risk falling behind. Today, the real value of the minimum wage is almost one-third lower than it was in 1979. Since its last increase four years ago, the value of the minimum wage has fallen 45 cents per hour. If it's not boosted this year, it will be worth less than at any time in 40 years.

How can we expect to get people off of welfare and into work if work doesn't pay a liveable wage?

Unfortunately, the discussion about the minimum wage has often been muddied by mistruths -- arguments that are more myth than math.

Here's one oft-repeated fiction: The only Americans working for the minimum wage are teenagers. Here's the fact: 63 percent of minimum wage workers are adults over the age of 20, according to the nonpartisan Bureau of Labor Statistics. And three out of five minimum wage workers are women -- who are also shouldering most of the responsibility for cooking the meals, cleaning the house, and shuttling the kids to day care.

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Fiction: This is a partisan issue. Fact: Last time the minimum wage was increased -- by 90 cents, just as the President is now proposing -- a majority of Republicans voted yes, including now-Speaker of the House Newt Gingrich and now-Senate Majority Leader Bob Dole. Harry Truman once said that Republicans do believe in the minimum wage -- as minimum as possible! Here's another chance for them to disprove a Democratic legend.

Making work pay by raising the minimum wage is only one part of the President's agenda for working families. Another part is equipping low-wage workers with the tools to make it on their own. He wants a new GI Bill for American workers. He'll streamline the tangle of more than 70 job training programs, and put resources for learning directly into the hands of the people who need it most. If you lose your job, or have low wages, you get up to $2620 a year, up to two years to get the skills you need for a better job.

We're standing up for ordinary workers. We're fighting for the people who serve the food, watch the kids, empty the bedpans, haul the trash, pick the crops, and sweep the halls. These women and men ought to be honored and rewarded for doing the work that keeps America going. And what better tribute than making work pay? It's time to raise the minimum wage.

###

Percent and Number of Workers Affected by the President's Proposal to Increase the Minimum Wage, By State

	Percent from $4.25 to $5.14	Number from $4.25 to $5.14 (in thousands)
Alabama	18.2%	296.3
Alaska	3.5%	7.6
Arizona	11.6%	164.1
Arkansas	18.2%	167.9
California	11.0%	1310.0
Colorado	11.5%	169.0
Connecticut	5.4%	79.1
Delaware	7.0%	22.9
District of Columbia	5.1%	11.5
Florida	12.8%	697.3
Georgia	13.3%	366.8
Hawaii	3.7%	18.0
Idaho	14.7%	61.6
Illinois	10.9%	548.3
Indiana	13.1%	323.4
Iowa	12.8%	165.0
Kansas	12.2%	132.4
Kentucky	17.8%	252.4
Louisiana	18.4%	275.8
Maine	10.6%	53.5
Maryland	6.7%	150.9
Massachusetts	4.7%	122.3
Michigan	11.7%	458.2
Minnesota	10.7%	217.1
Mississippi	21.6%	212.7
Missouri	14.5%	313.5
Montana	18.4%	55.7
Nebraska	14.2%	102.7
Nevada	10.7%	61.8
New Hampshire	7.6%	40.9
New Jersey	5.5%	180.7
New Mexico	15.8%	91.0
New York	8.0%	558.7
North Carolina	12.6%	374.4
North Dakota	19.3%	47.0
Ohio	11.8%	546.7
Oklahoma	16.2%	198.6
Oregon	8.9%	110.3
Pennsylvania	10.4%	521.6
Rhode Island	8.5%	35.7
South Carolina	16.0%	239.3
South Dakota	17.3%	49.3
Tennessee	17.4%	358.5
Texas	16.0%	1164.4
Utah	14.5%	104.1
Vermont	6.8%	17.9
Virginia	9.3%	265.3
Washington	7.5%	155.9
West Virginia	17.5%	109.9
Wisconsin	10.6%	240.1
Wyoming	15.0%	28.5

SOURCE: Economic Policy Institute analysis of 1993 Current Population Survey data.

Minimum Wage Studies Mentioned in Richard Berman's Washington Times Op-Ed

o Peter Brandon's study on the minimum wage and welfare duration. This paper claims that raising the minimum wage makes it harder for welfare recipients to make a transition to work. Brandon wrote the paper as a fellow at the Poverty Institute at the University of Wisconsin. The paper was funded by the Employment Policy Institute. The paper has several flaws. The paper compares the duration of welfare receipt in states that raised their minimum wage and those that did not in the late 1980s. The paper also estimates the probability of leaving AFDC for work. The paper does not look at changes in welfare use before and after the increase in the state's minimum wages. Instead, it just compares the average durations and transition rates. There are many reasons why the average duration and transition rates may vary across states, which Brandon does not control for. Most importantly, states that raised their minimum wages have much higher (about 50% higher)AFDC benefits than those that did not raise their benefits. A careful study would look before and after the increase in the state minimum wages at the change in the duration of welfare receipt, or at the change in the probability of exiting welfare. Another critique of Brandon is that David Card and Alan Krueger find that a rise in the minimum wage is associated with a reduction in the poverty rate with state-level data. Brandon is tentatively scheduled to testify at the JEC hearing on the minimum wage next week.

o Lowell Taylor and Tael Kim. Taylor is an assistant professor at Carnegie Mellon, and Kim is a graduate student there. Taylor and Kim reexamine the effect of the minimum wage on employment in California, following up on David Card's earlier work on this issue. They were also funded by the Employment Policy Institute. Their paper claims to contradict Card's findings. Card compared California to a set of control states before and after California raised its state minimum wage to $4.25 in 1988. Card found California's employment of teenagers and retail trade workers was in line with that of the other states. Taylor and Kim don't dispute this finding, but they argue California would have done much better than the other states if it weren't for the minimum wage hike. Their work looks at the pattern of employment growth in California across industries and counties (e.g., did the low wage industries grow more?). Their work can be criticized in a few ways. First, Card finds different results -- Card's paper was published in a refereed journal (Industrial and Labor Relations Review), and he received no outside funding for his work. Second, Taylor and Kim's data set lacks information on wage rates. As a result, they use a proxy for wages (total payroll in the industry or county divided by total number of employees). Their proxy for wages introduces a statistical problem because any measurement error in employment will automatically induce a positive association between their derived wage and the change in employment. Finally, in our book, Card and Krueger re-estimate Taylor and Kim's cross-industry model using changes from 1988 to

1991 (they look from 1989 to 1991). Although this change in the base year should not matter for their estimates, it does -- indeed, looking over the 1988 to 1991 period we find that the base period wage had no relationship with employment growth across industries in California.

o Richard Burkhauser and Aldrich Finnegan. Burkhauser is a professor at Syracuse University, and Finnegan is a professor at Vanderbilt. Their work was also sponsored by the Employment Policy Institute. It purports to show that the minimum wage is mainly received by middle class teenagers and spouses. The BLS and other data you have on the characteristics of minimum wage workers should help you to respond here -- e.g., nearly two-thirds of minimum wage workers are adults, the average worker earning $4.25-5.14 brings home about half of his or her family's weekly earnings, 47 percent of those who earn between $4.25 and $5.15 live in families that are in the bottom quintile of earnings for working families, etc. Another thing to point out if pressed on the targeting of the minimum wage is that the minimum wage is perfectly targeted to low-wage workers. It is imperfectly targeted to low-income families (for example, many low-income families don't work at all), but minimum-wage workers are disproportionately in low-income families. Larry Mishel is doing further work on the distributional effects of the minimum that should be available early next week.

o Kevin Lang. Lang is a professor of economics at Boston University. His paper was also sponsored by the Employment Policy Institute. The paper relates the growth in food service employment between 1988 and 1991 across states to the initial average level of wages in the states. The logic is that the 1990-91 increases in the minimum wage should have a larger impact on wages and employment in the lower wage states. This is one of the more curious papers that the EPI has funded because it concludes, "In light of the literature discussed in the introduction and the results presented above, this author can find little effect on employment levels from changes in the minimum." However, Lang stresses that the composition of employment may change even if the level does not. For example, companies may hire more skilled workers when the minimum goes up. Lang looks at the composition of restaurant workers: the fraction adults, students, high school grads., gender, full-time status, and marital status. Lang concludes that the rise in the minimum wage caused restaurants to substitute teenagers (who he argues are higher skilled) for adults. He doesn't find significant evidence of a composition change along any of the other characteristics. The EPI has interpreted Lang's paper as evidence that raising the minimum wage will make it harder for workers to move from welfare from work. (This is emerging as one of their themes.) The EPI's spin is clearly a stretch given Lang's evidence. It is worth noting that Lang's paper does not mention the word welfare once! Moreover, Lang's finding that employment of young workers rises when the minimum wage rises is at odds with the position the EPI takes.

o Don Deere, Kevin Murphy, and Finis Welch. This paper was not mentioned in Berman's article, but it has gotten some attention lately. The paper claims that the rise in the federal minimum had a negative effect on employment for teenagers and high school dropouts. Although the analysis looks sophisticated, it basically compares employment before and after the federal minimum increased. The main problem with the paper is that the rise in the minimum wage coincided with the 1991 recession. Employment of low-paid workers is always highly responsive to the business cycle. The paper makes only a superficial attempt to adjust for the business cycle. Moreover, the paper finds that low-skilled workers employment did not rise in the late 1980s, despite the fall in the real value of the minimum wage. Card's work across states contradicts this paper -- the states that had highest wages and were least affected by the rise in the minimum wage had the greatest decline in employment for teenagers and drop outs. Finally, the adverse employment effects the paper finds are small -- the estimatesimply that about 99% of minimum wage workers would retain their jobs and get a raise when the minimum goes up, while 1% would suffer some job loss. Their paper does not report who funded this research.

Reply to Criticisms on New Jersey/Pennsylvania Minimum Wage Study

Summary of NJ/PA Study: In a widely cited study, Professors David Card and Alan Krueger of Princeton University examine the impact of the 1992 increase in New Jersey's minimum wage (to $5.05 per hour) on employment in the fast food industry. They perform two types of comparisons. First, they compare the change in employment in New Jersey fast food restaurants to that in eastern Pennsylvania (along the NJ border). Second, they look within New Jersey, comparing restaurants that initially paid $4.25 per hour to those that paid $5.00 per hour or more. Both comparisons indicate that employment did not decline at stores that were compelled to raise their wages in response to the minimum wage increase compared to those that were unaffected by the increase. After professional review by independent economists, this paper was published in the American Economic Review, September 1994.

The Wall Street Journal reported on January 31, 1995 that a group of lobbyists opposed to a minimum wage increase was organizing to "poke holes" in this academic study.

Criticisms and Responses:

o Teenage employment in NJ fell by 22 percent between 1989 and 1993, and only by 9.6 percent in PA over the same time period.

-- Selected years were chosen for the comparison. The recession of 1990-91 was much worse in NJ than in PA. Teenage employment is always extremely responsive to the business cycle.

-- Most of the employment change noted above occurred prior to the increase in NJ's minimum wage.

-- The NJ minimum wage increased in April 1992. If one looks at employment growth between April and December of 1991 and the same months of 1992, one finds that the employment-to-population ratio of teenagers fell by 5.6% in PA, 8.9% in NY, and just 1.8% in NJ.

o The NJ/PA study did not wait long enough for employment effects to occur.

-- The NJ/PA study measured employment growth 8 to 9 months after the increase in New Jersey's minimum wage. The fast food industry has extremely high turnover, and most positions can be eliminated quickly. Moreover, other studies of the minimum wage have used monthly or quarterly data, so the NJ/PA study allows more time for employers to react than much of the literature.

-- A Princeton student, hoping to overturn the study's results, re-interviewed the same restaurants in the fall of 1994 -- 2.5 years after the minimum wage increased. The results continue to show no adverse effect of the minimum wage on employment.

o *The fast food industry is an isolated industry.*

-- The fast food industry is a major employer of minimum-wage workers.

-- About one-quarter of all minimum-wage workers are employed by a restaurant.

-- BLS data indicate that for all food and drinking places, between April 1992 and December 1994, employment grew by 8.2% in NJ, 5.8% in NY, and 4.5% in PA. Total employment grew by 3.8% in NJ, 1.0% in NY, and 2.7% in PA.

o *All serious economists agree that raising the minimum wage hurts employment. Krueger is now Chief Economist at the Department of Labor, so he is not very objective.*

-- Many serious economists, including Nobel Prize winner Robert Solow of MIT, believe that the evidence of job loss is weak for moderate increases in the minimum wage.

-- Over a dozen economics articles have found that a minimum wage increase has an insignificant effect on employment.

-- Tim Ferguson noted in an op-ed in the Wall Street Journal that some of Professor Krueger's research on other topics "has aided conservative arguments." (WSJ, Jan. 24, 1995)

-- Gary Burtless of the Brookings Institute is quoted as saying he finds the Card/Krueger research "convincing." (Christian Science Monitor, Feb. 10, 1995)

-- The NJ/PA paper was written long before Professor Krueger took a one-year leave from Princeton to serve as the Department of Labor's Chief Economist. The paper was published in the American Economic Review, which is the most prestigious economics journal.

-- William Fisher, Executive Vice President of the National Restaurant Association, wrote Professors Card and Krueger in September 1993: "Let me begin by commending you for your approach to the research. I believe this type of analysis is beneficial in achieving an understanding of the effects of government mandate wage increases and related policies which affect the cost of labor."

-- Professor Ronald G. Ehrenberg of Cornell called Card and Krueger's work "extraordinarily important," and said "it will cause economists to question seriously the models they use and how they do empirical research."

o Employers would pay more on their own without a minimum wage hike if paying more leads turnover to decline, productivity to increase, and helps recruitment.

-- Many employers can afford to pay a moderately higher minimum wage because some of the costs of paying a higher wage are offset by improvements in productivity, a reduction in turnover, and an increase in job applicants. Nevertheless, minimum-wage employers may not find it in their own interests in terms of narrowly defined profits to pay a higher wage without a minimum wage increase.

-- At a high-enough level, Card and Krueger expect that a minimum wage increase would reduce employment, as predicted by the textbook economic model. NJ's minimum wage increase of 80 cents did not appear to reach that level.

· Past increases in the minimum wage are not associated with higher black unemployment. As the following table makes clear, in today's dollars, the average value of the minimum wage in the 1960s and 1970s was greater than in the 1980s and today. Indeed, the real average value fell over 75 cents from the 1970s to the 1980s alone. Yet black male teenage unemployment was lower in the 1970s than in the 1980s.

	Real Value of the Minimum Wage	Black Male Unemployment Rate	White Male Teenage Unemployment Rate
1970s Average	$5.74	34.8%*	14.7%
1980s Average	$4.93	39.8%	16.9%
1990s Average	$4.54	37.7%	16.8%
1994	**$4.25**	**37.6%**	**16.3%**

* = Data on the black male teenage unemployment rate are not available from prior to 1972. The 1970s average, thus, represents the average from 1972 to 1979.

SOURCE: Real value of minimum wage from Center on Budget and Policy Priorities and unemployment rates from Bureau of Labor Statistics.

o As the following table makes clear, in today's dollars, the average value of the minimum wage was over $5.50 in the 1960s and 1970s -- over 33 percent higher than it is today. Yet teenage unemployment was lower in the 1960s and 1970s than in the 1980s and today. Time series data do not support claims that the teenage unemployment rate is related to the level of the minimum wage.

	Real Value of the Minimum Wage	Average Teenage Unemployment Rate
1960s average	$5.65	14.4%
1970s average	$5.74	16.8%
1980s average	$4.93	18.6%
1994	$4.25	17.7%

Source: Real value of minimum wage from Center on Budget and Policy Priorities and teenage unemployment rate from Bureau of Labor Statistics.