FOIA Number: 2016-0531-F

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Collection/Record Group: Clinton Presidential Records

Subgroup/Office of Origin: National Economic Council

Series/Staff Member: Carl Haacke

Subseries:

OA/ID Number: 15352

FolderID:

Folder Title:
Census: Minimum Wage 1999 [2]

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May 13, 1999

ECONOMIC SCENE

Maneuvering Minimum Wage Bandwagon Carefully

By MICHAEL M. WEINSTEIN

Congress will almost certainly raise the minimum wage this year, probably to $6.15 an hour from $5.15, phased in over two to three years. Democrats, as always, are in full support. So, too, are at least 20 moderate House Republicans anxious about next year's election. But whatever the political attraction, does a higher minimum wage make economic sense?

A growing number of economists say yes, though there is reason for Congress to move cautiously, perhaps even creatively.

The main purpose for raising the minimum wage is to make it possible for all full-time workers to earn enough to lift their families out of poverty. The current minimum wage falls short. By 2000, according to calculations by Isaac Shapiro of the Center on Budget and Policy Priorities, the combination of earnings at $5.15 an hour, $3,600 in food stamps and the earned income tax credit -- a provision of the tax code that has the Treasury send a check of up to $3,880 to low-wage workers -- would bring the annual income of a family of four to about $16,100: $1,400 short of the poverty line.

But at a wage of $6.15, the family would fall short by about only $450.

Critics, like Prof. David Neumark of Michigan State, say further increases in the minimum wage would make some low-wage workers too expensive to hire. Teen-agers are especially vulnerable. Neumark concludes, "the net effect of minimum wages is an increase in the proportion of poor families." Other critics say that the minimum wage showers help on the wrong people, for example, teen-agers from wealthy families.

But most studies show that none of these problems loom large. Based on widely accepted estimates, a $6.15 minimum wage would likely take jobs away from fewer than 64,000 of the 3.3 million teen-agers now working. Very few adults would lose work. Jared Bernstein, an economist at the Economic Policy Institute, challenges the argument that the benefits of the minimum wage go to nonneedy families.

More than 70 percent of the beneficiaries of minimum wage increases in 1996 and 1997 were adults, about half of whom worked full time and typically accounted for more than half of their families' earnings. The 20 percent lowest-paid workers reaped about 35 percent of the benefits of the wage increase even though they accounted for only 5 percent of total earnings.

Many economist who concede that a higher minimum wage would not destroy many jobs oppose raising it because, they argue, there is a better way to help low-wage workers: increase the tax credit. Because the credit does not hit employers, it does not strip workers of jobs. But the problem with this argument, many other economists point out, is that the tax credit has its own problem. To control the cost of the credit, it is phased out as family income rises above $12,500. The credit is scaled back by 21 cents for every extra dollar the family earns. The claw-back operates like an extra 21 percent tax on additional earnings. The most effective antipoverty program, Bernstein says, "would artfully combine the tax credit and minimum wages."

Yet, there is reason to proceed with caution. In the next few years, women who have exhausted benefits under the 1996 welfare law will be forced to enter the labor force. These women, many of whom will have poor or nonexistent work records, will be pressed to find jobs. Making employers pay an extra dollar an hour will not help. There is, then, reason for Congress to consider permitting employers to pay $5.15 for recent welfare recipients for, say, the first six months or so.

Congress might even venture a bit further. Small companies are dropping health insurance for their workers. To reverse the trend, Congress might consider permitting companies to apply some of the money they spend on health benefits toward their obligation under the minimum wage bill. There are problems with this approach -- young workers are likely to prefer higher wages to health insurance -- but it could also help ease a pressing and growing social problem.

Market Place | Edward Wyatt

S.E.C. sweep focuses on bogus securities offerings on the Web.

ONE company promised to turn iron-ore rocks into gold, generating profits of 2,600 percent a year. Another sought money to construct prefabricated hospitals in Turkey. A third offered an opportunity to invest alongside the original backers of Microsoft and Intel in a new venture that would sell software to operate Web sites.

All of them, according to the Securities and Exchange Commission, were frauds, using the new medium of the Internet for the old-fashioned task of separating investors from their money. They did so by promising profits that seemed too good to be true, and, of course, were.

Their practices were disclosed yesterday in an S.E.C. enforcement action against 18 individuals and 8 companies in 14 cases of fraud — the agency's third sweep in seven months of Internet investment scams.

Unlike the previous sweeps, in which 57 companies and individuals were accused of touting investments without disclosing they were being compensated to do so, the latest action focused on bogus offerings of securities.

The ease with which the Internet allows potential frauds to reach out quickly to a broad group of people also gives regulators a great ability to identify, track down and halt investment scams, said Richard H. Walker, the S.E.C.'s director of enforcement.

"The Internet makes everything more visible," Mr. Walker said. Using scores of investigators to scour investment opportunities being offered over the Web, "we're able to get in and stop the fraud earlier than we otherwise would," he said.

• • •

Indeed, several of the cases announced yesterday resulted in only small losses by investors. For example, the S.E.C. charged that a New York company called American Brightstar Gold used the Internet to sell at least $50,000 of its own securities. The agency said the company told investors they would earn returns of up to 2,600 percent annually, receiving a proportionate amount of gold that the company would extract from a type of ore called magnetite concentrate.

The S.E.C. charged the company and David Abramson, a New York resident, with securities fraud and sought the return of the proceeds. A lawyer representing Mr. Abramson declined to comment on the charges.

Among the largest cases announced yesterday was one involving five pyramid schemes that promised risk-free returns of up to 400 percent a month, operated by three people in Indiana, Missouri and Amsterdam. The S.E.C. said the operators gathered $1 million from investors, who were promised additional money if they recruited more investors, before a New York Federal judge issued an injunction freezing the group's assets.

The offers to help build the hospitals in Turkey, supposedly backed by three well-known Turkish banks, as well as the venture investment alongside the Microsoft and Intel backers, were also false claims, the S.E.C. said. None of the groups had connections with the institutions named.

Of the cases announced yesterday, eight used the long-popular device of selling investments in so-called prime bank securities. Those investments are said to be in bonds or notes that are backed by domestic or foreign banks, the World Bank or overseas central banks; they typically promise outlandish investment returns, of up to 100 percent every few weeks. According to the S.E.C. and the Federal Reserve, which have been fighting such scams for years, "prime bank" securities do not exist.

Yesterday's enforcement actions came one week after the S.E.C. chairman, Arthur Levitt, said that the agency would double to 250 lawyers, the number of people it had working to uncover investment fraud on the Internet. The commission has asked Congress for additional resources to fight Internet fraud, and the White House has said it will also request more funds from Congress for the effort.

The S.E.C. also issued a series of tips for investors to help them avoid on-line investment scams, encouraging them to check with state or Federal regulators to see whether companies offering securities are registered to do so before committing money. The agency's tips can be found at www.sec.gov, its Web site.

Economic Scene | Michael M. Weinstein

Minimum wage bandwagon needs some skillful reining.

CONGRESS will almost certainly raise the minimum wage this year, probably to $6.15 an hour from $5.15, phased in over two to three years. Democrats, as always, are in full support. So, too, are at least 20 moderate House Republicans anxious about next year's election. But whatever the political attraction, does a higher minimum wage make economic sense?

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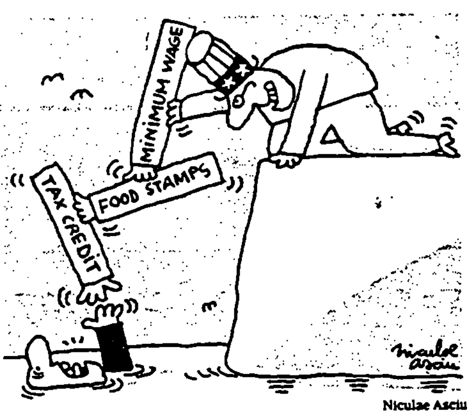

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The New York Times

THURSDAY, MAY 13, 1999

House Passes Bill Limiting Year 2000 Liability

By DAVID E. ROSENBAUM

WASHINGTON, May 12 — Voting largely along party lines, the House of Representatives approved legislation today that would limit lawsuits arising from Year 2000 computer failures.

Under the measure, companies responsible for computer breakdowns that occur when the clock ticks over to Jan. 1, 2000, could not be assessed punitive damages greater than $250,000 or three times the financial damages, whichever is greater.

Among other limits, class-action lawsuits would be restricted; officers and directors of companies would be protected from liability in many instances; businesses would be allowed 90 days to solve a problem after it was detected before a suit could be brought, and defendants would be liable only for their proportionate share of the responsibility when a computer problem occured.

The House approved the legislation by a vote of 236 to 190. Supporting it were 208 Republicans and 28 Democrats; 9 Republicans, 180 Democrats and 1 Independent voted against it.

The bill is unlikely to become law in this form. A companion measure is stalled in the Senate, where 60 votes are needed to overcome a Democratic filibuster. And President Clinton has vowed to veto any measure along the lines of the one the House passed today.

But today's action keeps the issue alive while all sides work for a compromise. Two of the President's top advisers — Bruce Lindsey, the deputy White House counsel, and Gene Sperling, director of the National Economic Counsel — sent a letter to Congressional leaders this week reiterating the President's threat to veto the pending legislation but expressing hope for a compromise on what is called the Y2K issue.

The problem stems from automated systems' longtime reliance on the last two digits of a year. At the turn of the century, some computers may break down because they read the year 2000 as 1900; the cost could be considerable to individuals and companies relying on these computers.

A bill about computers enters the debate about torts.

The political obstacles to compromise are formidable. The Year 2000 battle is the latest in a continuing lobbying war between commercial interests and trial lawyers — a fight that carries considerable political weight since businesses are the largest Republican contributors, and trial lawyers are among the Democrats' biggest.

The debate on the House floor reflected that division. Representative Dick Armey of Texas, the Republican majority leader, compared trial lawyers to "a bunch of vultures eating off the carcasses" and said Congress had the responsibility to "stop the needless, senseless confrontation that is designed to line their pockets over someone's misfortune."

On the other hand, Representative Bill Delahunt, Democrat of Massachusetts, said the bill's supporters wanted "blanket immunity for those who fail to act responsibly."

Republicans argued that it was important that businesses spend money to find and fix computer bugs, rather than conserve their money to fight lawsuits.

More than 80 lawsuits have already been filed, the bill's proponents said. Without legal limits, the Republicans maintained, litigation costs concerning Year 2000 glitches could reach as much as $1 trillion — more than litigation over asbestos, tobacco, breast implants and toxic waste combined. They did not say how they arrived at that estimate.

Organizations like the Chamber of Commerce of the United States, the National Association of Manufacturers and the National Federation of Independent Business have put this bill at the top of their agenda and have spent millions of dollars lobbying and advertising on its behalf.

Democrats responded that the Republican bill was a stalking horse for sweeping changes in tort laws. Representative Richard A. Gephardt of Missouri, the Democratic leader, said the other side was most interested in "something that will dismantle protections for consumers and small businesses."

Democrats also argued that limiting lawsuits would remove the incentives for businesses to correct problems before they developed.

Trade unions and consumer groups have lobbied against limits.

The New York Times

THURSDAY, MAY 13, 1999

Eateries Say Good Help Is Hard to Find

More Patrons, Demand for Labor Drive Up Wages

By Rekha Balu

Staff Reporter of The Wall Street Journal

Eating at a restaurant may not be such a treat anymore.

The top concern for most restaurant operators isn't finding the latest flavors but finding qualified employees who can cook and serve them, according to a survey by the National Restaurant Association.

In yet another reflection of the ever-tighter labor market, many full-service restaurants are raising wages for staff, from hostesses to dishwashers, desperately trying to keep their employees—and patrons—from fleeing to the expanding competition. High-end and low-end operators complain that they can't find employees skilled enough to serve their growing clientele. At restaurants where the check size averages between $15 and $25, 46% ranked finding qualified labor as their top concern, according to the survey.

"Good economic conditions are a double-edged sword for restaurant operators," says Hudson Riehle, the association's senior director of research.

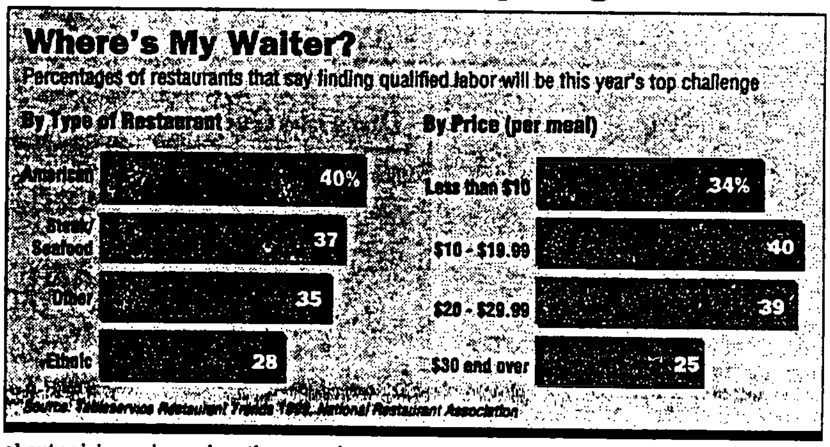
A soaring economy means more people have more spending money to eat out and are doing so more frequently—as much as four times a week.

But that same economy shrinks the available labor pool. The economy has spawned a wealth of well-paying, part-time jobs. Workers in the restaurant industry can take their pick of establishments, as entrepreneurs open new cafes, and chains open more locations.

Sales at full-service restaurants are expected this year to rise about 5% to $117 billion, after climbing 5.6% in 1998 to $111.8 billion.

Each new restaurant opening in a local market can push wages up. Some operators report they pay kitchen staff as much as $11 an hour, compared with $8 an hour three years ago. Yet in the current low-inflation environment, operators find it difficult to pass the costs of higher wages on to consumers. Waiters and waitresses can earn between $15,000 and $50,000 annually, including tips. Servers make most of their income from tips, which tend to rise when the economy is healthy.

Operators are particularly skittish about raising prices when there are fewer, less-experienced waiters serving more tables than before.



"The last three years, our staff has been nothing but turnover," says Karen Paladino, manager at Carlucci, an Italian restaurant near Chicago's O'Hare Airport. The manager says she sometimes hires people with no experience, hoping they are fast learners.

Such compromises aren't unique. Restaurants that once required five years' experience for a server might settle for two years' experience. A finer restaurant might hire a waiter who worked only in casual settings.

Andrew Rubini, general manager at Trader Vic's restaurant in Emeryville, Calif., says there is so much competition for good servers that he can't find people who understand the finer touches of dining. They don't know how to present a menu, set down a plate of food or lay the silverware properly, he says. Customers are beginning to notice.

Yet inexperience doesn't inhibit job mobility, says Bill Frank, owner of Place Pigalle, a French restaurant in Seattle, where dinner averages $40 a person. A line cook he hired recently left after a few days to work as a chef in another restaurant, even though the employee didn't know how to price a menu.

"It's not a pretty scene," he says.

Operators say finding new employees is harder than retaining current ones, the survey showed.

This is driving more than half of eateries to hire or consider hiring former welfare recipients, according to the restaurant survey. Silver Grill Cafe in Fort Collins, Colo., says it probably will hire people who used to be on welfare when it loses some of its staff.

To recruit and retain employees, more restaurants are offering benefits. Most already offer paid vacation. Now, nearly half of full-service restaurants offer comprehensive medical coverage, and some even contribute to a 401(k) retirement plan. As a result, many restaurants report turnover is declining. Restaurants with employees who stay longer are more profitable, Mr. Riehle says.

Some upscale restaurants, in a bid to recruit more professional waiters and waitresses, are paying higher salaries and benefits instead of asking their patrons to tip servers.

Although the national economy is fast becoming service-based, the perception of servers and other restaurant staff hasn't improved. The National Waiters Association says finding labor would be easier if waiters weren't stereotyped as less intelligent or unmotivated.

Paul Paz, association president and a server at a restaurant and bar in Tigard, Ore., points out that he raised three children and helped them through college while working as a waiter. "There's a lot of economic opportunity," he said.

THE WALL STREET JOURNAL

THURSDAY, MAY 27, 1999

THE WALL STREET JOURNAL

THURSDAY, MAY 27, 1999

UAW, Daimler Discuss Organizing Two Plants

By JEFFREY BALL
Staff Reporter of THE WALL STREET JOURNAL

VANCE, Ala.—The United Auto Workers union and DaimlerChrysler AG are working toward an agreement that could make it easier for the UAW to organize two of the auto maker's nonunion plants in the U.S.

Top company and union officials discussed the issue last week during a meeting at DaimlerChrysler's headquarters in Stuttgart, Germany, and have been negotiating since then, a union official said.

At issue is the union's desire to organize about 1,300 workers at DaimlerChrysler's Mercedes Benz sport-utility-vehicle plant in this rural Alabama town and another 900 at the company's Freightliner heavy-truck-parts factory in Gastonia, N.C. Organizing these plants would give a major boost to the UAW ahead of next month's kickoff of national talks with the three biggest U.S. auto makers. UAW leaders have said they want the big auto makers to be more supportive of their organizing efforts.

Final terms of a deal covering the two DaimlerChrysler plants aren't set. DaimlerChrysler's U.S. managers met this week at a northern Michigan resort to plot their strategy for the national contract talks; UAW officials are scheduled to meet at the same place next week. Following his meeting in Germany with top UAW leaders, DaimlerChrysler Chairman Robert Eaton said last week he hoped to resolve the issue before national contract negotiations begin in June.

Taking Aim

The UAW wants to organize workers at two southern plants operated by DaimlerChrysler.

PLANT/ LOCATION	PRODUCT	TARGETED WORKERS
Mercedes-Benz *Vance, Ala.*	Sport-utility vehicles	1,300
Freightliner *Gastonia, N.C.*	Heavy-truck parts	900

A key point is the company's professed neutrality toward the union's organizing campaigns. During last week's meetings in Stuttgart, union officials enumerated for Mr. Eaton and DaimlerChrysler's other chairman, Juergen Schrempp, what they regard as antiunion activities by the former Daimler-Benz facilities in Alabama and North Carolina. The company leaders assured the UAW representatives that DaimlerChrysler would live up to its pledge to remain neutral on organization, according to a senior UAW official.

Another important question is the process the union would have to follow to organize the Alabama and North Carolina workers. Typically, a union must collect signatures from at least 30% of the group of workers it wants to organize. Then, in a formal election, it must get votes from more than 50% of the group.

But the UAW prefers to get a company's blessing to use a shortcut known as a "card check." That allows the union to avoid the uncertainty of a secret ballot. Under that mechanism, if the union gets signatures from more than 50% of a targeted group of workers, it wins the right to represent them.

Union officials are upbeat about the prospects for a pact. "There are still a few hiccups that need to be ironed out," but "the majority of them were worked out" in last week's meeting, said the senior UAW official. UAW's chief DaimlerChrysler negotiator, Jack Laskowski, and UAW President Stephen P. Yokich, a member of the DaimlerChrysler board, discussed the issue with Messrs. Eaton and Schrempp, when they were in Stuttgart last week for the company's annual shareholders' meeting.

A resolution to the remaining issues is expected within the next few weeks.

As the UAW's active membership has dropped by more than half over the past three decades, the union has struggled to gain footholds in the new foreign-owned auto factories in the Southeast. Last fall, when Mercedes parent Daimler-Benz AG merged with Chrysler Corp., whose plants

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have long been represented by the UAW, the union saw a new chance for success.

The UAW now has organizers working out of a hotel beside the interstate highway a few miles from the Mercedes plant. The union also has opened an office between a gas station and an insurance agency in the center of Vance. So far, all that identifies the place as a UAW office is a window sticker with the union's logo.

The UAW has asserted in recent weeks that the company is trying to thwart its organizing efforts in both Alabama and North Carolina. DaimlerChrysler has denied those allegations. Still, company officials clearly don't want the differences to escalate, particularly at a time when car and truck sales are booming.

William Taylor, president of Mercedes Benz U.S. International Inc. and head of the Alabama plant, said the company wants to ensure that whatever process the UAW uses is "fair and bulletproof in terms of integrity."

Mr. Taylor, stressing the company's neutrality pledge, said it is up to workers in the Alabama plant to decide whether they want to join the UAW. But he noted the factory, established by a German company and staffed by workers who in many cases hadn't worked at an auto plant before, differs from traditional, UAW-represented Chrysler plants.

"This has its own identity," Mr. Taylor said. He added: "We had to take these people that had never built cars before and do some training. When you do those things, you set an interesting relationship" between management and labor.

Joseph J. Minarik

05/04/99 05:04:38 PM

Record Type: Record

To: Carl Haacke/OPD/EOP@EOP

cc:

Subject: Re: Instant, off-the-top-of-my-head, reflex, knee-jerk reactions, take 2

Where are we on the minimum wage offsets issue? As you can see from the following, our health folks would like to express some reservation and broaden the discussion about the self-employed insurance issue. I don't know just how broad we want this to get (we probably have higher priorities that are related to a lot of your issues, but those higher priorities have nothing to do with small business, hence irrelevant in this context).

---------------------- Forwarded by Joseph J. Minarik/OMB/EOP on 05/04/99 04:58 PM ---------------------------

Daniel N. Mendelson

05/04/99 04:55:19 PM

Record Type: Record

To: Joseph J. Minarik/OMB/EOP@EOP

cc: mark e. miller/omb/eop@eop

Subject: Re: Instant, off-the-top-of-my-head, reflex, knee-jerk reactions, take 2

Thanks. If you could give him a call, that would be great. Our position should be that: (1) we have long advocated for expansions in the availability of health insurance coverage, etc.; (2) that we support current law, and do not oppose accelleration, given an appropriate offset; but (3) we don't have an offset; and (4) we have outlined higher priority health objectives (e.g., disability legislation, immigrants). Or something similar.

FUTA SURTAX

The 0.2 percent surtax was added to the then 0.5 percent basic FUTA tax in 1977 to repay general revenue loans to the Extended Unemployment Compensation Account (EUCA) following heavy outlays for extended benefit payments.

The surtax was scheduled to terminate December 1987, since the EUCA debt was repaid.

The basic tax increased from 0.5 to 0.6 percent in 1983, making the total FUTA tax paid by employers 0.8 percent on a $7,000 base, or $56 per year per employee.

The FUTA taxes are used for funding:

- the administrative costs (State and Federal) of operating the UI program,
- loans to insolvent State UI trust fund accounts,
- the Federal share of extended benefits,
- most Employment Service activities,
- some veterans employment and training activities,
- some cooperative statistical programs, and
- Department of the Treasury costs related to FUTA collection by IRS and trust fund management.

One quarter of the $56, or $14, is attributable to the 0.2 percent surtax.

The 0.2 percent surtax generates $1.6 billion in revenue, or $1.3 billion net after the 20 percent Treasury offset.

Industries which would benefit most from elimination of the surtax include retail trade, construction, agriculture, and low-wage segments of the service industry.

The surtax was extended through:

- 1990 by P.L. 100-203 — Omnibus Budget Reconciliation Act of 1987
- 1995 by P.L. 101-508 — Omnibus Budget Reconciliation Act of 1990
- 1996 by P.L. 102-164 — Emergency Unemployment Compensation Act of 1991
- 1998 by P.L. 103-66 — Omnibus Budget Reconciliation Act of 1993
- 2007 by P.L. 105-34 — Taxpayer Relief Act of 1997

DOL/UIS
04/20/99

COMMENTARY

By Aaron Bernstein

A PERFECT TIME TO RAISE THE MINIMUM WAGE

Opponents of a minimum-wage hike are a beleaguered bunch these days. Less than two years after the last increase took effect, Democrats are pushing for another raise. Groups such as the National Restaurant Assn. and the American Enterprise Institute, a conservative think tank, say it's a bad idea—just as they have every time it has been suggested. But with unemployment at near-record lows and nary a whiff of inflation in the air, even the most ardent foes have a tough time coming up with counterarguments. And for good reason—there are none.

GOP congressional leaders concede that they won't put up much of a fight, since they couldn't win anyway. And the minimum wage helps in their effort to soften their post-impeachment image. "Democrats may not get the entire $1-an-hour increase they want, but something will pass," concedes National Restaurant Assn. chief lobbyist Lee Culpepper, who's leading a coalition of 25 business groups opposed to an increase.

So, Speaker Dennis J. Hastert (R-Ill.) has decided to get the minimum-wage debate over with early, perhaps this summer, aides say. With their six-vote House majority in jeopardy, the Republicans don't want the minimum wage to galvanize extra support for Democratic candidates. Also, a big tussle would split the GOP, since moderates such as Jack Quinn (R-N. Y.) are leading the effort to raise the minimum.

Who Benefits From a Minimum-Wage Hike

	MILLIONS
WOMEN	6.9
RETAIL WORKERS	4.8
PART-TIMERS	3.9
TEENS	3.2
HISPANICS	2.0
BLACKS	1.8

DATA: ECONOMIC POLICY INSTITUTE

Politics aside, it's an ideal time to help out the lowest-paid workers. True, Congress jacked up the minimum by a fat 20% over two years starting in 1996, to the current $5.15 an hour. But, adjusted for inflation, that's still 17% lower than the minimum wage when President Reagan took office in 1981. And it's 27% less than the peak hit in 1968. The conclusion: There's plenty of room for another hike without running into the kind of economic problems critics cite.

The past two years demonstrate just how easily the roaring U. S. economy has shrugged off the problems that were feared after the last increases. Since 1996, unemployment has plunged by more than a percentage point, to 4.2%. And the share of the population holding a job has jumped to a record 64%. New studies have questioned the conventional economic wisdom that a minimum wage destroys jobs. But even if the 1996 hike did cut some jobs, new hiring by other firms more than offsets the losses.

For low-wage workers affected directly by the minimum, the story is just as good. Over the past two years, jobless rates for chronically low-wage groups, including high school dropouts, have fallen respectively by one and two percentage points, reports the Economic Policy Institute, a Washington think tank. The same is true for populations with large proportions of low-wage workers, such as teenagers, blacks, and Hispanics. "The labor-market conditions facing low-wage workers have continued to improve, contrary to the predictions of those who opposed the last increase," says EPI economist Jared Bernstein.

LONG CLIMB BACK. Lifting the wage floor will help the poorest families catch up after two decades of losing ground. Hourly wages for the bottom 20% of workers have outpaced inflation by a healthy 2% a year in the past two years. But the average family income of this group is just getting back to the $12,250 achieved in 1989, adjusted for inflation to 1997 dollars. It will take several more years of a supercharged economy to return them to the 1979 peak—$13,009 in 1997 dollars. A higher minimum would speed the process.

A valid criticism of the minimum wage is that it benefits some well-off families along with poor ones. For example, 12% of the 1996 increase went to workers—probably teens—living in families earning an average of $131,000 a year, according to EPI calculations. Still, most of the benefit goes to those who need it, namely low-wage workers in poor families. Congress should act now to help them—while the economy is strong.

Bernstein covers labor issues from Washington.

BRIAN KRONINGER

THE MYTH OF THE MINIMUM WAGE

Old myths die hard. Old economic theories die even harder. Remember the one about inflation rising as unemployment falls? How about productivity dropping as the business cycle ages? Or the U. S. is a mature economy doomed to slow growth? One old favorite is that higher taxes inevitably lead to recession. These days, none of these theories appears to work. A new economy driven by high technology and globalization seems to be changing old economic relationships. But one economic shibboleth still remains popular: the bane of minimum wages.

Congress is debating whether to raise the minimum wage from $5.15 to $6.15. Opponents of the bill cite reams of economic research showing that minimum-wage hikes curtail demand for cheap labor. Like the trade-off between employment and inflation once said to be inherent in the Phillips curve, higher minimum wages are supposed to lead to fewer jobs. Not today. In a fast-growth, low-inflation economy, higher minimum wages raise income, not unemployment.

For proof, look no further than the minimum-wage hike of 1996-97. The two-stage hike of 90¢ raised the wages of nearly 10 million employees. Nearly three-quarters of these were adults, and half the people worked full-time. In 1996, the unemployment rate was 5.4%. Today, it is 4.2% (page 42).

The economy is evolving at a tremendous clip—shedding its old skin before our eyes. In this ever-changing environment, the best policy aims at increasing flexibility and options. Keep markets free, promote growth and entrepreneurship, and open the doors to opportunity for all participants. A higher minimum wage can be an engine for upward mobility. When employees become more valuable, employers tend to boost training and install equipment to make them more productive. Higher wages at the bottom often lead to better education for both workers and their children.

In the New Economy, it often makes sense to leave old economic nostrums behind and take prudent risks. Federal Reserve Chairman Alan Greenspan, for example, has withstood pressure to raise interest rates in the face of strong economic growth. Traditional theory said that inflation follows fast growth. It hasn't. Greenspan bravely took a chance, and America has profited from higher growth. Congress, for its part, has withstood pressure to allow states to impose sales taxes on the Internet. Economic theory says this is harmful because it creates an unfair competitive advantage. But it is the right policy because it nurtures a pervasive technology that is driving the economy.

It is time to set aside old assumptions about the minimum wage, as well. We don't know how low unemployment can go before inflation is once again triggered. But Greenspan is testing the limits. We don't know how high the minimum wage can rise before it hurts demand for labor. But with the real minimum wage no higher than it was under President Reagan, we can afford to take prudent risks.

THE AT&T DEAL SPELLS COMPETITION–FOR NOW

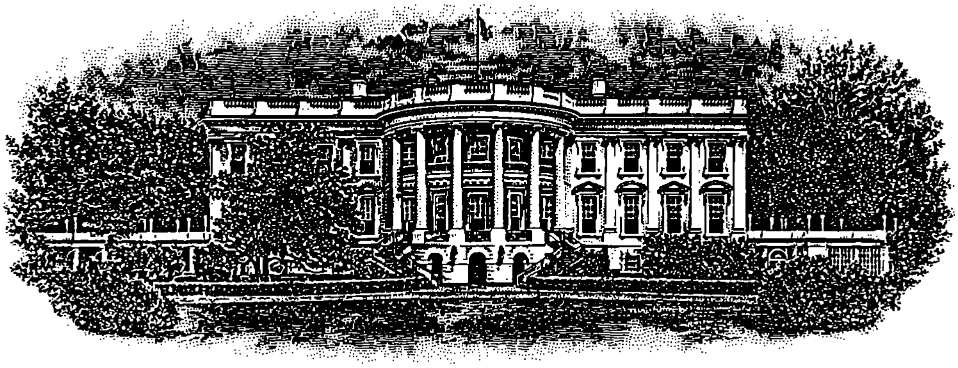
This is what it must have been like to live at the beginning of the Industrial Revolution. Amazing changes in telecom are coming at breathtaking speed, altering the very nature of work and leisure. In one huge deal, AT&T emerges as a digital goliath, capable of delivering high-speed voice, video, and Internet services into 60% of American homes. It becomes the biggest cable operator in the nation, as well as the leader in long-distance phones. Comcast receives cash and two million subscribers from AT&T. And Microsoft joins in, possibly investing billions in AT&T to expand its software into the set-top boxes that will control the flow of new products into the home. Whew! What are we to make of all of this?

First, it will increase competition, at least initially. By going through cable, AT&T will finally break the monopoly on local phone service held by the Baby Bells. The Telecom Act of 1996 notwithstanding, the Bells have staved off most competition. With AT&T using the second "pipe" into the house, cable, to circumvent copper wires, this will start to end (page 34).

The big game, however, is in delivering broadband services—video and the Internet. Here too, AT&T will heat up the competition. Anyone who uses the Net at the office knows how agonizingly slow it is at home. By upgrading its cable system, AT&T can begin to deliver high-speed Internet access and service. This will push the Bells to deliver broadband themselves. They will have to seriously apply their DSL technology to existing copper networks and lay more fiber optic cable directly to the home. This is the way competition is supposed to work.

The worry, of course, is that telecom consolidation, and AT&T's mammoth reach in particular, could hurt competition. Local phone and cable companies are regulated under very different laws. Phone companies are supposed to be common carriers and provide open access to anyone. Cable companies don't necessarily have to. For America Online Inc., which seems to have been left at the altar in the MediaOne deal, this is an important issue. AOL fears that AT&T might put it at a major disadvantage by bundling high-speed access to the Net with AT&T's own At Home and Road Runner services.

The Federal Communications Commission is keeping a watchful eye on the ever-changing situation. At this point, this is all it should be doing. The telecom landscape is changing at a dizzying pace. The first-order effect of the latest AT&T deal is to break open monopolies and increase competition. Let's worry about second-order effects later.



THE WHITE HOUSE

CARL HAACKE
POLICY ADVISOR
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TO: Caroline Fredrickson

PHONE:

FAX: 66468

DATE:

PAGES TO FOLLOW:

COMMENTS:

Joseph J. Minarik

05/06/99 08:59:25 AM

Record Type: Record

To: Carl Haacke/OPD/EOP@EOP

cc: larry r. matlack/omb/eop@eop, barry white/omb/eop@eop
Subject: Re: Minimum Wage

Sorry to be late. It was a bad night.

Both side have supported increasing the deductibility of the health-insurance costs of the self-employed.

Apart from this provision, the individual income tax law lumps all health-care costs (including insurance) together, and allows a deduction for the excess over 7.5 percent of income. The 7.5 percent is chosen to screen out typical health-care costs, so that only extraordinary costs are deductible. (In effect, the rest of health costs are compensated for by larger personal exemptions and standard deductions, and lower tax rates, financed by the revenue raised by the 7.5 percent floor.)

However, *for employees,* health-insurance premiums get a tax subsidy. Premiums are deductible (as are cash wages and most other fringe benefits) as costs of doing business for employers, but are not included in income for tax purposes (unlike cash wages) for employees. Thus, there was a rap by the self-employed that they did not get such a break. The weight of that rap must be limited, however, by the fact that even of those employees (far from all) who do have employer-financed insurance, most have to pay part of the cost themselves. (The Federal system is probably not the most typical, but is growing in frequency; we get a flat subsidy and pay the excess, to discourage larding up on the richest plans -- that's correct, isn't it, Larry?) The part that employees pay out-of-pocket is not deductible except to the extent that total health costs exceed the 7.5 percent floor.

Current law (per the receipts chapter of the *Analytical Perspectives* volume of the Budget, FY 1999, p. 47) allows deductibility of 45 percent of the premiums of the self-employed for 1998-99, 50 percent for 2000-01, 60 percent for 2002, 80 percent for 2003-05, 90 percent for 2006, and 100 percent for 2007 and thereafter.

Larry R. Matlack 05/05/99 06:50:18 PM

Record Type: Record

To: Carl Haacke/OPD/EOP@EOP

cc: Barry White/OMB/EOP@EOP, Joseph J. Minarik/OMB/EOP@EOP
Subject: Minimum Wage

Sorry to take so long to get back, but I've had trouble pinning people down. Also called and didn't find you in and I've been out most of the afternoon.

Here's where I think we are (Joe -- please disabuse Carl if this is wrong). As a general matter, we can't support costers -- what is the offset they have in mind for some of these tax extensions? The discussion needs to be in a much broader tax policy mode that accounts for the bottom line budget cost in the policy context. So, I think, even if we might support a particular policy, we can't agree to a provision that is a coster without understanding if it (and the package) is offset and, as importantly, with what. What's the configuration and cost of the whole package? It's the "social security first and only" issue, and they should be able to raise the minimum wage without having to deplete the surplus.

On the specifics that I know about:

- Tipped employees. Pretty clear that we would oppose as your chart says.

- WOTC. See above on costers, even if we agree with Burman. (Note that I do not agree that a permanent extension is a good idea, but I don't get to make the policy calls. On that point, I do not see Len Burman as the only pronouncer on this issue, so would say that the policy of permanent extension is not as clear as he suggests it is. My opinion, only. Others aside from Len may have weighed in and I'm not aware of it.)

- FUTA surtax. See above on costers. (Were I king, we'd eliminate it. Even better, we'd elinminate it and get a portion of what is in the UI reform proposal; specifically, coverage for permanent parttime workers. But that would cost even more, so it's out of the picture.) I don't think on a policy basis there is an objection to eliminating the surtax. We're going to be sending back billions to the states in a year or two as is under the Reed Act.

- Inside sales overtime. I believe we are on the record earlier opposing this proposal.

- Comp time. No mystery on this one. Oppose.

I think Joe Minarik has provided you with something on other provisions that we know about. If he disagrees with the above, I hope he will clarify with you.

The Washington Post
Monday, May 3, 1999

If GOP Can't Block Wage Hike, Tax Breaks May Sweeten It

Business Aid Could Ease Payroll Pain

By Juliet Eilperin
Washington Post Staff Writer

Resigned to the prospect that they lack the votes to block a minimum wage increase this year, congressional GOP leaders are preparing to load up the measure with tax breaks and other provisions that would cushion the blow for business.

The shift in the political landscape was evident last week when House Majority Leader Richard K. Armey (R-Tex.), who once vowed to fight a minimum wage increase with "every fiber" in his being, told reporters the House leadership is focused on doing "the wrong thing in the least hurtful way possible."

Some business lobbyists have already submitted a wish list of provisions to House leaders, who are working with moderate Republican Jack Quinn (N.Y.) on a measure that could boost the minimum wage from $5.15 an hour to $6.15 over three years. On the other side of Capitol Hill, Senate Majority Leader Trent Lott (R-Miss.) is exploring a "workers protection package" that would include a mix of tax credits and labor law changes that would benefit business.

Lott spokesman John Czwartacki said the top contenders include allowing restaurants to include a greater percentage of tip earnings when calculating whether their employees are meeting the minimum wage threshold, as well as reducing overtime pay requirements by allowing workers to request comp time or set more flexible schedules. The tip credit could mean millions of dollars in savings for food delivery services like Pizza Hut Inc., Dominos Pizza and

FILE PHOTO/BY RAY LUSTIG—THE WASHINGTON POST

If the votes aren't there to block raising the minimum wage, House Majority Leader Richard K. Armey says that the Republican leadership is focused on doing "the wrong thing in the least hurtful way possible."

Godfather's Pizza.

Czwartacki said Lott was merely following the Boy Scout motto of "be prepared," adding, "I would be surprised if it doesn't come up this year."

Publicly, a broad coalition of businesses including retailers, restaurateurs, and theater owners are still trying to convince lawmakers that a minimum wage increase would raise their expenses and cost jobs. But with political pressure building behind the issue, they are quietly making the case for a number of provisions they say could reduce the burden for small businesses. GOP leaders also want to head off what they consider a more onerous proposal by House Minority Whip David E. Bonior (D-Mich.) and Sen. Edward M. Kennedy (D-Mass.), raising the minimum wage by a dollar over two years.

The strategy is a proven winner: when Congress raised the minimum wage from $4.25 to $5.15 in 1996, lawmakers included $21 billion in tax breaks for business in the bill. A typical tactic employed by business advocates when confronted with an unstoppable legislative train, the gambit has prompted criticism from minimum wage proponents, like Economic Policy Institute economist Jared Bernstein.

"It's '96 all over again," Bernstein said. "There's no economics here, it's pure politics."

But business lobbyists say such breaks are necessary to make a raise in the minimum wage palatable. "We will never support minimum wage legislation, but we will be happy to say these are things that would help us," said Lyle Beckwith, director of government relations for the National Association of Convenience Stores. "If all those things were put on it, it would be like kissing a real, real ugly sister."

Beckwith and his colleagues in Washington's K Street crowd have a variety of suggestions for improving the bill.

The National Association of Wholesalers and Distributors, for instance, argues that salespeople who work inside should be considered exempt from overtime rules and other provisions of the Fair Labor Standards Act, just like door-to-door sellers.

Many lobbyists argue in favor of extending the Work Opportunity Tax Credit, which is set to expire in June. The provision gives employers like Taco Bell and 7-Eleven up to $2,400 for every low-skilled worker they hire, and extending it by 18 months would cost the Treasury $229 million.

While that measure would be a boon to fast-food outfits, table-service restaurants want to increase the business meal tax deduction from 50 percent to 80 percent. That change, which enjoys bipartisan support in Congress and would affect eateries ranging from elegant Washington bistros to hotel and chain restaurants across the country, could cost $3 billion.

Republicans also want to deliver broad-based tax relief, so they're also considering reducing the federal unemployment tax on employers' payrolls from .08 percent to .06 percent, which would cost $1.5 billion annually, or phasing in more quickly plans to make health insurance costs 100 percent-deductible for small business.

During a 20-minute meeting last week with officials from the National Restaurant Association, the National Association of Convenience Stores and the National Federation of Independent Business, Quinn said he assured them he could "fashion something along the lines" they did in 1996 because those concessions to business helped attract overwhelming support for the bill.

Despite the political horse trading, advocates on both sides are continuing to debate the merits of the minimum wage boost and mobilize grass-roots efforts on their behalf. The lobbying groups are mobilizing tens of thousands of members to call and write the between 30 and 40 centrist Republicans and Democrats who will deliver the deciding votes on the bill.

"We're not tied into cutting any deals yet," emphasized NFIB lobbyist Nelson Litterst. Lee Culpepper, a restaurant lobbyist who heads the Coalition for Job Opportunities, said it's premature to predict what form any minimum wage package would take.

"There's a lot of talk and very little action," Culpepper said. "Everybody says something is going to happen, but nobody knows what. Get out your tarot cards."

POLITICS

Ceci Connolly

Party Poll Gives Democrats Hope for Florida Senate Seat

A new party poll is giving Democrats hope that they may have a shot at next year's open Florida Senate seat. A survey by the Mellman Group found voters evenly divided (at 34 percent) between the two political parties, leaving one-third uncommitted. The poll shows Democratic Insurance Commissioner **Bill Nelson** leading GOP Rep. **Bill McCollum** by 11 percentage points in a theoretical matchup.

Republican Sen. **Connie Mack** has said he will retire in 2000 and although Republican **Jeb Bush** took over the governor's mansion last year, Florida has also supported Democrats **Bill Clinton** and Sen. **Bob Graham** in recent years.

The field is far from set. DC Democrats say EPA Administrator **Carol M. Browner**, a close ally of **Vice President Gore** and former aide to the late Gov. **Lawton Chiles**, is seriously considering a run.

House Seat Rematch in Fickle Connecticut District

On the House side, look for a rematch in the volatile 5th District of Connecticut next year. Republican **Mark Nielsen** will soon announce plans to challenge Rep. **James H. Maloney** (D), who won the seat by about 2,300 votes in 1998. It took Maloney two tries, but in 1996 he ousted Rep. **Gary A. Franks** (R) in the moderate Danbury-area district.

Maloney looked to be in trouble last year what with Nielsen's impressive bank account and a campaign finance scandal involving his brother. Although Maloney has taken steps to solidify his hold on the 5th, district voters are a finicky bunch. In 1992, they backed **George Bush** and gave **Ross Perot** 23 percent of the vote. Four years later, they went overwhelmingly for President Clinton.

Squier's Gore Video Goes on Location in Tennessee

Democratic media consultant **Robert Squier** was spotted in Tennessee recently filming a Gore video the vice president's campaign team hopes to show at house parties. Squier, a long-time Gore adviser who has collected reams of video of the vice president since his days in Congress, is crafting a five- to 10-minute biographical film that will be used to rally the faithful when Gore can't make it in person.

While in Gore's home state, Squier interviewed the local folks and captured some authentic Tennessee scenery. Gore is expected to sit in front of the camera back here in Washington. Tapes could be in the mail within a week if Gore likes what he sees.

Dole State Teams Signal She Means Business

Elizabeth Dole, attempting to pick up the pace of her almost presidential campaign, has rolled out the names of key organizers in Iowa and New Hampshire, the states hosting the first two contests of 2000.

The lineup ranges from a school teacher in Iowa to a state representative in the Granite State. Both lists are sprinkled liberally with businesspeople such as **John J. Borden**, president of Granite Systems Research, and **Dennis Kozlowski**, CEO of Tyco International.

The Washington Post

MONDAY, MAY 3, 1999

Minimum Wage

GOP Aides Say Linking Minimum Wage Hike To Business Tax Breaks Is 'Very Premature'

A possible link between a proposed minimum wage hike and a package of business tax cuts or credits is in the very early stages of discussion and talk about what specific tax changes might be in such a package is "very premature" with no action expected before Memorial Day, Senate GOP aides said May 3.

"This is just on the radar screen—long-range radar," a spokesman for Senate Majority Leader Trent Lott (R-Miss.) said. "Who knows when Congress is going to deal with it?"

Lott's spokesman said action on such a package will take place "more than likely after" the Memorial Day recess. Congress is at "the start rather than the finish" of its talks about linking a minimum wage increase, pushed primarily by Democrats, with a package of business tax cuts, pushed primarily by Republicans to help soften the blow of a wage hike.

A spokeswoman for Senate Finance Committee Chairman William Roth (R-Del.) said Roth has had "no discussions that I know of" about specific business tax relief that might be part of the bill. The spokeswoman said any talk of legislation linking a tax bill with a minimum wage hike is "very premature" at this point, although the committee staff is reviewing options.

Congressional Republicans, most of whom generally oppose a minimum wage hike, apparently do not have the votes to block it, so some of them have begun trying to link passage of a minimum wage hike with a package of business-related tax breaks or credits. In 1996—the last time the minimum wage was raised—Congress passed a $21 billion package of business tax breaks to ease the impact.

Administration Critical. The Clinton administration May 3 criticized House Republican leadership for suggesting tax cuts would be attached to minimum wage legislation.

"Even while they get dragged kicking and screaming to support a minimum wage increase, they can't resist tacking on a bunch of special interest tax breaks," a White House official said.

By Bud Newman

In Brief

Military Contractor Settles OFCCP Charges

A U.S. military contractor has agreed to pay $118,881 in back pay and benefits, minus interim earnings, to three female applicants who were rejected for entry-level warehouse positions, the Department of Labor's Office of Federal Contract Compliance Programs announced April 28.

Under a conciliation agreement with AmeriServe Inc., the women will be offered jobs with retroactive seniority at its Oak Creek, Wis., facility, and will be given transfer rights. The alleged sex discrimination was found during a routine compliance review in December 1998 that showed that qualified female applicants were not hired, and that no women had been hired for warehouse jobs for the previous two years, the agency said.

An AmeriServe spokeswoman declined to comment on the agreement. The Dallas-based company provides food products to Army and Air Force bases under contracts valued at $26.3 million annually.

To: Carl Haacke
Fr: Kathy Curran

456-2223

  DLR ISSN 0418-2693

Provisions that are being rumored as possible attachments to minimum wage

Proposal	Descriptions	Estimated Cost	Comments
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at $2.15.		1) Oppose.
Small business equipment deduction	Accelerate $17,500 to $25,000 increase in allowable first year deduction for equipment purchased by small businesses. $25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: $19,000 2000: $20,000 2001: $24,000 2003: $25,000 (?)Estimated 5 year revenue loss in 1996 was $1.6 billion	1) How this is accelerated has big impact. Get more details.
R&D experimentation tax credit	Extend Credit for research and experimentation, due to expire June 30, 1999, for one year. (Our budget extends through June 30, 2000) Credit was extended in through May 31, 1997 in 1996 MW Act.	$2.1 billion loss over five years from 1 year extension.	1) OK for permanent extension.
WOTC	Make permanent. Due to expire June 30, 1999. Our proposal is to extend to June 30, 2000.	$415 million loss over five years from 1 year extension.	1) OK for permanent extension
Self-employed health insurance deduction	Accelerate 100% health deduction for self-employed, currently due to occur in 2005.	$2.5 billion over 5 years ?	1) Not great, but just acceleration OK. 2) Cost a factor.
FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	$1.3 – $1.6 billion.	1) Very expensive. 2) Policy problems ?
Tax Deduction for business meals	Increase somehow- once was 100%, now 50%. They want 80%.	$3 billion	1) Oppose
Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		??

Inside sales overtime	Make salespeople who work inside exmept from overtime rules in FLSA, like door-to-door salepeople.		1) Oppose ?
Comp Time	Reduce overtime pay requirements by allowing workers to request comp time or request a more flexible schedle.		1) Oppose

Possible breaks for Small Business that could be tied to minimum wage increase:

Provision	Description	Cost
Wage paid to tipped employees	Maintain amount employers must pay tipped employers at $2.13. Prior to 1996 increase, employers paid 50% of the MW to tipped employees, and, if tips failed to bring the wage to the minimum, an amount to make up the gap. Since 1996, the employer portion is fixed at $2.13 (41% of the current MW).	
Youth subminimum training wage.	Maintain $4.25 minimum wage during first 90 days of employment of newly hired workers under 20. Established by 1996 MW act.	
Small business equipment deduction	Accelerate $17,500 to $25,000 increase in allowable first year deduction for equipment purchased by small businesses. $25,000 deduction to be allowed in 2003 per 1996 MW act.	Estimated 5 year revenue loss in 1996 was $1.6 billion. # 2,056
Research and experimentation tax credit	Extend tax credit for research and experimentation, due to expire June 30, 1999, for one year. (President Clinton has propsed extending through June 30, 2000.) Credit extended through May 31, 1997 in 1996 MW act.	~~$2.276~~ billion revenue loss over five years from one year extension $415
Work Opportunity Tax Credit (WOTC)	Extend credit for employers who hire disadvantaged workers, due to expire June 30, 1999. (President has proposed extending through June 30, 2000.) House Republicans are talking about making it permanent.	$417 million revenue loss over five years from one year extension
Self-employed health insurance deduction	Accelerate 100 % health insurance deduction for the self-employed, due to occur in 2005.	($2.5 billion over 5 years?)
FUTA tax	House R's talking about decreasing tax from .8% to .6%	.2 annually 810 mill, 830 million, $1.3-1.66

Senate *

House & Senate *

House 0

House & Senate →

Treas OK perm.

OK perm w/ same line

hot - not strong issue.

Tax deductibility of business meals	Increase .... how? (Note: once was 100%, then down to 80%; now 50% -- getting more details)	

hate.

UNITED STATES DEPARTMENT OF LABOR

FACSIMILE TRANSMISSION

OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS

200 Constitution Avenue,
N.W.
Room S-1325
Washington, DC 20210

Confirmation:
202/219-6141

April 26, 1999/6:25pm

TO: CARL HAACKE

DEPARTMENT/COMPANY:

FACSIMILE NUMBER: 456-2223

FROM: LESLIE PLATT

NUMBER OF PAGES INCLUDING COVER:

FACSIMILE REPLIES:	CONGRESSIONAL AFFAIRS	202/219-5120
	INTERGOVERNMENTAL AFFAIRS	202/219-5736
	IMMEDIATE OFFICE OF THE ASSISTANT SECRETARY	202/219-5288

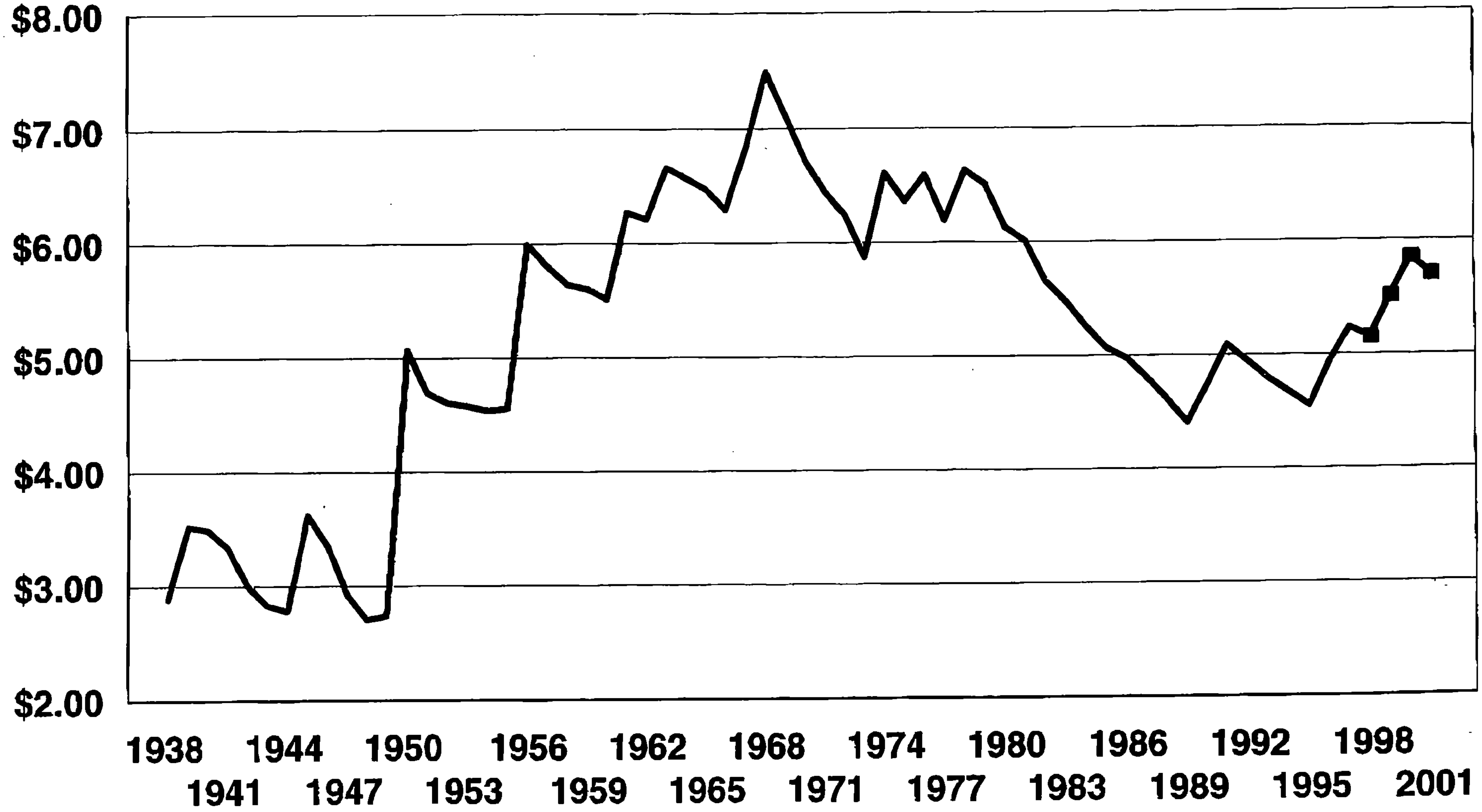
MESSAGE: *MW charts*

Call me!

[illegible]

The Real Minimum Wage

1938-2001



Note: The nominal value of the minimum wage is adjusted for inflation using the CPI-U, 1998 dollars and assumes CBO annual inflation project levels for future years. 1999 through 2004 use proposed values of the minimum wage (Blue for Kennedy/Bonior proposal).

April 26, 1999

MEMORANDUM FOR GENE SPERLING

FROM: CARL HAACKE

SUBJECT: Minimum wage update

BACKGOUND

Enclosed is an update on the status of minimum wage events and legislation that might be useful to know for your meeting with the AFL-CIO today at 4:00pm.

PRESS EVENT & HEARING TODAY

- *Press event*: There will be a minimum wage press event Tuesday, April 27, at 11:00am. The Democratic event is being organized to focus on "real workers" and to balance the Republican minimum wage hearing that will follow at 1:00pm. The press event will feature: Three minimum wage workers, Sen. Edward Kennedy (D-MA), Rep. David Bonior (D-MI), Rep. Bill Clay (D-MO), Secretary of Labor, Alexis Herman, AFL-CIO President, John Sweeney.

- *Hearing*: Following the event at 1:00pm, there will be a Republican hearing on minimum wage. The hearing will feature three academics against increasing the minimum wage, and one in favor.

LEGISLATIVE UPDATE

- *Senate*: Sen. Kennedy is still considering attaching minimum wage to Y2K which could move sometime this week. He is also looking for other vehicles so that he can find the soonest possible opportunity to raise the issue.

- *House*: Rep. Bonior's staff are still meeting with Blue Dog Democrats to maintain pressure and build support for the Kennedy/Bonior bill. Enclosed are estimates by the Labor Department for various increase levels beginning at various points in time. These scenarios are each part of the discussion about how to move forward on minimum wage that Bonior's staff is resisting. In opposition, Rep. John Shimkus (R-IL) is also proposing raising the minimum wage by $1.00 over 5 years, possibly allowing this to slide to 4 years. DoL is currently working on estimates for the Shimkus proposal.

These studies include state-specific research in California, Texas, and New Jersey that show that state minimum wage increases did not result in any job loss.

March 9, 1999

MEMORANDUM FOR GENE SPERLING

FROM: CARL HAACKE

SUBJECT: Jack Quinn's recent minimum wage proposal (March 3, 1999)

As you know, Rep. Jack Quinn (R-NY) has been out front among Republicans in supporting our minimum wage proposals in the past. On March 3, Quinn dropped a new minimum wage proposal that would:

- Increase the minimum wage over three years to $6.15 instead of over two years in as in the Kennedy/Bonior bill. Quinn's bill would raise the minimum wage to $5.55 on September 1, 1999; to $5.85 on September 1, 2000; and to $6.15 on September 1, 2001. The Kennedy/Bonior bill would increase the minimum wage to $5.65 on September 1, 1999 and to $6.15 on September 1, 2000.

- The proposal would index the future minimum wage increases to inflation starting September 1, 2000. The increase would be capped at 4 percent in any one calendar year and the minimum wage could never fall below the previous year's level. The legislative language is vague, however:

  It says the increase would be "in proportion to the Consumer Price Index." This could create a situation where the minimum wage is indexed to half the inflation rate, for example, which would be technically accurate because it is "proportionate" to the CPI, but would provide less of an increase than true 100 percent indexing.

There are several issues that this legislation raises for us to consider.

- Indexing the minimum wage will lock in the real value of at $6.15 in 2002 dollars -- which many consider too low (including Kennedy and Bonior). If we are open to indexing as a concept, there should be some thought put into what wage level should be targeted that will be locked in. The real value of the minimum wage in today's dollars (1998) would be $5.73 which is about 10 percent less than the average real value 1970 - 1980 of $6.39.

- Updating, enforcing and providing information to employers about annual minimum wage increases is administratively difficult.

- There may be better indexes than the CPI-U. For example, some have suggested indexing to median or average earnings.

DRAFT - checking figures with DoL

Kennedy/ Bonior vs. Quinn
Proposed minimum wage increases

Date	Nominal		Real* 1998 Dollars		
	Kennedy/Bonior	Quinn	Kennedy/Bonior	Quinn	
September 1, 1999	5.65	5.55	5.53	5.43	
September 1, 2000	6.15	5.85	5.87	5.59	
September 1, 2001	6.15	6.15	5.74	5.73	
September 1, 2002	6.15	6.29	5.61	5.73	<-- indexed under Quinn
September 1, 2003	6.15	6.44	5.48	5.73	
September 1, 2004	6.15	6.58	5.35	5.73	

Note: Under Quinn's proposal indexing begins Sept.1, 2002 when the minimum wage is $5.73 in 1998 dollars.
$5.73 is the level it was between 1981 - 1982 in today's dollars (1998).
That is still about 10 percent less than the average 1970-1980 of $6.39

Prior to 2002, the Kennedy/ Bonior proposal offers higher increases.

* 1998 Dollars. Using OMB projections for CPI-U year over year
1999: 2.2 percent
2000: 2.3 percent
2001: 2.3 percent thereafter

April 26, 1999

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SUBJECT: Minimum wage update

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1) Three minimum wage workers
2) Sen. Edward Kennedy, D-MA
3) Rep. David Bonior (D-MI)
4) Rep. Bill Clay (D-MO)
5) Secretary of Labor, Alexis Herman
6) AFL-CIO President, John Sweeney

MINIMUM WAGE HEARING

Following the event at 1:00pm, there will be a Republican hearing on minimum wage. The hearing will feature:

1) Daniel Saviro, Law Professor, NYU
   - Will make the argument that raising the minimum wage will have little real value because the increase will be offset by losses in other benefits such as EITC and food stamps.

2) Richard Burkauser, Economics Professor, Cornell University
   - Will make the argument that raising the minimum wage is a poor strategy to address poverty.

3) David Neumark, MSU
   - Will make the argument that raising the minimum wage will cost jobs.

4) Jared Bernstein, EPI
   - Will make arguments in favor of the minimum wage increase and against the three testimonies above.

LEGISLATIVE UPDATE

- *Senate*: Sen. Kennedy is still considering attaching minimum wage to Y2K which could move sometime this week. He is also looking for other vehicles in order to get the bill moving as soon as possible.

- *House*: Rep. Bonior's staff are still meeting with Blue Dog Democrats to maintain pressure and build support for the Kennedy/Bonior bill and to resist other proposals for smaller increases or increases over longer periods of time.

Kennedy/Bonior vs. Quinn vs. no action
Proposed minimum wage increases

Nominal Dollars

	no action	Kennedy/ Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
Sept. 1, 1998	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
Sept. 1, 1999	$5.15	$5.65	$5.55	$5.40	$5.15	$5.35	$5.15
Sept. 1, 2000	$5.15	$6.15	$5.85	$5.65	$5.40	$5.55	$5.35
Sept. 1, 2001	$5.15	$6.15	$6.15	$5.90	$5.65	$5.75	$5.55
2002	$5.15	$6.15					
2003	$5.15	$6.15					
2004	$5.15	$6.15					

Real* 1998 Dollars

	no action	Kennedy/ dy/Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
Sept. 1, 1998	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
Sept. 1, 1999	$5.02	$5.51	$5.41	$5.27	$5.02	$5.22	$5.02
Sept. 1, 2000	$4.90	$5.85	$5.56	$5.37	$5.13	$5.28	$5.09
Sept. 1, 2001	$4.77	*$5.70*	*$5.70*	$5.47	$5.24	$5.33	$5.14

* Converted to 1998 dollars using projections, from "The Economic Budget Outlook: Fiscal Years 2000-2009."
January 1999, http://www.cbo.gov. 1999 inflation of 2.5 percent and 2.6 percent in following years.
calculated using CPI-U year over year changes (not year ending Sept 1.)
Assumes that Quinn's increase in "proportion" to the CPI-U is 1:1.
Assumes that Quinn's indexing starts covering the year Sept. 1, 2001 to Aug. 30, 2002.
Language was unclear; it may not be indexed that first year, decreasing the real value.

Joseph J. Minarik

05/03/99 03:21:43 PM

Record Type: Record

To: Carl Haacke/OPD/EOP@EOP

cc: Barbara Chow/OMB/EOP@EOP, Larry R. Matlack/OMB/EOP@EOP
Subject: Instant, off-the-top-of-my-head, reflex, knee-jerk reactions, take 2

Following is the e-mail that I sent you earlier on the Republican tax cut ideas. I really don't have any new thoughts. I assume that accelerating the expensing of equipment, extending WOTC, extending the R&E tax credit, and accelerating the self-employed health deduction (though I personally have some reservations on the last of these items, and the R&E tax credit, to the best of my knowledge, is not really a small-business provision) would be "acceptable" to us (with the major qualification being how we pay for them). I would oppose an increase in the tax deductibility of business meals. Larry can speak to the rest. Finally, I understand that there is an additional suggestion regarding Subchapter S corporations, but that we don't know the specifics; I can't venture an opinion on that one.
--------------------- Forwarded by Joseph J. Minarik/OMB/EOP on 05/03/99 03:16 PM ---------------------------

Joseph J. Minarik

04/19/99 06:17:27 PM

Record Type: Record

To: Carl Haacke/OPD/EOP@EOP

cc: Barbara Chow/OMB/EOP@EOP, Larry R. Matlack/OMB/EOP@EOP
Subject: Instant, off-the-top-of-my-head, reflex, knee-jerk reactions

Here are my own reactions to the tax ideas to accompany the minimum wage increase. Please also consult Larry, who knows more on at least some of these than I do -- especially the FUTA item.

1. MW to tipped employees: Actually, this is another that Larry knows better. However, it smells to me. Presumably the people worst affected are the worst off.

2. Youth subminimum: Larry item number 2. I assume that we are concerned about substitute hiring and churning of kids.

3. Small business equipment deduction: We proposed and enacted an earlier step in this direction in 1993. It is targeted on small business; it is a drop in the bucket to big firms. However, how we accelerate it would presumably have a big effect on the revenue loss; though in 2003 and thereafter, as suggested by the writeup, the cost will be zero. The current law schedule is $19,000 in 1999, $20,000 in 2000, $24,000 in 2001, and $25,000 in 2003 and thereafter.

4. R&E tac credit: This is no small business tax provision.

5. WOTC: We want to do this anyway, I assume.

6. Self-employed health: Arguably, this gives the self-employed more generous treatment than most employees under current law.

7. FUTA tax: I defer to Larry. Programmatic implications are probably the most important.

8. Tax deductibility of business meals: We cut deductibility from 100 percent because people have to get *some* benefit from the meal. We raised the reimbursement in the 1997 deal for truckers, travelling salesmen, etc. I would argue that there is no justification for giving any more.

Banking

Continued from page 1

cussing floor strategy. Sources said Daschle met with committee Democrats Tuesday to begin fleshing out a plan, and the talks are expected to continue up to and after Thursday's leadership meeting.

The minority is said to be considering a range of options, including launching a filibuster, shaping the bill through the amendment process on the floor or withholding most amendments for conference committee with the House.

Although Democrats are said to have not yet ruled out any option, some industry sources said the minority is leaning toward doing the heaviest lifting on the floor next week, offering a range of amendments.

"I think there are a number of Dems that would like to see a bill. To that end, the filibuster isn't the way to show people [that]," commented one industry source.

On the floor, the usual suspects in terms of amendments are expected, including a "rifleshot" amendment to strike from the bill language rolling back the Community Reinvestment Act. And no one is ruling out the possibility that Daschle will call for a vote on his substitute modernization proposal.

Conversely, Gramm is expected to fight to keep his own bill as close to its original form as is possible going into conference committee.

— *By Pamela Barnett*

Armey Concedes Min. Wage Hike Likely; Vows GOP Spin

EMPLOYMENT

House Majority Leader **Armey** Tuesday joined the growing chorus of Republican leaders who have conceded there will be a minimum wage increase this year — and that it is now just a question of how it is done.

Republicans are discussing a plan to raise the minimum wage by $1, but stretching the increase over as many as five years. Democrats are pushing for a $1 increase over two years, and moderate Republicans led by **Rep. Jack Quinn** of New York have proposed a $1 increase over three years.

Armey, a onetime economics professor who opposes the minimum wage in theory, told reporters that Republicans will address the issue on their own terms — by spreading an increase over many years.

"This thing is stirring out there," Armey said at a news briefing, and "it can attract support from both sides of the aisle." Armey said GOP leaders will "continue to work with our members" in order "to do the wrong thing in the least harmful manner as possible."

Such efforts would include looking for ways to lessen what Armey called the negative economic impacts of a wage hike, although he did not specify what those efforts would include.

Some key House Republicans have said the chances of attaching tax cuts to a minimum wage bill appeared unlikely this year. Regulatory reform provisions are one possibility.

Meanwhile, **House Minority Whip Bonior** told another news conference that Democrats will wait only a short time before forcing the minimum wage issue to the House floor.

If Republicans offer a bill with a more gradual increase, Bonior said Democrats will be joined by moderate Republicans in amending the bill.

Also Tuesday, the House Education and the Workforce Committee heard from three economists, chosen by Republicans, who oppose raising the minimum wage, and from one economist, chosen by Democrats, who supports raising the minimum wage.

None of the economists said there would be an adverse economic impact from raising the minimum wage, and there was no discussion about any negative effects on businesses.

The Republican-chosen economists said there was some job loss among low-income workers from the last minimum wage increase, but it was minimal. The Democratic-chosen economist claimed there was no job loss.

But the focus of the hearing was whether raising the minimum wage by $1 would actually help poor families.

House Majority Leader Armey said GOP leaders will "continue to work with our members" in order "to do the wrong thing in the least harmful manner as possible."

Jared Bernstein, an economist with the Economic Policy Institute — which is supported in part by labor unions — said that while some benefits of the minimum wage accrue to teenagers and adults in middle-class and wealthy families, the bulk of workers who would benefit are breadwinners for poor families. He said 70 percent of minimum wage workers are adults — not teenagers.

Bernstein conceded that raising the minimum wage does not solve the problem of poverty, but that it "leads to small decreases in the poverty rate" and makes a large impact on the poor families who receive it.

The Republican-chosen economists, all university professors, said raising the minimum wage is an ineffective way to help those in poverty — and may actually hurt those workers by raising their incomes to the point that they lose tax breaks and government benefits like Medicaid.

Instead, they said raising the Earned Income Tax Credit, food stamps, and other tax changes are better ways to target help to the poor. But that left Republicans in the awkward position of arguing for more government assistance through the EITC and Medicaid as an alternative to raising the minimum wage.

Democrats quickly pounced on that point — arguing that Republicans were attempting to subsidize employers paying low wages by making up the difference with government assistance.

— *By Matthew Morrissey, with Geoff Earle contributing*

April 22, 1999

Notes on Minimum Wage

- Raising the minimum wage doesn't hurt workers, it helps workers. Raising the minimum wage doesn't slow the economy, it boosts family income. A full-time worker earning the current minimum wage for 50 weeks of work receives on $10,300. This is not enough to move families from dependency to self-sufficiency and create a long-term attachment to the workforce.

- The President wants to increase the minimum wage by a dollar an hour over two years, from $5.15 to $6.15 an hour. This $1 increase only brings the value of the minimum wage back to what it was in 1980. For someone who works full-time, this $1 increase for 50 weeks a year will mean an additional $2,000 a year.

- President Clinton's statement in 1999 SOTU: "Now we also have to do more to support the million so parents who give their all every day at home and at work. The most basic tool of all is a decent income. So let's raise the minimum wage by a dollar an hour over the new two years."

- The U.S. economy is the strongest in a generation. We have virtually no inflation and no unemployment, and corporate profits are soaring. But not everyone is sharing in this prosperity. We know that people are being left behind--those that care for our children...sweep our buildings...clean our clothes...serve our food. [unemployment rate is 4.2 percent and has been below 5 percent for 21 consecutive months]

- A one-dollar increase in the minimum wage would make an enormous difference in the lives of minimum wage workers and their families. It would mean an additional $2,000 a year for someone working year-round, full-time at the minimum wage–enough to buy a family of four groceries for 7 months or pay for 5 months rent.

- When we last raised the minimum wage and expanded the earned-income tax credit, we took important steps to reward work and help millions of Americans raise their families with dignity. Because of our actions, a full-time working parent with two children does not have to live in poverty. We must ensure that this continues to be the case even as costs rise, and that we continue to make progress towards ensuring that all working families are lifted out of poverty.

- With our economy the strongest in a generation, there simply could not be a better time to raise the minimum wage. Raising the minimum wage isn't just good economics--it is the fair and the right thing to do. Coupled with our efforts on education and job training, we are moving towards our goal of giving everyone the opportunity and ability to get good, decent paying jobs.

- A rising minimum wage won't just lift up minimum wage workers and their families--it will lift and honor the values of our country. Because the bottom line is that raising the minimum wage isn't just good economics--it is good values. It is just plain fair. It is the right thing to do.

- There is something deeply embedded in the American sense of justice that says: if you work full-time, you shouldn't live in poverty. Work ought to bring reward. Everyone should have a fair shot and a fair share in our nation's prosperity.

- Whether it's young people on their first job...welfare recipients trying to make it on their own...or families struggling to make ends meet...raising the minimum wage is good for workers and good for our country.

- Those who work hard to provide for their families have kept their end of the bargain. We ought to keep ours--and raising the minimum wage will help do just that. Now is the time to raise the minimum wage.

<u>Impact of last increase</u>

- In 1996, opponents of raising the minimum wage predicted the sky would fall if the poorest of our workers got a 90-cent pay raise. They argued that poor workers would lose their jobs and unemployment and inflation would rise. They were dead wrong the last time and they are dead wrong today. They told us young people would lose out on opportunity. They were wrong. 725,000 more teenagers are employed now than in August 1996, and employment is up by more than 100,000 for African-American teens.

- Since the minimum wage was raised in October 1996, the economy has created new jobs at a pace of over 250,000 per month; the inflation rate has been cut nearly in half; and the unemployment rate has fallen to 4.2 percent. Unemployment rates this low have not been seen for almost three decades. For African Americans, Hispanics, and women, unemployment is trending down and employment rates are trending up.

- Since President Clinton signed the minimum wage increase into law , BLS data show that [data reflect changes from 9/96 to 3/99]:
    - Over 7 million new jobs have been added;

- Teen unemployment dropped from 15.7 to 14.3 percent;

- 1.1 million new retail jobs have been added;
- 268,000 new restaurant jobs have been added.

Who will it help

- This $1 increase will help over 11 million Americans

- Seventy percent of the workers who would benefit are adults, age 20 or over .

- 59 percent are women, many of whom are trying to raise their family on $5.15 an hour.

Why is Administration/Kennedy-Bonior proposal the best way to help workers

- Minimum wage workers benefit more and sooner under the Kennedy-Bonior proposal than under the Republican proposals.

- In real dollars, the Republican proposals would take money out of minimum wage workers' pockets. In the first year of the Quinn bill, a full-time minimum wage worker earns nearly $200 less than under the Kennedy-Bonior bill. In the second year, the GOP wage gap rises to $571.

- The wage gap is worse under the Shimkus proposal. If the minimum wage increases by 25 cents in 1999, a full-time minimum wage worker earns $487 less in real terms than under Kennedy-Bonior. A second 25-cent increase in 2000 leaves workers even farther behind -- $951 in real dollars.

- In the first two years, the Kennedy-Bonior bill will benefit more workers than the Quinn proposal – 11.4 million workers compared to 7.0 million. The Quinn bill does nothing for over 4 million needy workers and their families. The Shimkus proposal helps even fewer low-wage working families.

Unskilled jobs and disadvantaged workers

- Since the minimum wage was raised in October 1996, the unemployment rates of every major disadvantaged group in the U. S. labor force have declined substantially. Between September 1996 and March 1999 (the last month for which we have data):

  - The unemployment rate for high school dropouts has declined from 8.2% to 6.1%;

- The unemployment rate for African Americans has dropped from 10.6% to 8.1%;
- The unemployment rate for Hispanic Americans has dropped from 8.3% to 5.8%;
- The unemployment rate for teens has dropped from 15.7% to 14.3%;
- The unemployment rate for black teens has dropped from 33.0% to 31.0%.

- Labor force participation and employment among disadvantaged women and welfare recipients has also continued to increase since that time.
    - The unemployment rate for adult African American women has fallen from 8.6% to 7.2%, while their employment rate out of the population has risen from 57.2% to 60.9%.
    - Employment rates among welfare recipients, both for those still on the rolls and those who have left, continued to rise as well.

- Job creation in the sectors of the economy most heavily affected by the minimum wage has been strong as well.
    - Employment in the Retail Trade sector of the economy has risen by over 1 million (from 21.7 to 22.8 million) since September 1996.
    - Employment in Eating and Drinking establishments has risen by over 268,000 (from roughly 7.54 to 7.80 million).

- There is simply no evidence that employment in these sectors is currently limited by employer unwillingness to create more jobs due to higher minimum wages. The opposite is true: employers have difficulty finding workers to fill the jobs they are creating.
    - In a survey of employers in Michigan during the fall of 1997, the job vacancy rate in retail trade was extremely high (almost 8%), and 85% of employers in this industry reported difficulty finding qualified applicants.

- The employment rates of welfare recipients, especially those still on the rolls, are NOT limited by employer willingness to hire unskilled workers at the minimum wage, but instead by their own personal skills deficiencies and other barriers they face to maintaining stable employment.

    - Employers in Michigan reported a willingness to fill up to 9% of their jobs with welfare recipients, which is much higher than the percentage of the workforce that they potentially constitute.
    - But large fractions of those still on the rolls have very weak basic skills, suffer from substance abuse or other health deficiencies, or have major problems with child care and transportation. Each of these factors leads to significantly lower employment rates among welfare recipients.

- A major problem of welfare recipients who have entered the labor market so far is NOT an inability to find a job, but low earnings associated with such work. Increasing the minimum wage would tend to raise these earnings.

  - Starting wages of welfare recipients in the job market average about \$6.50 an hour, with significant fractions of recipients earning between \$5 and \$6 an hour.
  - Quarterly earnings of welfare recipients tend to be about \$2000-2500 when they work, and just \$1500-\$2000 for high school dropouts. These low earnings figures reflect low wages as well as high turnover rates out of jobs.

- Virtually all research studies of minimum wage increases show little or no effects on the employment rates of young people. The vast majority of studies also show that minimum wage increases reduce poverty rates, and NO credible study shows any significant increase in the poverty rate as a result of these increases.

  - The most recent published review of previous research and new evidence on these issues appears in a paper by Addison and Blackburn in the <u>Industrial and Labor Relations Review</u>, April 1999.

<u>FLSA's purpose and the minimum wage</u>

- President Franklin Roosevelt and Secretary of Labor Frances Perkins fought for this landmark legislation for a simple reason: They knew that the general well-being of our democracy depends on the general welfare of our workforce. And so we as a nation said there must be a floor on wages paid--a ceiling on hours worked--and no room for abusive child labor.

- The Fair Labor Standards Act is more than a set of provisions in law--it embodies fundamental American values. And our values are clear--we must value workers. We believe in a fair day's pay for a fair day's work

- Sixty years ago, Franklin Roosevelt said, "...a self-supporting and self-respecting democracy can plead no justification for the existence of child labor, no economic reason for chiseling workers' wages or stretching workers' hours."

SOME NOTES ON MINIMUM WAGES, UNSKILLED JOBS AND DISADVANTAGED WORKERS

October 1996-March 1999

1. Since the minimum wage was raised in October 1996, the unemployment rates of every major disadvantaged group in the US labor force have declined substantially. Between September 1996 and March 1999 (the last month for which we have data):

- The unemployment rate for high school dropouts has declined from 8.2% to 6.1%;
- The unemployment rate for African Americans has dropped from 10.6% to 8.1%;
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- The unemployment rate for teens has dropped from 15.7% to 14.3%;
- The unemployment rate for black teens has dropped from 33.0% to 31.0%.

2. Labor force participation and employment among disadvantaged women and welfare recipients has also continued to increase since that time.

- The unemploymen rate for adult African American women has fallen from 8.6% to 7.2%, while their employment rate out of the population has risen from 57.2% to 60.9%.
- Employment rates among welfare recipients, both for those still on the rolls and those who have left, continued to rise as well.

3. Job creation in the sectors of the economy most heavily affected by the minimum wage has been strong as well.

- Employment in the Retail Trade sector of the economy has risen by over 1 million (from 21.7 to 22.8 million) since September 1996.
- Employment in Eating and Drinking establishments has risen by over 268,000 (from roughly 7.80 to 7.54 million).

4. There is simply no evidence that employment in these sectors is currently limited by employer unwillingness to create more jobs due to higher minimum wages. The opposite is true: employers have difficulty finding workers to fill the jobs they are creating.

In a survey of employers in Michigan during the fall of 1997, the job vacancy rate in retail trade was extremely high (almost 8%), and 85% of employers in this industry reported difficulty finding qualified applicants.

5. *The employment rates of welfare recipients, especially those still on the rolls, are NOT limited by employer willingness to hire unskilled workers at the minimum wage, but instead by their own personal skills deficiencies and other barriers they face to maintaining stable employment.*

- Employers in Michigan reported a willingness to fill up to 9% of their jobs with welfare recipients, which is much higher than the percentage of the workforce that they potentially constitute.

- But large fractions of those still on the rolls have very weak basic skills, suffer from substance abuse or other health deficiencies, or have major problems with child care and transportation. Each of these factors leads to significantly lower employment rates among welfare recipients.

6. *A major problem of welfare recipients who have entered the labor market so far is NOT an inability to find a job, but low earnings associated with such work. Increasing the minimum wage would tend to raise these earnings.*

- Starting wages of welfare recipients in the job market average about $6.50 an hour, with significant fractions of recipients earning between $5 and $6 an hour.

- Quarterly earnings of welfare recipients tend to be about $2000-2500 when they work, and just $1500-$2000 for high school dropouts. These low earnings figures reflect low wages as well as high turnover rates out of jobs.

7. *Virtually all research studies of minimum wage increases show little or no effects on the employment rates of young people. The vast majority of studies also show that minimum wage increases reduce poverty rates, and NO credible study shows any significant increase in the poverty rate as a result of these increases.*

- The most recent published review of previous research and new evidence on these issues appears in a paper by Addison and Blackburn in the Industrial and Labor Relations Review, April 1999.

REWARDING WORK:
NOW IS THE TIME TO RAISE THE MINIMUM WAGE
September 3, 1998

President Clinton Proposes to Increase the Minimum Wage By $1 in Two Steps To Help Raise Living Standards for 12 Million American Workers. In 1992, President Clinton promised to increase the minimum wage to help more families working hard but falling behind. In 1996, President Clinton signed into law a minimum wage hike, raising it from $4.25 to $5.15. But, there are still millions of workers trying to raise a family and struggling to make ends meet. With our economy the strongest in a generation, now is the time to help these workers make ends meet by raising the minimum wage again. The President's proposal would increase the minimum wage from $5.15 to $6.15 over two years, through a 50-cent increase on January 1, 1999 and a 50-cent increase on January 1, 2000. For someone who works full-time, this minimum wage increase will mean an additional $2,000 per year.

- **A Higher Minimum Wage Will Help 12 Million Americans -- Mostly Adult Workers Trying To Support Their Families.** According to data from the Bureau of Labor Statistics, 12 million hourly paid workers earn between $5.15 and $6.14 and would directly benefit from this pay raise. Three-quarters (74%) of the workers who would benefit are adults, age 20 or over, and three-fifths (60%) are women, many of whom are trying to raise the family on $5.15. About two-fifths of the workers who will benefit from the increase are the sole wage earner in their household, and the average minimum-wage worker brings home half of their family's earnings.

- **Valuing Work: Restoring the Value of the Minimum Wage.** President Clinton's proposal to increase the minimum wage by $1 in two equal steps -- combined with the previous 90-cent increase -- simply restores the real value of the minimum wage to what it was when President Reagan took office in 1981. During President Reagan's eight years in office, the real value of the minimum wage *fell* more than 25 percent. This increase -- in percentage terms -- is in line with previous ones that helped low-wage workers without adversely affecting the economy: both this proposal and the last one increase the minimum wage by about 20 percent.

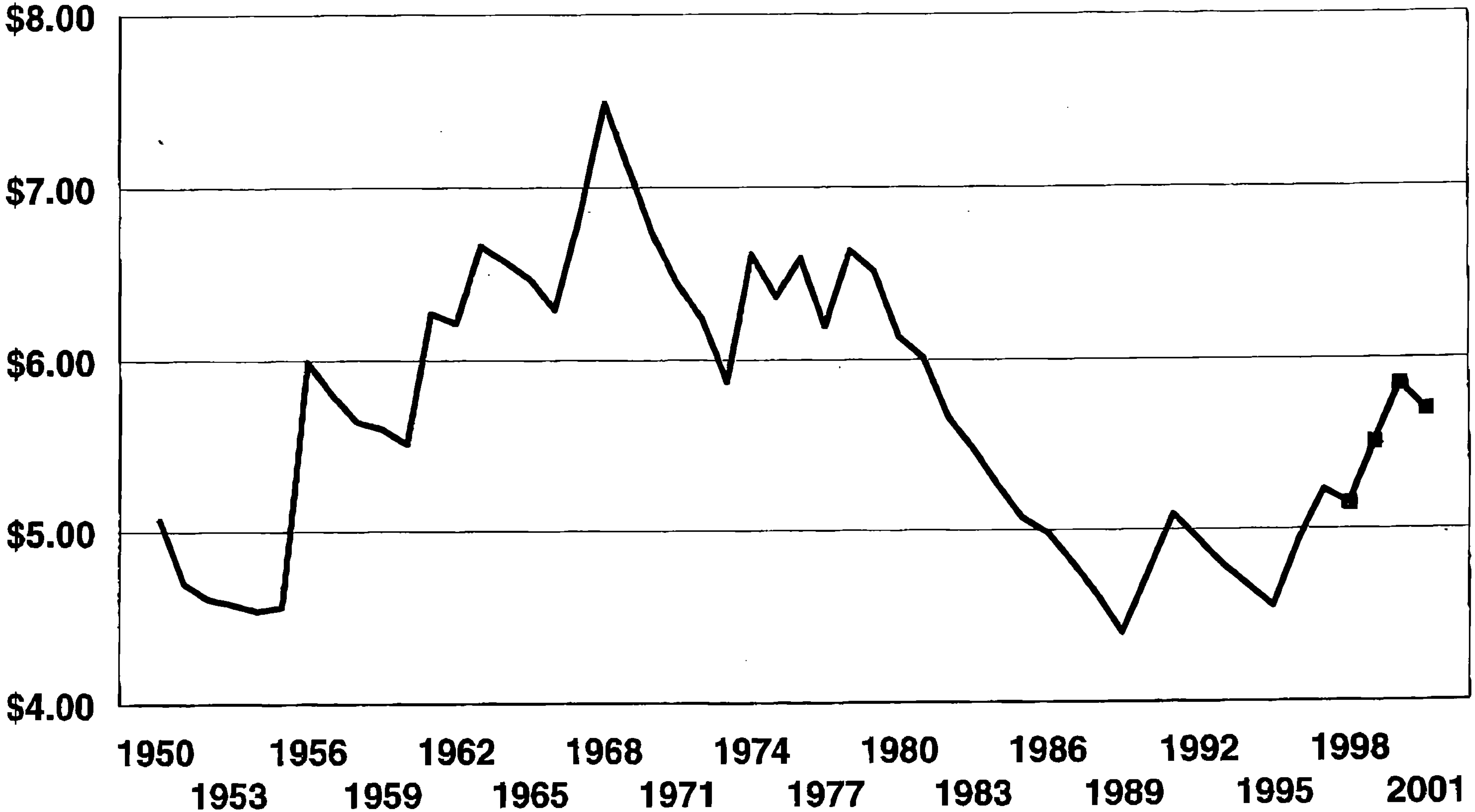
- **Helping Ensure Parents Can Raise Their Children Out of Poverty.** In 1993, President Clinton expanded the Earned Income Tax Credit (EITC), helping to lift hundreds of thousands of working families out of poverty. Today, with the previous minimum wage increase and the expanded EITC, parents who work full-time do not have to bring up their children in poverty. This increase will help ensure that -- as costs continue to increase -- parents who work hard and play by the rules can bring up their children out of poverty.

- **Evidence from Last Minimum Wage Increase Is Clear: 10 Million Workers Got A Raise and No Jobs Were Lost.** The last minimum wage increase provided a pay raise to 10 million workers, and since the President signed the minimum wage increase into law in August 1996, the economy has created new jobs at an historically high pace of 250,000 per month; the inflation rate has declined from 2.9 percent to 1.7 percent; and the unemployment rate has fallen to 4.5 percent -- its lowest level in 28 years. For teenagers, African-Americans, and women, unemployment is down and employment rates are up.

  - **This Is Consistent With Empirical Evidence That Shows Moderate Minimum Wage Increases Do Not Cost Jobs.** More than two dozen empirical studies have found that moderate increases in the minimum wage do not have significant effects on employment.

The Real Minimum Wage

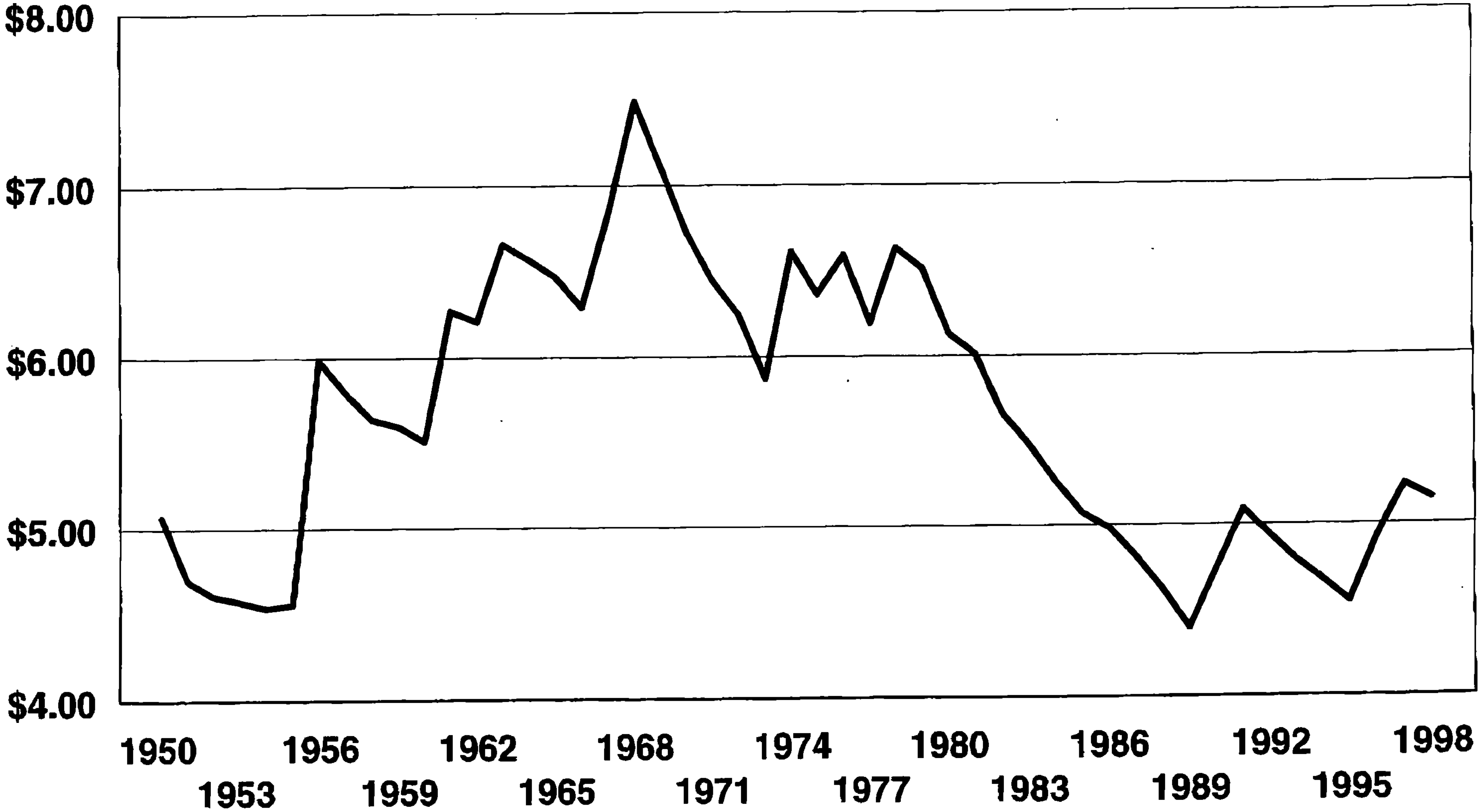
1950-2001



Note: The nominal value of the minimum wage is adjusted for inflation using the CPI-U, 1998 dollars and assumes CBO annual inflation project levels for future years. 1999 through 2004 use proposed values of the minimum wage (Blue for Kennedy/Bonior proposal).

The Real Minimum Wage

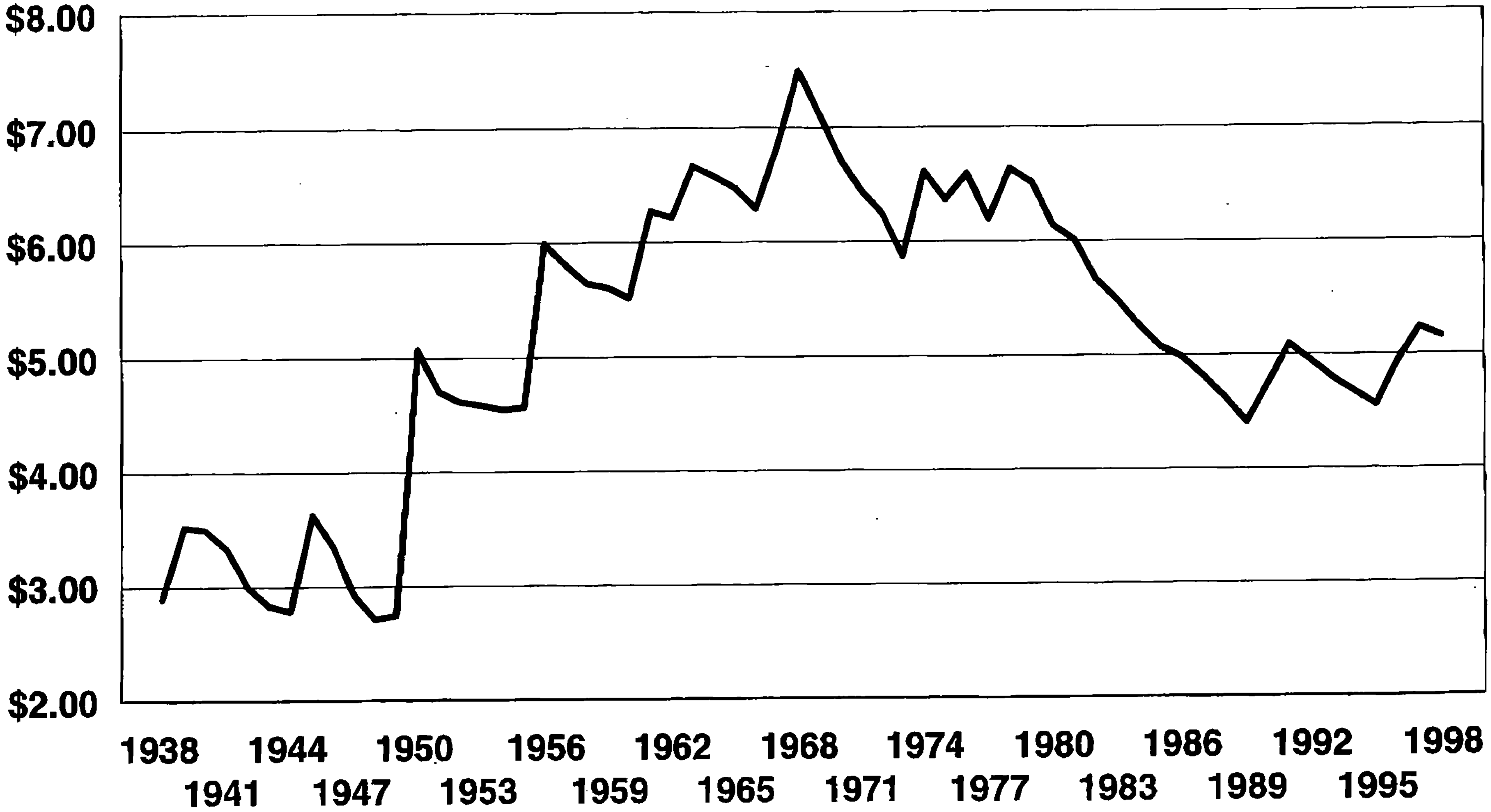
1950-1998



Note: The nominal value of the minimum wage is adjusted for inflation using the CPI-U, 1998 dollars.

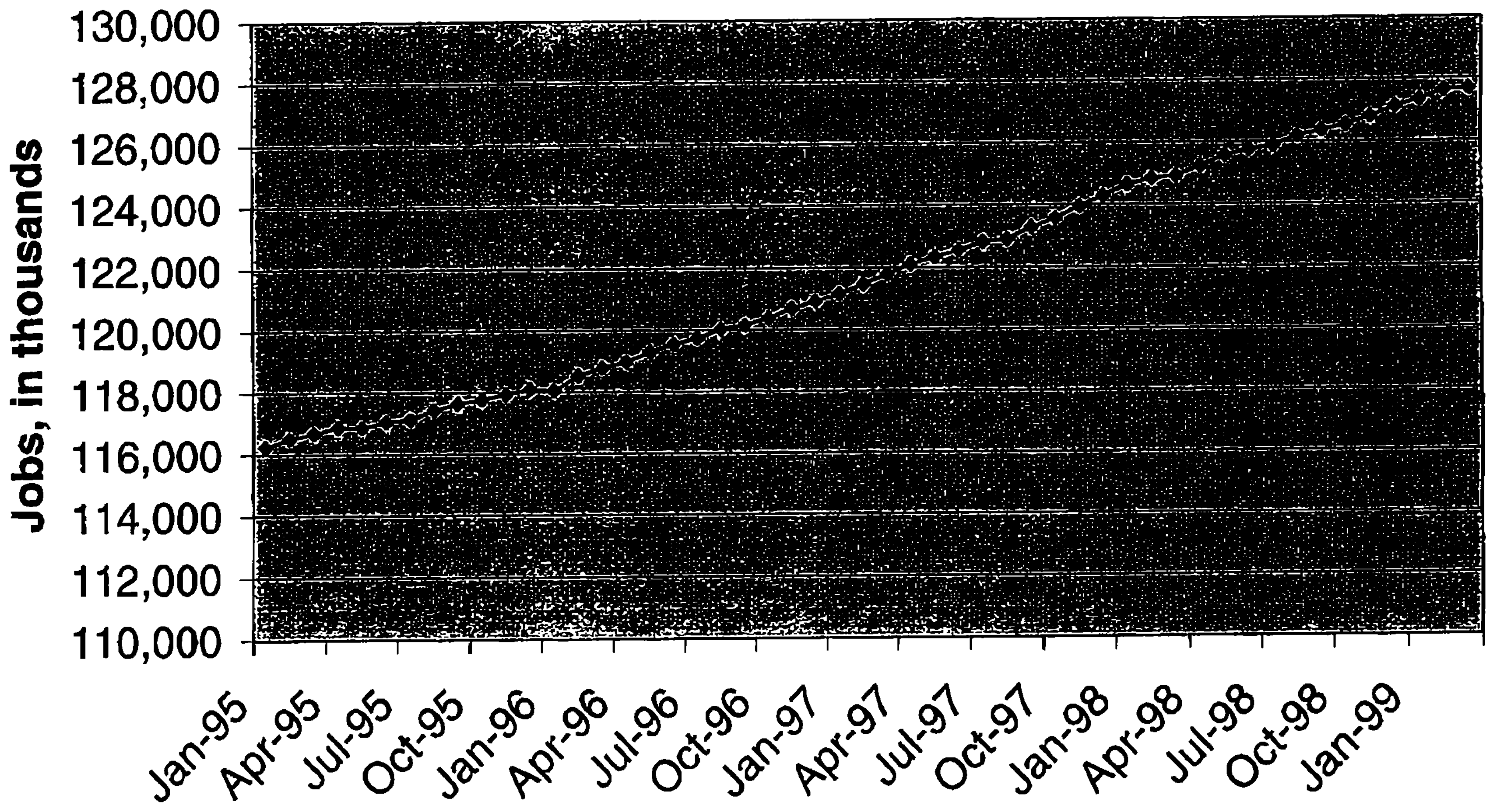
The Real Minimum Wage

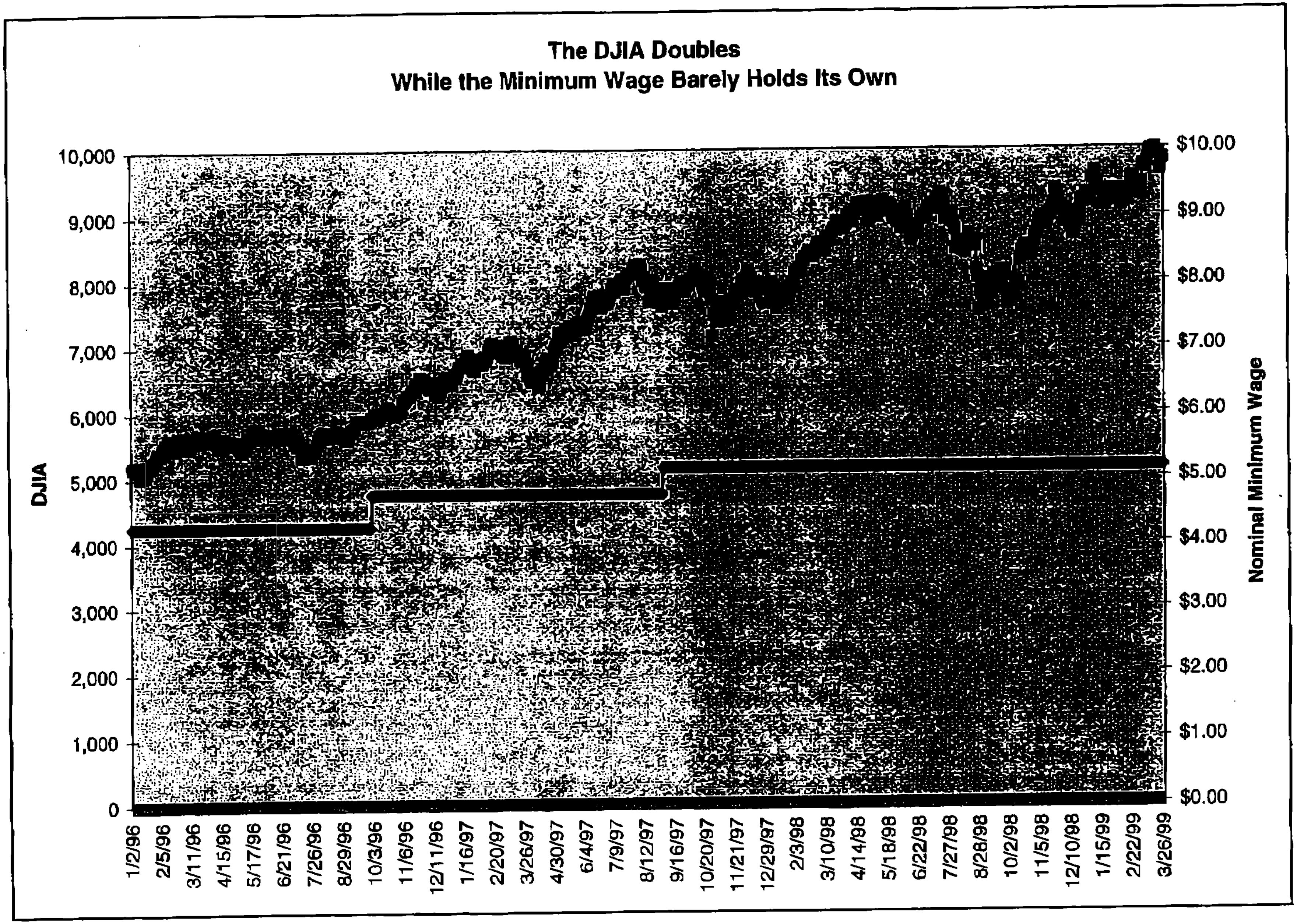
1938-1998



Note: The nominal value of the minimum wage is adjusted for inflation using the CPI-U, 1998 dollars.

Job Growth
Since the Last Minimum Wage Increase




The DJIA Doubles
While the Minimum Wage Barely Holds Its Own
DJIA
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Nominal Minimum Wage
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6/22/98
7/27/98
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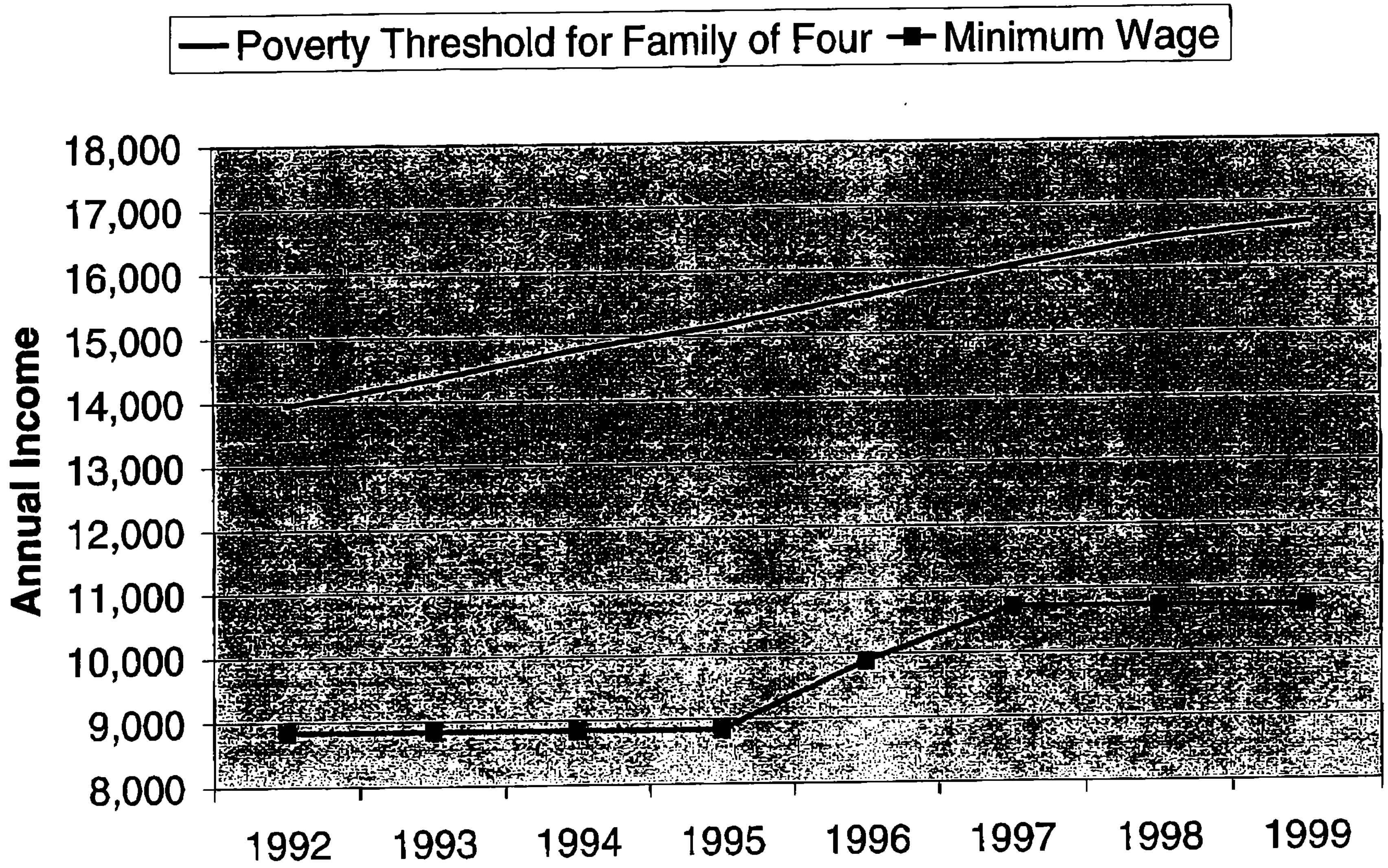
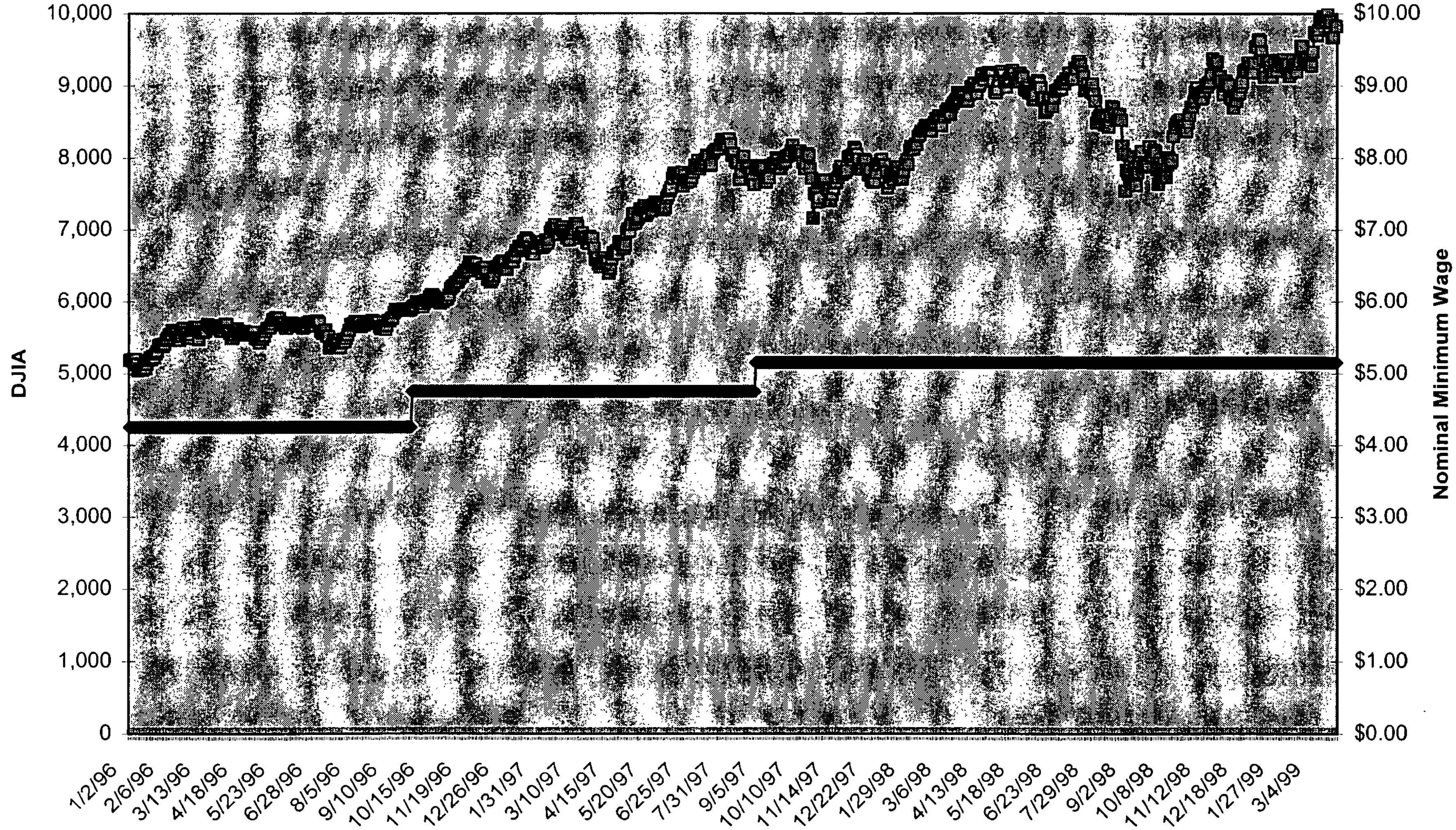
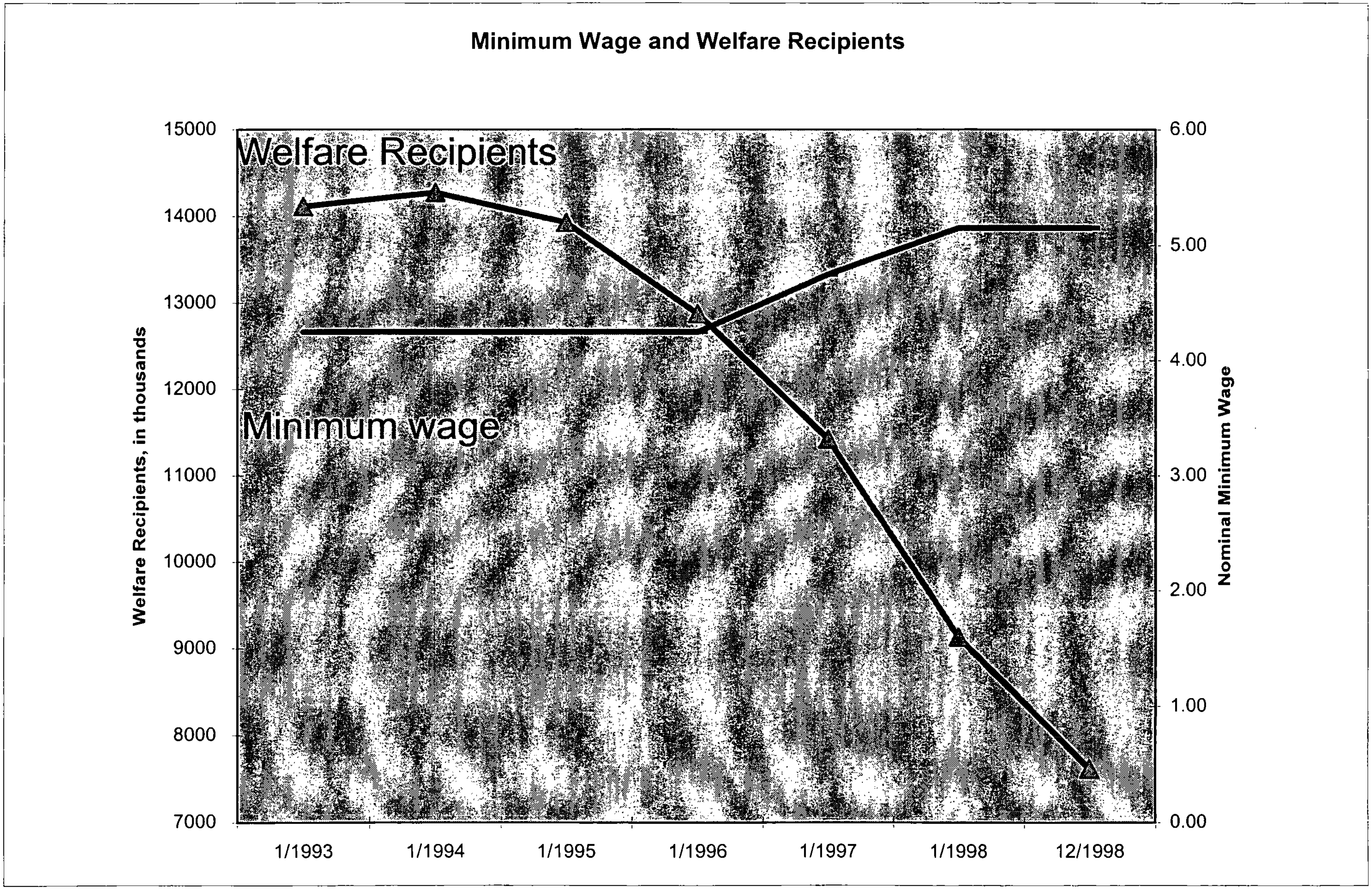
Minimum Wage Fall Further Behind Poverty Line



The DJIA Doubles While the Minimum Wage Barely Holds Its Own




Minimum Wage and Welfare Recipients
Welfare Recipients
Minimum wage
15000
14000
13000
12000
11000
10000
9000
8000
7000
Welfare Recipients, in thousands
6.00
5.00
4.00
3.00
2.00
1.00
0.00
Nominal Minimum Wage
1/1993
1/1994
1/1995
1/1996
1/1997
1/1998
12/1998

Honorable Edward Kennedy
Ranking Member
Committee on Labor and Human Resources
United States Senate
Washington, D.C. 20510

Dear Senator Kennedy:

I am writing in strong support of your amendment to legislation under consideration in the Senate that would increase the minimum wage by $1 to $6.15 an hour by September 1, 2000. Earlier this year, President Clinton strongly endorsed raising the minimum wage by a dollar an hour over the next two years to "do more to support the millions of parents who give their all every day at home and at work. The most basic tool of all is a decent income."

We now have the strongest economy in a generation: inflation and unemployment are low and steady, and family incomes are on the rise. But millions of people are still struggling to make ends meet -- the people who clean our offices, sew our clothes, serve our food, and care for our children and our infirm parents. Your amendment offers more than 11 million Americans a greater opportunity to share in our nation's prosperity. Seventy percent of all workers who would benefit are adults, age 20 or over, and about three out of five are women, many of whom are the sole breadwinners for their families.

When we last raised the minimum wage and expanded the earned-income tax credit, we took important steps to reward work and help millions of Americans raise their families with dignity. Because of our actions, a full-time working parent with two children does not have to live in poverty. We must ensure that this continues to be the case even as costs rise, and that we continue to make progress towards ensuring that all working families are lifted out of poverty. That is why we must increase the minimum wage.

As Americans move from welfare to work, one of the most important lessons they can learn is that work pays. A full-time worker earning the current minimum wage for 50 weeks of work receives only $10,300. This is not enough to move families from dependency to self-sufficiency and create a long-term attachment to the workforce. The real value of the minimum wage had fallen to nearly a 40-year low by the time President Clinton signed the last increase in 1996. But even after that increase, the minimum wage's purchasing power remains below its value in the 1960's and 1970's. The minimum wage should be the first rung on the ladder of opportunity, not a dead end for the working poor.

A one-dollar increase in the minimum wage would make an enormous difference in the lives of these workers and their families. It would mean an additional $2,000 a year for someone working year-round, full-time at the minimum wage -- enough to buy a family of four groceries for 6 months or pay for 7 months rent.

Evidence from the last minimum wage increase clearly shows that we can increase the minimum wage without hurting the economy. Since President Clinton signed the last minimum wage increase into law in August 1996, the economy has created more than seven and a half million new jobs, and the inflation rate has been cut nearly in half. The unemployment rate is at 4.2 percent and has been below 5 percent for 21 consecutive months. Unemployment rates this low have not been seen for almost three decades. For African Americans, Hispanics, and women, unemployment is trending down and employment rates are trending up. And the news is also good for teenagers – 725,000 more teenagers are employed now than in August 1996, and employment is up by more than 100,000 for African-American teens.

I strongly support your amendment to increase the minimum wage. Our efforts to overhaul the education and job training system and expand the earned income tax credit have significantly advanced our common goal of assuring every worker a good job at a fair wage. Working together, we can make work pay for America's minimum wage workers.

Sincerely,

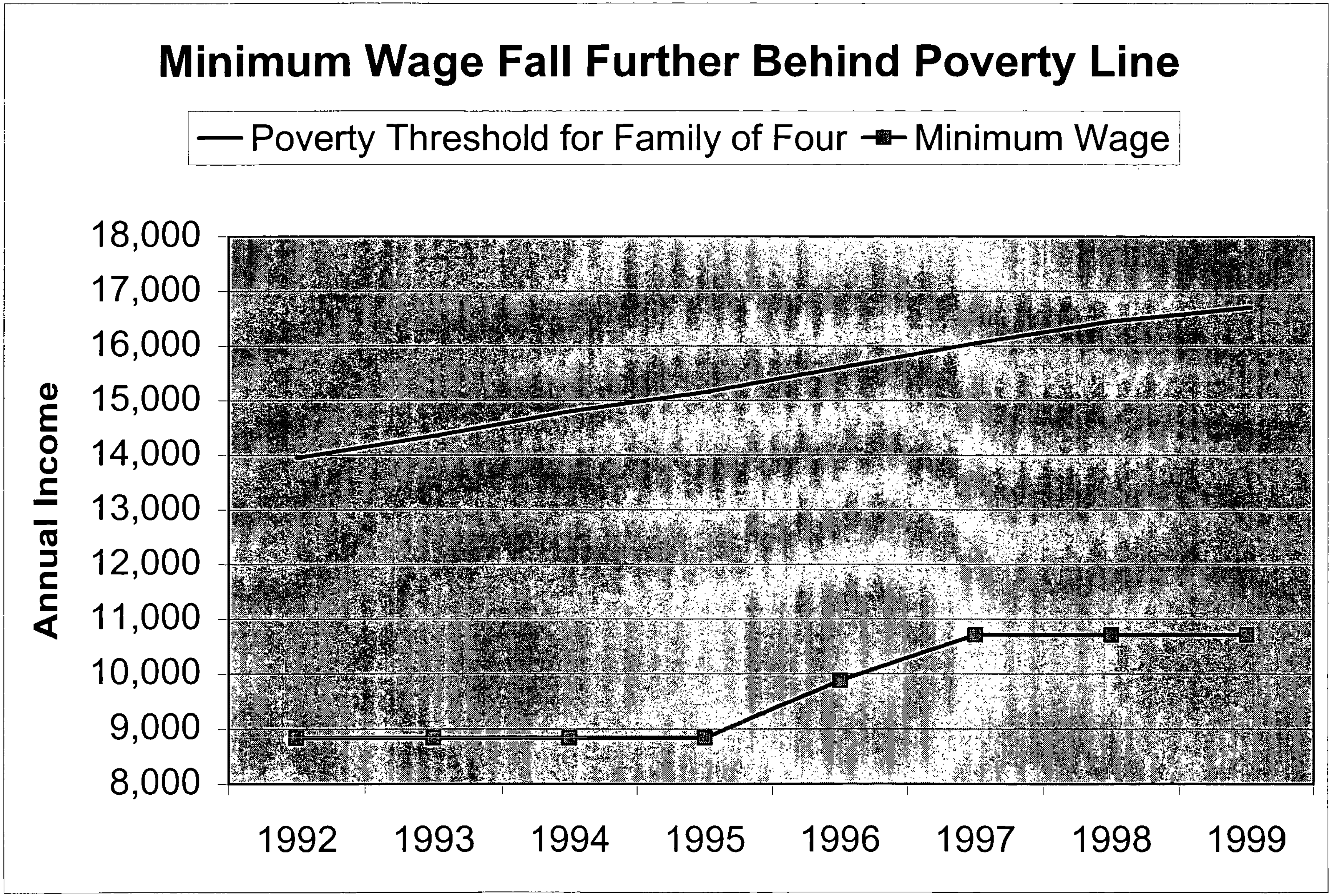
Alexis M. Herman

Real* 1998 Dollars

no action	Kennedy/ dy/Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
$5.02	$5.51	$5.41	$5.27	$5.02	$5.22	$5.02
$4.90	$5.85	$5.56	$5.37	$5.13	$5.28	$5.09
$4.77	*$5.70*	*$5.70*	$5.47	$5.24	$5.33	$5.14
$4.65	*$5.56*					
$4.53	*$5.41*					
$4.42	*$5.28*					

Real* 1998 Dollars (use 2000 hours)

no action	Kennedy/ Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
$10,300	$10,300	$10,300	$10,300	$10,300	$10,300	$10,300
$10,049	$11,024	$10,829	$10,537	$10,049	$10,439	$10,049
$9,794	$11,696	$11,125	$10,745	$10,270	$10,555	$10,174
$9,546	$11,400	$11,400	$10,936	$10,473	$10,658	$10,287


Minimum Wage Fall Further Behind Poverty Line
Poverty Threshold for Family of Four
Minimum Wage
Annual Income
18,000
17,000
16,000
15,000
14,000
13,000
12,000
11,000
10,000
9,000
8,000
1992
1993
1994
1995
1996
1997
1998
1999

FEB 18 1999

Greenspan's cap on minimum wages

WT 2-18-99 A19

By Thomas Dilworth

It was big news when Federal Reserve Board Chairman Alan Greenspan challenged President Clinton's proposal to allow the government to invest Social Security funds in the stock market. Less noted was his criticism of another of the president's favorite ideas: raising the minimum wage.

Mr. Greenspan — the nation's "chief economist" — did not merely mention concerns about raising the entry-level wage. He elaborated. He spoke directly to elected leaders in a congressional hearing the day after the state of the union in terms that everyone can understand. Listen:

"We have to be very careful about thinking that we can somehow raise standards of living by mandating an increase in the minimum wage rate."

The last time Mr. Clinton approved a mandated wage hike (in 1996), he succeeded in raising family incomes for the average minimum wage worker by precisely 1.02 percent — or about $7 per week. The average family income of the workers Mr. Clinton "helped" was $35,674. The fact is the vast majority of minimum wage workers live in homes with other wage earners — parents, siblings, spouses, etc. Only 16 percent of those targeted by the 1996 wage hike were actually single-earner heads of households supporting children. And these individuals already had access to federal tax credits and other assistance that is better designed to raise their standard of living.

Mr. Greenspan: "[A]ll the evidence that I've seen suggests that the people who are most needy of getting on the lower rungs of the ladder of our income scales, develop skills, getting the training, are unable to earn the minimum wage. As a consequence, [they] cannot get started."

You don't need Mr. Greenspan's education or experience to understand that wages are inextricably linked with skills. If a job applicant has low skills, the best she can hope for is low pay.

It's easy to find some of the lowest-skilled workers in the country: They're on welfare. The federal government says 38 percent of welfare recipients are functionally illiterate. They have trouble making change, or filling out a job application. If you owned a company that required cooks to read recipes, clerks to make change, drivers to follow directions, and stock boys to track inventory, would you even consider hiring someone who can't read? Most employers can't afford to. And as mandated wages rise, so do hourly training costs.

Confirming research from Boston University suggests employers respond to higher mandated wages by seeking higher-skilled young

people (read: less training), to the detriment of low-skilled adults (the ones who might need the money to support a family). And research from the University of Wisconsin found that higher minimum wages are linked to longer spells on welfare for many (potential) workers.

Mr. Greenspan: "[T]he ability to get training, to move up the ladder has got to be unimpeded."

A study by the U.S. Department of Labor identified 11 skills essential for career growth. Those include communication, getting along with others and following directions — qualities employers look for and that employees learn ... in an entry-level job.

When given the chance to move up from a minimum wage job, nearly everyone does. U.S. Census data show the average earnings of minimum wage workers increase by 30 percent within a year of employment. Just 2.8 percent of working adults over 30 are paid minimum wage.

Of course, upward mobility occurs after one gets hired. For low-skilled people who simply need a first chance, the President's call for a wage hike raises the bar. After the 1996 wage hike, economists found that 215,000 teen jobs were lost — even in the midst of a booming economy. The adult job loss numbers were likely even higher. While a "rising tide" lifted boats all over the country, a rising minimum wage drowned some of our neediest workers.

Mr. Greenspan: "If there's any single thing that we could do which would help over and above a number of things that have been discussed today, I would say be careful about moving the minimum wage up inordinately."

Why? Because raising prices as an offset is out of the question in today's economy. As one of Mr. Greenspan's colleagues at the Federal Reserve Board recently said, "Everything is so competitive ... business people really appear to believe that they can't raise prices any more." Facing mandated wage hikes, employers must find ways to use fewer or better employees. They literally can't afford to pay people whose skills don't even equate with the current minimum wage.

From his perch at the Federal Reserve, Mr. Greenspan has easy access to all the evidence on economic issues. Thus, his comments are both credible and influential. "My major concern," he said, "would be, for example, that we be careful not to raise the ... minimum wage."

There's no question about the facts. The question is whether Congress is listening.

Only 16 percent of those targeted by the 1996 wage hike were single-earner heads of households supporting children. And these individuals already had access to federal tax credits.

Thomas Dilworth is research director of the Employment Policies Institute.

14

Job Training

DOL Advises States to Implement Job Training Law Sooner, Not Later

Releasing guidance on the Workforce Investment Act, the Labor Department urged states to put the new law in place sooner rather than later, advising that those that can do so "fully consider the positive gains available with early reform and implementation of the act."

The new law, WIA, is aimed at dismantling the existing array of duplicative federal job training and literacy programs into a block grant program to give states and localities greater control over efforts to train both potential entrants into the workforce and those already there. It was signed by President Clinton Aug. 7, 1998, capping several years of attempts to replace the system established under the 1982 Job Training Partnership Act (153 DLR A-1, 8/10/98).

States can opt into the new system as early as July 1, 1999, and must do so by July 1, 2000. In guidance to states, scheduled for publication in the Feb. 25 *Federal Register*, the Labor Department emphasized the benefits of implementing the new law as early as possible.

The "most important aspect of the Act is its focus on meeting the training, education and employment needs of individuals as well as the needs of businesses for skilled workers," DOL said in the guidance. The new law will "enable customers to obtain access to the information and services they need through the 'One-Stop' system, empower adults with the information and resources to obtain the training they find most appropriate through Individual Training Accounts, establish performance measures and criteria for states, locals, and training providers, and enable all state and local programs to more successfully meet customer expectations," according to the Labor Department.

The guidance advises states on how to develop their five-year strategic plans for building the new workforce investment systems called for under the law. To ensure the full involvement of business, labor, and community organizations, state and local workforce investment boards and youth councils are advised.

The state and local boards are supposed to work with state governors to "develop the strategic vision and statewide plan," the guidance says. The plan should "describe statewide workforce investment activities, explain how the requirements of the act will be implemented, and outline how special population groups will be served," according to the Labor Department.

WIA requires the secretary of labor and each state governor to agree on methods of measuring the performance of training providers and the satisfaction of employers and participants served under the workforce investment systems. The secretary of labor is authorized to "take appropriate actions to ensure an orderly transition" from the JTPA to WIA, the guidance says.

WIA, according to the guidance, "represents a "national consensus on the need to restructure a multitude of workforce development programs into an integrated workforce investment system that can better respond to the employment needs of its customers—current workers, unemployed workers, workers laid-off due to restructuring or downsizing, and new entrants to the labor force, as well as employers." The "locally-operated, demand-driven" workforce investment systems are envisioned as a means of increasing the employment, job retention, earnings, and occupational skill attainment of program participants, the guidance says.

Critical to this mission is providing improved career information and guidance, job search assistance, and individual training accounts. "Employers' needs will be identified and used to help drive decisions of job seekers," the guidance says.

Text of the Labor Department guidance to states appears in Section E.

Employment

Greenspan Says Many CEOs Overpaid, Downplays Effect of Levi Strauss Layoffs

Federal Reserve Board Chairman Alan Greenspan Feb. 24 reaffirmed his opposition to raising the minimum wage, but he also said shareholders in some corporations are "wasting their money" on oversized salaries for corporate executives, which he suggested has gotten out of hand.

"I find a lot of what is being paid to individual CEOs not directed to the value that they are producing for their shareholders, who are paying the bill," Greenspan told the House Banking Committee during his second day of testimony on the state of the U.S. economy.

But when it comes to government intervention, Greenspan, ever the free-market advocate, said there is nothing the government should do to raise the minimum wage or curb overly generous executive pay packages.

The Fed chief reprised testimony given to the Senate Banking Committee a day earlier, asserting that the economy's performance remains "admirable," but warning that there are substantial risks to the outlook.

In a colloquy with Rep. Bernard Sanders (I-Vt), Greenspan renewed his opposition to lifting the minimum wage, asserting that it limits the chance for incoming workers—particularly teenagers—to gain valuable on-the-job training and experience. Those effects are difficult to see in today's vibrant economy, where the demand for labor is so keen, the Fed chief conceded.

"The crucial way to test whether it is a desirable thing to have is when the economy is slack," Greenspan said. "As far as I can judge, and the data that we tend to find [is] quite compelling, is that teenage unemployment does go up with the minimum wage. And if that is, in fact, the case, I think it's a disservice to the younger people."

Greenspan also told Rep. Marge Roukema (R-NJ) that the layoff of thousands of employees announced recently by San Francisco-based jeans maker Levi Strauss & Co. does not signal any imminent surge in joblessness or wage declines.

"What you see at this stage is the actual number of people seeking initial claims for unemployment insurance have fallen to very low levels, which is the suggestion that. . .the layoff rate is really down quite significantly," he said.

Office of the Democratic Whip

Congressman David E. Bonior (MI)
H-307 U.S. Capitol
Washington, DC 20515
Phone: (202) 225-3130
Fax: (202) 225-0749

TO: Carl

FROM: Jerry

FAX #: 456-2223

DATE:

COMMENTS: Goodling + Clay's response

The following contains 3 page(s)
(not including this cover sheet)

COMMITTEE ON EDUCATION AND THE WORKFORCE

U.S. HOUSE OF REPRESENTATIVES
2101 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

MAJORITY —(202) 225-4527
(TTY)—(202) 226-3372
MINORITY —(202) 225-3725
(TTY)—(202) 226-3116

March 19, 1999

The Honorable William (Bill) Clay
Ranking Minority Member
Committee on Education and the Workforce
U.S. House of Representatives
2101 Rayburn House Office Building
Washington, DC 20515-6100

Dear Mr. Clay: Bill

I want to inform you that the Committee will conduct hearings in the very near future on the federal minimum wage and its effect on lower income workers and on welfare-to-work programs. As you are aware, the Committee has not conducted substantive hearings on the minimum wage issue since 1989. Since that time, major changes have been made to the earned income tax credit (EITC) and other federal programs providing the economically and socially disadvantaged with benefits, and our welfare system has been fundamentally restructured to require able recipients to work.

I would like, however, to attempt to deal with this issue in an objective and informative fashion. Prior to addressing any specific piece of legislation, I will endeavor to conduct hearings that will provide a thorough discussion of the status of lower income workers who are heads of households and the most effective ways to assist them in raising their standard of living. Additionally, the impact of any contemplated increase on the success of our nation's welfare-to-work programs must be taken into consideration. The ability of lower skilled, unemployed individuals to gain entry to the workforce is critically important. It is in entry level positions (often at minimum wage pay levels) that they can begin to develop a positive work ethic and build the skills necessary to move up the economic ladder.

Majority staff will be in contact with minority staff shortly to discuss the details of the hearings. I look forward to working with you and all other Committee members in conducting informative hearings on this important issue.

Sincerely,

Bill

BILL GOODLING
Chairman

BG:MWF:kaw

cc: Members, Committee on Education and the Workforce

COMMITTEE ON EDUCATION AND THE WORKFORCE
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6100

March 23, 1999

The Honorable William F. Goodling
Chairman
Committee on Education and the Workforce
2181 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Goodling:

I was pleased to receive your letter of March 19, indicating that the Committee will conduct hearings on increasing the federal minimum wage. It was regrettable that the Committee abdicated this responsibility the last time the minimum wage was increased.

I also appreciate your commitment "to deal with the issue in an objective and informative fashion." According to a March 4-7, 1999, NBC-Wall Street Journal poll, three out of four Americans are in favor of a minimum wage increase. Given that the overwhelming majority of Americans favor an increase in the minimum wage, I am sure you will agree that at least half of the witnesses at any "objective" hearings should be supporters of a minimum wage increase. In the spirit of Hershey, it would be the fair thing to do.

During the State of the Union Address, President Clinton forcefully urged Congress to take action on increasing the minimum wage. As you know, House Democrats have introduced H.R. 325, "The Fair Minimum Wage Act of 1999," which provides a one dollar increase in the minimum wage over two years. After the committee hearings on the minimum wage are completed we should take prompt action to pass H.R. 325.

I look forward to working with you on this important issue.

Sincerely,

William L. Clay

William L. Clay
Ranking Democratic Member

HR 964 IH

106th CONGRESS

1st Session

H. R. 964

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE HOUSE OF REPRESENTATIVES

March 3, 1999

Mr. QUINN introduced the following bill; which was referred to the Committee on Education and the Workforce

---

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Long Term Minimum Wage Adjustment Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) WAGE- Section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)) is amended by redesignating paragraphs (2) through (5) as paragraphs (3) through (6), respectively, and by striking paragraph (1) and inserting the following:

`(1) except as otherwise provided in this section, not less than--

`(A) $5.55 an hour during the year beginning on September 1, 1999;

`(B) $5.85 an hour during the year beginning on September 1, 2000; and

`(C) $6.15 an hour during the year beginning on September 1, 2001;

`(2) the minimum wage prescribed by paragraph (1) will increase in proportion to increases in the Consumer Price Index for all urban consumers beginning on September 1, 2002, and each September 1 thereafter as follows--

`(A) an increase shall not exceed 4 percent in any one calendar year; and

`(B) the minimum wage will never fall below the previous year's level; '.

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall take effect on September 1, 1999.

END

price indices

Year	Nominal minimum wage *	Purchasing Power in 1998 dollars using CPI-U	Purchasing Power in 1998 dollars using CPI-W	Purchasing Power in 1998 dollars using CPI-U-X1
1938	$0.25	2.89	2.81	
1939	0.30	3.52	3.42	
1940	0.30	3.49	3.40	
1941	0.30	3.33	3.24	
1942	0.30	3.00	2.92	
1943	0.30	2.83	2.75	
1944	0.30	2.78	2.71	
1945	0.40	3.62	3.53	
1946	0.40	3.34	3.26	
1947	0.40	2.92	2.84	
1948	0.40	2.71	2.64	
1949	0.40	2.74	2.66	
1950	0.75	5.07	4.95	
1951	0.75	4.70	4.59	
1952	0.75	4.61	4.49	
1953	0.75	4.58	4.45	
1954	0.75	4.54	4.44	
1955	0.75	4.56	4.45	
1956	1.00	5.99	5.85	
1957	1.00	5.80	5.64	
1958	1.00	5.64	5.49	
1959	1.00	5.60	5.45	
1960	1.00	5.51	5.36	
1961	1.15	6.27	6.10	
1962	1.15	6.21	6.04	
1963	1.25	6.66	6.48	
1964	1.25	6.57	6.40	
1965	1.25	6.47	6.30	
1966	1.25	6.29	6.12	
1967	1.40	6.83	6.65	6.28
1968	1.60	7.49	7.30	6.92
1969	1.60	7.11	6.92	6.63
1970	1.60	6.72	6.55	6.32
1971	1.60	6.44	6.28	6.06
1972	1.60	6.24	6.07	5.87
1973	1.60	5.87	5.72	5.53
1974	2.00	6.61	6.44	6.28
1975	2.10	6.36	6.20	6.09
1976	2.30	6.59	6.42	6.31
1977	2.30	6.19	6.03	5.93
1978	2.65	6.63	6.45	6.40
1979	2.90	6.51	6.34	6.39
1980	3.10	6.13	5.97	6.14
1981	3.35	6.01	5.85	6.06
1982	3.35	5.66	5.52	5.71
1983	3.35	5.48	5.36	5.48
1984	3.35	5.26	5.18	5.26
1985	3.35	5.07	5.00	5.08
1986	3.35	4.98	4.93	4.98
1987	3.35	4.81	4.76	4.81
1988	3.35	4.62	4.57	4.62
1989	3.35	4.40	4.36	4.41
1990	3.80	4.74	4.70	4.74
1991	4.25	5.09	5.05	5.09
1992	4.25	4.94	4.91	4.94
1993	4.25	4.79	4.78	4.80
1994	4.25	4.67	4.66	4.67
1995	4.25	4.55	4.53	4.55
1996	4.75	4.93	4.92	4.94
1997	5.15	5.23	5.22	5.23
1998	5.15	5.15	5.15	5.15

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, 1-21-99 Unpublished tabulation

*** The effective dates for minimum wage increases are presented in the attached table. Nominal minimum wage values are adjusted using CPI calendar year annual averages.**

Long Term Minimum Wage Adjustment Act of 1999 (Introduced in the House)

HR 964 IH

106th CONGRESS

1st Session

H. R. 964

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE HOUSE OF REPRESENTATIVES

March 3, 1999

Mr. QUINN introduced the following bill; which was referred to the Committee on Education and the Workforce

---

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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`(A) an increase shall not exceed 4 percent in any one calendar year; and

`(B) the minimum wage will never fall below the previous year's level; '.

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall take effect on September 1, 1999.

Kennedy/Bonior vs. Quinn vs. no action
Proposed minimum wage increases

Nominal Dollars

	no action	Kennedy/ Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
Sept. 1, 1998	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
Sept. 1, 1999	$5.15	$5.65	$5.55	$5.40	$5.15	$5.35	$5.15
Sept. 1, 2000	$5.15	$6.15	$5.85	$5.65	$5.40	$5.55	$5.35
Sept. 1, 2001	$5.15	$6.15	$6.15	$5.90	$5.65	$5.75	$5.55
2002	$5.15	$6.15					
2003	$5.15	$6.15					
2004	$5.15	$6.15					

Real* 1998 Dollars

	no action	Kennedy/ dy/Bonior	Quinn	25 cents start 1999	25 cents start 2000	20 cents start 1999	20 cents start 2000
Sept. 1, 1998	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15	$5.15
Sept. 1, 1999	$5.02	$5.51	$5.41	$5.27	$5.02	$5.22	$5.02
Sept. 1, 2000	$4.90	$5.85	$5.56	$5.37	$5.13	$5.28	$5.09
Sept. 1, 2001	$4.77	*$5.70*	*$5.70*	$5.47	$5.24	$5.33	$5.14

* Converted to 1998 dollars using projections, from "The Economic Budget Outlook: Fiscal Years 2000-2009."
January 1999, http://www.cbo.gov. 1999 inflation of 2.5 percent and 2.6 percent in following years.
calculated using CPI-U year over year changes (not year ending Sept 1.)
Assumes that Quinn's increase in "proportion" to the CPI-U is 1:1.
Assumes that Quinn's indexing starts covering the year Sept. 1, 2001 to Aug. 30, 2002.
Language was unclear; it may not be indexed that first year, decreasing the real value.

S 192 IS

106th CONGRESS

1st Session

S. 192

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE SENATE OF THE UNITED STATES

January 19, 1999

Mr. KENNEDY (for himself, Mr. DASCHLE, Mr. LEAHY, Mr. SARBANES, Mr. MOYNIHAN, Mr. LEVIN, Mr. DODD, Mr. LAUTENBERG, Mr. BINGAMAN, Mr. KERRY of Massachusetts, Mr. HARKIN, Ms. MIKULSKI, Mr. AKAKA, Mr. WELLSTONE, Mrs. FEINSTEIN, Mrs. BOXER, Mrs. MURRAY, Mr. FEINGOLD, Mr. WYDEN, Mr. DURBIN, Mr. TORRICELLI, Mr. REED, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

---

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Fair Minimum Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) WAGE- Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

`(1) except as otherwise provided in this section, not less than--

`(A) $5.65 an hour during the year beginning on September 1, 1999; and

`(B) $6.15 an hour beginning on September 1, 2000;'.

(b) EFFECTIVE DATE- The amendment made by subsection (a) takes effect on September 1, 1999.

SEC. 3. APPLICABILITY OF MINIMUM WAGE TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

END

30 cent per yr until nat'l.
$2.30 currently.
15,000 Chinese come USA Label
clothes
now

HR 325 IH

106th CONGRESS

1st Session

H. R. 325

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE HOUSE OF REPRESENTATIVES

January 19, 1999

Mr. BONIOR (for himself, Mr. GEPHARDT, Mr. FROST, Mr. MENENDEZ, Ms. DELAURO, Mr. LEWIS of Georgia, Mr. KENNEDY of Rhode Island, Mr. CLAY, Mr. GEORGE MILLER of California, Mr. OWENS, Mr. ACKERMAN, Mr. ANDREWS, Ms. BALDWIN, Mr. BARRETT of Wisconsin, Ms. BERKLEY, Mr. BERMAN, Mr. BLAGOJEVICH, Ms. BROWN of Florida, Mr. BROWN of Ohio, Mr. CAPUANO, Mr. CARDIN, Ms. CARSON, Mrs. CLAYTON, Mr. CONYERS, Mr. COSTELLO, Mr. COYNE, Mr. DAVIS of Illinois, Mr. DELAHUNT, Mr. DINGELL, Mr. FALEOMAVAEGA, Mr. FILNER, Mr. FORD, Mr. FRANK of Massachusetts, Mr. GEJDENSON, Mr. GONZALEZ, Mr. GREEN of Texas, Mr. GUTIERREZ, Mr. HALL of Ohio, Mr. HINCHEY, Mr. JEFFERSON, Ms. KAPTUR, Mr. KILDEE, Ms. KILPATRICK, Mr. KLECZKA, Mr. KLINK, Mr. LAFALCE, Ms. LEE, Mr. LEVIN, Mrs. LOWEY, Mr. MARKEY, Mr. MATSUI, Mr. MCDERMOTT, Mr. MCGOVERN, Mr. MCNULTY, Mr. MEEHAN, Mrs. MEEK of Florida, Ms. MILLENDER-MCDONALD, Mrs. MINK of Hawaii, Mr. NADLER, Mr. NEAL of Massachusetts, Ms. NORTON, Mr. OBEY, Mr. OLVER, Mr. PALLONE, Mr. PAYNE, Ms. PELOSI, Mr. RAHALL, Mr. RANGEL, Mr. ROTHMAN, Ms. ROYBAL-ALLARD, Mr. RUSH, Mr. SANDERS, Ms. SCHAKOWSKY, Mr. SHERMAN, Ms. SLAUGHTER, Mr. STARK, Mr. TOWNS, Mr. VENTO, Mr. WAXMAN, Mr. WEXLER, Ms. WOOLSEY, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Education and the Workforce

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A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Fair Minimum Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) WAGE- Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

`(1) except as otherwise provided in this section, not less than--

`(A) $5.65 an hour during the year beginning on September 1, 1999; and

`(B) $6.15 an hour beginning on September 1, 2000.'.

(b) EFFECTIVE DATE- The amendment made by subsection (a) takes effect on September 1, 1999.

SEC. 3. APPLICABILITY OF MINIMUM WAGE TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

END

HR 627 IH

106th CONGRESS

1st Session

H. R. 627

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

(campaigning against Jeffords

IN THE HOUSE OF REPRESENTATIVES

February 8, 1999

Mr. SANDERS introduced the following bill; which was referred to the Committee on Education and the Workforce

---

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Liveable Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) RATE INCREASE- Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended by striking out `and' after `1996,' and by inserting before the semicolon the following: `, and not less than $6.50 an hour after December 30, 1999'.

(b) COST OF LIVING INCREASE- Section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) is amended by adding at the end the following:

`(g) At the beginning of each calendar year after December 30, 1999, the Secretary shall adjust the rate applicable under subsection (a)(1) by the percentage increase which is applicable to the primary insurance amount under section 215(i) of the Social Security Act effective for benefits payable in January of such calendar year.'.

END

Long Term Minimum Wage Adjustment Act of 1999 (Introduced in the House)
HR 964 IH
106th CONGRESS - 1st Session - H. R. 964

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.
IN THE HOUSE OF REPRESENTATIVES
March 3, 1999

Mr. QUINN introduced the following bill; which was referred to the Committee on Education and the Workforce. **There are no cosponsors as of March 8.**

Be it enacted by the Senate and House of Representatives of the United States of America in Congress
assembled,

SECTION 1. SHORT TITLE.
This Act may be cited as the `Long Term Minimum Wage Adjustment Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.
(a) WAGE- Section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)) is amended by redesignating paragraphs (2) through (5) as paragraphs (3) through (6), respectively, and by striking paragraph (1) and inserting the following:

`(1) except as otherwise provided in this section, not less than--

`(A) $5.55 an hour during the year beginning on September 1, 1999;

`(B) $5.85 an hour during the year beginning on September 1, 2000; and

`(C) $6.15 an hour during the year beginning on September 1, 2001;

?

`(2) the minimum wage prescribed by paragraph (1) will **increase in proportion to increases in the Consumer Price Index** for all urban consumers beginning on September 1, 2002, and each September 1 thereafter as follows--

`(A) an increase shall **not exceed 4 percent** in any one calendar year; and

`(B) the minimum wage **will never fall below the previous year's level;** '. real / nominal

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall take effect on September 1, 1999.

HR 627 IH

106th CONGRESS

1st Session

H. R. 627

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

IN THE HOUSE OF REPRESENTATIVES

February 8, 1999

Mr. SANDERS introduced the following bill; which was referred to the Committee on Education and the Workforce

---

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Liveable Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) RATE INCREASE- Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended by striking out `and' after `1996,' and by inserting before the semicolon the following: `, and not less than $6.50 an hour after December 30, 1999'.

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`(g) At the beginning of each calendar year after December 30, 1999, the Secretary shall adjust the rate applicable under subsection (a)(1) by the percentage increase which is applicable to the primary insurance amount under section 215(i) of the Social Security Act effective for benefits payable in January of such calendar year.'.

END

S 192 IS

106th CONGRESS

1st Session

S. 192

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE SENATE OF THE UNITED STATES

January 19, 1999

Mr. KENNEDY (for himself, Mr. DASCHLE, Mr. LEAHY, Mr. SARBANES, Mr. MOYNIHAN, Mr. LEVIN, Mr. DODD, Mr. LAUTENBERG, Mr. BINGAMAN, Mr. KERRY of Massachusetts, Mr. HARKIN, Ms. MIKULSKI, Mr. AKAKA, Mr. WELLSTONE, Mrs. FEINSTEIN, Mrs. BOXER, Mrs. MURRAY, Mr. FEINGOLD, Mr. WYDEN, Mr. DURBIN, Mr. TORRICELLI, Mr. REED, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Fair Minimum Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) WAGE- Paragraph (1) of section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to read as follows:

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'(A) $5.65 an hour during the year beginning on September 1, 1999; and

'(B) $6.15 an hour beginning on September 1, 2000;'.

(b) EFFECTIVE DATE- The amendment made by subsection (a) takes effect on September 1, 1999.

SEC. 3. APPLICABILITY OF MINIMUM WAGE TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

END

HR 325 IH

106th CONGRESS

1st Session

H. R. 325

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE HOUSE OF REPRESENTATIVES

January 19, 1999

Mr. BONIOR (for himself, Mr. GEPHARDT, Mr. FROST, Mr. MENENDEZ, Ms. DELAURO, Mr. LEWIS of Georgia, Mr. KENNEDY of Rhode Island, Mr. CLAY, Mr. GEORGE MILLER of California, Mr. OWENS, Mr. ACKERMAN, Mr. ANDREWS, Ms. BALDWIN, Mr. BARRETT of Wisconsin, Ms. BERKLEY, Mr. BERMAN, Mr. BLAGOJEVICH, Ms. BROWN of Florida, Mr. BROWN of Ohio, Mr. CAPUANO, Mr. CARDIN, Ms. CARSON, Mrs. CLAYTON, Mr. CONYERS, Mr. COSTELLO, Mr. COYNE, Mr. DAVIS of Illinois, Mr. DELAHUNT, Mr. DINGELL, Mr. FALEOMAVAEGA, Mr. FILNER, Mr. FORD, Mr. FRANK of Massachusetts, Mr. GEJDENSON, Mr. GONZALEZ, Mr. GREEN of Texas, Mr. GUTIERREZ, Mr. HALL of Ohio, Mr. HINCHEY, Mr. JEFFERSON, Ms. KAPTUR, Mr. KILDEE, Ms. KILPATRICK, Mr. KLECZKA, Mr. KLINK, Mr. LAFALCE, Ms. LEE, Mr. LEVIN, Mrs. LOWEY, Mr. MARKEY, Mr. MATSUI, Mr. MCDERMOTT, Mr. MCGOVERN, Mr. MCNULTY, Mr. MEEHAN, Mrs. MEEK of Florida, Ms. MILLENDER-MCDONALD, Mrs. MINK of Hawaii, Mr. NADLER, Mr. NEAL of Massachusetts, Ms. NORTON, Mr. OBEY, Mr. OLVER, Mr. PALLONE, Mr. PAYNE, Ms. PELOSI, Mr. RAHALL, Mr. RANGEL, Mr. ROTHMAN, Ms. ROYBAL-ALLARD, Mr. RUSH, Mr. SANDERS, Ms. SCHAKOWSKY, Mr. SHERMAN, Ms. SLAUGHTER, Mr. STARK, Mr. TOWNS, Mr. VENTO, Mr. WAXMAN, Mr. WEXLER, Ms. WOOLSEY, and Mr. WYNN) introduced the following bill; which was referred to the Committee on Education and the Workforce

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SEC. 3. APPLICABILITY OF MINIMUM WAGE TO THE COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS.

The provisions of section 6 of the Fair Labor Standards Act of 1938 (29 U.S.C. 206) shall apply to the Commonwealth of the Northern Mariana Islands.

END

HR 964 IH

106th CONGRESS

1st Session

H. R. 964

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE HOUSE OF REPRESENTATIVES

March 3, 1999

Mr. QUINN introduced the following bill; which was referred to the Committee on Education and the Workforce

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A BILL

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Long Term Minimum Wage Adjustment Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) WAGE- Section 6(a) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)) is amended by redesignating paragraphs (2) through (5) as paragraphs (3) through (6), respectively, and by striking paragraph (1) and inserting the following:

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`(2) the minimum wage prescribed by paragraph (1) will increase in proportion to increases in the Consumer Price Index for all urban consumers beginning on September 1, 2002, and each September 1 thereafter as follows--

`(A) an increase shall not exceed 4 percent in any one calendar year; and

`(B) the minimum wage will never fall below the previous year's level; '.

(b) EFFECTIVE DATE- The amendment made by subsection (a) shall take effect on September 1, 1999.

END

S 192 IS

106th CONGRESS

1st Session

S. 192

To amend the Fair Labor Standards Act of 1938 to increase the Federal minimum wage.

IN THE SENATE OF THE UNITED STATES

January 19, 1999

Mr. KENNEDY (for himself, Mr. DASCHLE, Mr. LEAHY, Mr. SARBANES, Mr. MOYNIHAN, Mr. LEVIN, Mr. DODD, Mr. LAUTENBERG, Mr. BINGAMAN, Mr. KERRY of Massachusetts, Mr. HARKIN, Ms. MIKULSKI, Mr. AKAKA, Mr. WELLSTONE, Mrs. FEINSTEIN, Mrs. BOXER, Mrs. MURRAY, Mr. FEINGOLD, Mr. WYDEN, Mr. DURBIN, Mr. TORRICELLI, Mr. REED, and Mr. SCHUMER) introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

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HR 325 IH

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END

HR 627 IH

106th CONGRESS

1st Session

H. R. 627

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

IN THE HOUSE OF REPRESENTATIVES

February 8, 1999

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A BILL

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to provide for an increase in such wage based on the cost of living.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the `Liveable Wage Act of 1999'.

SEC. 2. MINIMUM WAGE INCREASE.

(a) RATE INCREASE- Section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended by striking out `and' after `1996,' and by inserting before the semicolon the following: `, and not less than $6.50 an hour after December 30, 1999'.

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`(g) At the beginning of each calendar year after December 30, 1999, the Secretary shall adjust the rate applicable under subsection (a)(1) by the percentage increase which is applicable to the primary insurance amount under section 215(i) of the Social Security Act effective for benefits payable in January of such calendar year.'.

END

Brian A. Barreto 03/08/99 12:43:31 PM

Record Type: Record

To: Karen Tramontano/WHO/EOP

cc: Carolyn T. Wu/WHO/EOP, Melissa G. Green/OPD/EOP, Jonathan A. Kaplan/OPD/EOP
Subject: From Jon Orszag

Karen:

I am with Carl Haacke -- who will be covering the minimum wage for the NEC from now on -- and we wanted to share with you the fact that Jack Quinn (R-NY) dropped a minimum wage increase bill last week. As you know, we propose increasing the minimum wage by 50 cents on 9/1/99 and 50 cents on 9/1/2000, bringing it to $6.15. The Quinn bill -- which has no co-sponsors -- increases the minimum wage by 40 cents on 9/1/99, 30 cents on 9/1/2000, and 30 cents on 9/1/2001. He then indexes the minimum wage to inflation thereafter. However, he does so in an odd way. The bill states that the increase will be "in proportion to the increases" in the CPI, shall not exceed 4 percent in any calendar year, and the minimum wage -- in nominal terms, we believe -- shall not fall below the previous year's level. What he means by indexing the minimum wage to a proportional increase in the CPI is unclear? Carl is working with DOL to try to figure it out.

We will pass this info on to Gene so that he can raise it in the 8:00 or 8:30 tomorrow morning.

Jon and Carl

Karen Tramontano 03/08/99 12:55:17 PM

Record Type: Record

To: Brian A. Barreto/OPD/EOP

cc: Carolyn T. Wu/WHO/EOP, Melissa G. Green/OPD/EOP, Jonathan A. Kaplan/OPD/EOP

Subject: Re: From Jon Orszag

what's the timing on this ? is quinn actually trying to move this?

Quarterly
Monitoring
Business not
happy
coalition
Tues. kick off – 1st opportunity
→ Coalition to
His matter.
No one rushing.