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Folder Title:
Minimum Wage [binder] [4]

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Minimum Wage Ideas

1. President of Burrito Brothers is a big fan of minimum wage increase. The President could do an event there, meeting with workers, showing how hard it is to work there and that the workers have families and could use the raise. The head of Burrito Brothers could say that he wouldn't fire anybody, that he thinks it's the right thing to do.

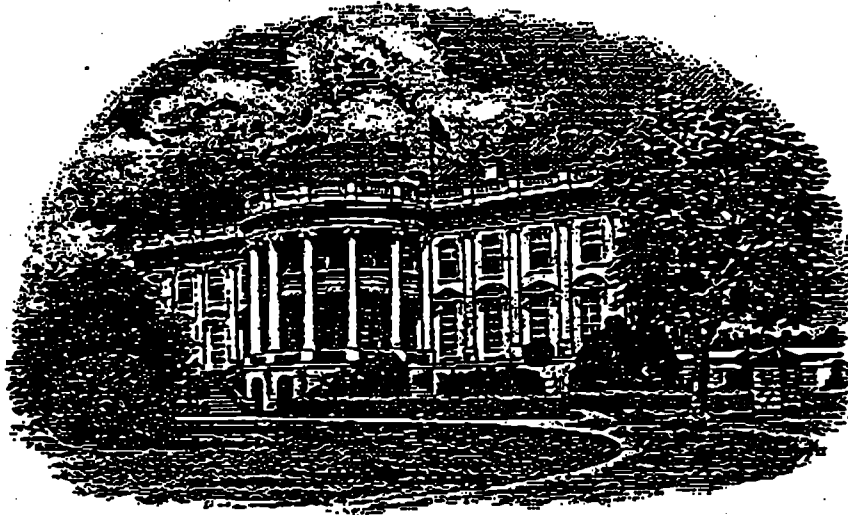
2. Letter: CBPP and EPI have done a letter with 100 economists, including 2 or 3 Nobel Prize winners, who say that increasing the minimum wage is a good idea--that total income will go up and job loss will be minimal. Center could present the letter to the President (at Burrito Brothers).

3. There may be enforcement possibilities regarding who is covered. Also could do PR campaign to alert workers that they should be paid the minimum wage. Alan looking into these; thinks controversial.

Other ideas:

4. Can we find a major company (e.g., McDonalds) that will voluntarily do the two 45-cents increases?

5. Several states are considering raising their own minimum wages. Legislation moving in New York and being considered in California. Christie Whitman says she thinks it's appropriate that the minimum wage is \$5.05.

EXECUTIVE OFFICE OF THE PRESIDENT**Office of Management and Budget****FAX TRANSMITTAL COVER SHEET**Number of pages (including cover sheet) 2Date: June 9, 1995To: Gene Sperling

Fax No. _____

Voice No. _____

Comments: Minimum wage• FYIFrom: Ken Appel

Fax No.: 202-395-5730

Voice No. 202-395-4844

To Gene
FYI

-Ken A.

Budgetary Effects of an Increase in the Minimum Wage

There are several channels through which an increase in the minimum wage might affect the budget. These effects are small, however, and hard to measure. Many of them are offsetting. Changes are likely in four areas: the EITC, means-tested entitlements, Federal receipts, and discretionary spending. Our best guess is that the combined effect of all these changes is about zero, and CBO would not be willing to count them in any case.

EITC: The EITC adds to workers wages according to a formula. There are two thresholds. For workers whose earnings fall below the lower threshold, the EITC is equal to a fixed percentage of their wages. In this range, an increase in the minimum wage would raise benefits. For workers whose earnings exceed the higher threshold (or who would be pushed over this threshold by an increase in the minimum wage), the EITC is phased out. In this range, an increase in the minimum wage would lower EITC benefits. These two effects are offsetting and their combined effect is small.

AFDC and Food Stamps: Most of the beneficiaries in these programs are not working when they are drawing benefits. The usual pattern is to participate in the programs when out of a job and to leave the program when a job has been found. While many beneficiaries have worked within the past year, they are not usually working while drawing benefits, and some of those who do work earn more than the minimum wage. Few existing beneficiaries are likely to see their incomes rise enough to push them over the limit of eligibility. Therefore, the net effect of an increase in the minimum wage on participation in AFDC or Food Stamps is likely to be very small.

Receipts: Raising the minimum wage does not lift real GDP. All that changes is that the same income that was produced before is redistributed. The net effect on receipts depends on the relative tax rates paid by the groups affected by the change. If minimum-wage workers pay higher tax rates than those whose incomes fall, the net effect on receipts would be positive. But if, as seems likely, most of the income losses are from corporate profits or proprietors income that go mainly to higher-income families and individuals, the net effect of the shift in income is likely, if anything, to be a small loss of receipts.

Discretionary Spending: Several Federal programs and contracts employ minimum wage workers. Spending for these programs is limited by the discretionary caps, and so would not be affected by changes in the minimum wage. To maintain the discretionary programs at their 1996 service levels, would cost an additional \$270 million (or \$1.9 billion over 7 years) or the number of participants would have to be reduced by 200,000. We can expect pressure to maintain these program levels if the minimum wage is increased.

BEA Scoring: Finally, neither OMB nor CBO would score these effects for pay-as-you-go purposes under the Budget Enforcement Act. The changes in receipts and program participation described above are considered to be indirect, and such effects would not counted. The changes in discretionary spending would be subsumed under the caps and would not affect total outlays.

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**United States Senate
Democratic Policy Committee**

Washington, DC 20510-7050

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FAX COVER SHEET

DATE:

2/14/95

TO:

Gene Sperling

FAX #:

456-2878

FROM:

DPC

**Democratic Policy Committee
619 Hart Senate Office Building
Phone: (202) 224-3232
Fax: (202) 228-3432**

MESSAGES:

of Pages Including cover:

4

talking points

Publication: TP-3-Employment

February 14, 1995

Rewarding Work — The Value of Work and the Need to Restore the Value of the Minimum Wage

The Democratic Proposal: The President, and the Democratic House and Senate leaders, are proposing to increase the minimum wage from \$4.25 to \$5.15 over a two-year period, using two 45 cent increments. The last increase, agreed to by *President Bush* in 1989 and passed with large bi-partisan majorities, was also an increase of 90 cents in two equal stages.

Reinforces Our Values: The real value of the minimum wage is near its lowest level in 40 years. By 1996, a father or mother who earns the current minimum wage and works 40 hours a week, year round, would still not be able to lift his or her family out of poverty. Restoring the minimum wage to a working wage rewards those Americans who choose work over welfare.

Values Working Families Without Costing Jobs: *Adults who support their families are the prime beneficiaries of the minimum wage.* Nearly two-thirds of minimum wage workers are adults (63%); more than one-third of all minimum wage workers (36%) are the *sole breadwinners* in their families. It's estimated that as many as 14 million working Americans could benefit either directly from the increase or from a "ripple effect" on other wages because of the proposed increase. Study after study has shown that moderate increases in the minimum wage have little if any negative impact on employment.

Reflects Traditional, Bi-Partisan Values: The last time that the minimum wage was increased, a Republican President and a Democratic Congress did it together. The minimum wage passed by 382 to 37 in the House (with 135 Republicans), and by 89 to 8 in the Senate (with 36 Republicans). A Democratic President and a Republican Congress should be able to do the same.

United States Senate
Office of the Democratic Leader
Washington, DC 20510-7020

FOR IMMEDIATE RELEASE
Tuesday, February 14, 1995

Contact: Ranit Schmelzer
Molly Rowley
(202) 224-2939

STATEMENT OF DEMOCRATIC LEADER TOM DASCHLE
ON RAISING THE MINIMUM WAGE TO \$5.15 AN HOUR

I stand firmly with President Clinton, with Congressman Gephardt and with the vast majority of Americans in supporting this reasonable, modest increase in the minimum wage. Later today I will be introducing a bill to do just that.

Everyone knows we have to reform welfare. Every member of Congress agrees that we have to get people off welfare and into jobs. It's an economic and social imperative.

But all the threats and punishments in the world won't pay the rent or feed the kids. People need a living wage.

This country can't afford a minimum wage that leaves millions of hard-working families struggling below the poverty line. But that's exactly what we have now. Men and women who get up every day and go to work -- five or six or seven days a week -- make less money than people who don't work at all.

\$5.15 an hour is hardly living on Easy Street. The cold hard fact is raising the minimum wage to \$5.15 an hour -- by itself -- it won't even lift families out of poverty.

But it will make work more profitable than welfare. It will enable working families to pay for the basic necessities. And it will align our public policies to reflect our personal values.

Nearly six million new jobs have been created over the last two years. Millions of Americans are working today because President Clinton and Democrats in Congress voted in 1993 to cut government spending, reduce the deficit and invest in the future. We're proud of that.

But we've got a long way to go. Real wages for working families in this country have remained flat since 1979. Middle-class families and low-income families alike are being squeezed between stagnant income and rising prices.

Raising the minimum wage isn't going to solve all that. It isn't a panacea. It's one part of a larger plan to provide every working family in America with higher wages, more job security, better education and training and real access to affordable health care.

The last time Congress voted to raise the minimum wage, in 1989, the bill was identical to this: a 90-cent increase phased in over two years. It passed with strong bipartisan support. Among the backers were Senator Dole and Speaker Gingrich.

The only thing that's changed since then is that the economy has gotten better and companies' bottom lines have gotten bigger.

If we fail to take this step, the minimum wage will soon fall to its lowest level in 40 years. And more working families will fall below the poverty line, or into welfare dependency.

Those are options we can't afford. So I plan to work hard to pass this bill in the Senate.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C. 20503-0001

LRM NO: 301

FILE NO: 364

2/10/95

LEGISLATIVE REFERRAL MEMORANDUM

Total Page(s): 4

TO: Legislative Liaison Officer - See Distribution below:
FROM: Janet FORSGREN (for) *C. Mustain* (for)

Assistant Director for Legislative Reference

OMB CONTACT: Chris MUSTAIN 395-3923
Legislative Assistant's line (for simple responses): 395-7362

Gene / Leo
URGENT

SUBJECT: LABOR Proposed Draft Bill on Working Wage Increase Act of 1995

DEADLINE: TODAY 2:00 PM Friday, February 10, 1995

In accordance with OMB Circular A-19, OMB requests the views of your agency on the above subject before advising on its relationship to the program of the President.

Please advise us if this item will affect direct spending or receipts for purposes of the "Pay-As-You-Go" provisions of Title XIII of the Omnibus Budget Reconciliation Act of 1990.

COMMENTS:

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LRM NO: 301
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If the response is simple and you prefer to call, please call the branch-wide line shown below (NOT the analyst's line) to leave a message with a legislative assistant.

(1) calling the analyst/attorney's direct line (you will be connected to voice mail if the analyst does not answer); or
(2) sending us a memo or letter.

TO: Chris MUSTAIN 395-3923
Office of Management and Budget
Fax Number: 395-6148
Branch-Wide Line (to reach legislative assistant): 395-7362

SUBJECT: LABOR Proposed Draft Bill on Working Wage Increase Act of 1995

☐ Concur
☐ No Objection
☐ No Comment
☐ See proposed edits on pages _____
☐ Other: _____
☐ FAX RETURN of _____ pages, attached to this response sheet

~~CONFIDENTIAL~~

DRAFT

FEB 8 1995

545/11

DETERMINED TO BE AN
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INITIALS: JM DATE: 11/9/95

2016-0531-F

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

February , 1995

TO THE CONGRESS OF THE UNITED STATES

I am transmitting for your consideration a bill entitled the
"Working Wage Increase Act of 1995."

This bill would amend the Fair Labor Standards Act to
increase the minimum wage from the current rate of \$4.25 an hour
in two 45 cent steps --- to \$4.70 an hour on July 4, 1995 and to
\$5.15 an hour a year thereafter. This increase in the minimum
wage builds on a similar increase that President George Bush
signed into law in 1989.

I believe that this minimum wage increase is needed to
assist 2.5 million working Americans who earn the minimum wage.
It is these workers who are the least capable of bargaining for
higher incomes and of sharing in our increased prosperity. The
increase in the minimum wage is an essential component in making
work pay and in assuring a living wage for working Americans.

~~In submitting this legislation, I am mindful that certain
technical policy and conforming changes may be needed with
respect to this legislation.~~ I look forward to prompt and
constructive Congressional consideration and passage of this
legislative measure of fundamental importance to working
Americans.

WILLIAM J. CLINTON

THE WHITE HOUSE
February , 1995

~~CONFIDENTIAL~~

DRAFT

FEB 8 1995

6145M

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage rate under that Act.

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

SHORT TITLE

Section 1. This Act may be cited as the "Working Wage Increase Act of 1995."

INCREASE IN THE MINIMUM WAGE

Section 2. Paragraph (1) of section 6(a) of the Fair Labor Standards Act (29 U.S.C. 206(a)(1)) is amended to read as follows:

"(1) except as otherwise provided in this section, not less than \$4.25 an hour during the period ending July 3, 1995, not less than \$4.70 an hour during the year beginning July 4, 1995, and not less than \$5.15 an hour after July 3, 1996;"



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

Fr 456-2878

456-6220

To: Gene Sperling / Pat Griffin

DEPARTMENT/COMPANY:

FACSIMILE NUMBER:

FROM: Geri Palast 5 phone 219-4692

NUMBER OF PAGES INCLUDING COVER: 5

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CONGRESSIONAL AFFAIRS

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202/219-5120

202/219-5736

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MESSAGE: Attached are the following on Min. Wage

- ① Transmittal Letter from President - Draft
- ② Draft Legislation
numbers + effective dates.
- ③ Memo: Issues which must be
addressed during the
mark-up which we are
not including. Puerto Rico
is the biggest issue.

- * ④ Gephardt / House - will introduce on
Tuesday - not tomorrow - to Pot

~~CONFIDENTIAL~~

DRAFT

FEB 8 1995

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

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

Dear Mr. Speaker:

Dear Mr. President:

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

This draft bill would amend the Fair Labor Standards Act to increase the minimum wage from the current rate of \$4.25 an hour in two 45 cent steps --- to \$4.70 an hour on July 4, 1995 and to \$5.15 a year thereafter. This increase in the minimum wage builds on a similar increase that President George Bush signed into law in 1989.

I believe that this minimum wage increase is needed to assist 2.5 millions of working Americans who are at the minimum wage. It is these workers who are the least capable of bargaining for higher incomes and of sharing in our increased prosperity. The increase in the minimum wage is an essential component in making work pay and in assuring a living wage for working Americans.

In submitting this legislation, I am mindful that certain and technical policy and conforming changes may be needed with respect to this legislation. I look forward to prompt and constructive Congressional consideration and passage of this legislative measure of fundamental importance to working Americans.

Sincerely,

William J. Clinton

DRAFT

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FEB 8 1995

INCREASING THE MINIMUM WAGE: LEGAL ISSUES

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

Phase-in for Puerto Rico

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

Tip Credit

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

Training Wage

The 1989 Amendments provided for a subminimum "training wage" for limited periods for persons under 20 years old, including multiple safeguards to protect the workers and to avoid displacement of other workers. This provision expired on April 1, 1993 and was not reenacted. A survey done by the Department revealed very limited use of the training wage by employers, the major stated reason being inability to find good workers at that wage (85% of the statutory minimum). Other reasons given included the difficulty of administration and training costs.

Northern Marianas

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

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

Unfunded Mandates

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

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

Jon Orszag
Special Assistant to the Chief Economist
Office of the Secretary
U.S. Department of Labor
(202) 219-8271
fax (202) 219-4902

TO: Gene Sperling
ORGANIZATION: NEC
DATE: February 6, 1995
FAX #: 456 2878
PHONE #: 456 2620
Number of Pages including Cover: 4

COMMENTS:

Gene,
Alan asked me to fax
these two ~~down~~ documents on
(1) minorities & (2) small business.
Jon.

If you did not receive all of these pages, please call (202) 219-8271

REWARDING WORK: THE CASE FOR INCREASING THE MINIMUM WAGE

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

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

RAISING THE MINIMUM WAGE PRIMARILY HELPS ADULT WORKERS -- MOST OF WHOM RELY ON THEIR MINIMUM WAGE JOB TO SUPPORT THEIR HOUSEHOLDS: Nearly two-thirds of minimum wage workers are adults (63%); the last time the minimum wage was increased over one-third of minimum wage workers (36%) are the sole breadwinners in their families. The average minimum wage worker brought home over half of his or her families earnings. Thus, a rise in the minimum wage is a significant boost to the standard of living of millions of households.

BETWEEN 11 MILLION AND 14 MILLION WORKERS WOULD BENEFIT FROM THE PRESIDENT'S PROPOSAL TO INCREASE THE MINIMUM WAGE: An estimated 11 million workers, paid by the hour, earn between \$4.25 and \$5.14. Research indicates that an increase in the minimum wage to \$5.15 could have a "ripple" effect on another 3.5 million workers who earn within 50 cents of the new minimum wage.

RAISING THE MINIMUM WAGE HELPS MINORITIES: The President's proposal to increase the minimum wage to \$5.15 will disproportionately help minority workers, in particular African-American females and Hispanics. In 1993, fully 10 percent of workers earning the minimum wage were African-American women and 17 percent were Hispanics. These figures are out of proportion to their representation in the workforce. Thus, an increase in the minimum wage provides an immediate boost to the earnings of a large number of minority workers, and ensures that there is a strong incentive to choose work over welfare.

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

MINORITY WORKERS ARE NOT ADVERSELY AFFECTED: A thorough review of the literature concluded: "While it is often asserted that blacks are more adversely affected than whites by the minimum wage, previous studies provided conflicting evidence on this issue. In any case, ... we conclude from the body of literature that such an assertion must rest on theoretical rather than empirical grounds." [Brown, Gilroy, and Kohen, 1982]

AMERICANS WANT AN INCREASE IN THE MINIMUM WAGE: The public overwhelmingly supports an increase in the minimum wage. A recent poll by the *Los Angeles Times* found that 72 percent of Americans favored an increase in the minimum wage. This poll also found that support for a minimum wage increase was strongest among African-Americans -- over 9 out of 10 supported a rise in the minimum wage.

Jon Orszag
Special Assistant to the Chief Economist
Office of the Secretary
U.S. Department of Labor
(202) 219-8271
fax (202) 219-4902

TO: Gene Sperling

ORGANIZATION: NEC

DATE: February 6, 1995

FAX #: 456 2878

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Number of Pages including Cover: 2

COMMENTS:

If you did not receive all of these pages, please call (202) 219-8271

THE IMPACT OF A MINIMUM WAGE INCREASE ON SMALL BUSINESS

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

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

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

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

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

FAX MESSAGE COVER SHEET

CENTER ON BUDGET AND POLICY PRIORITIES
777 North Capitol Street, NE, Suite 705
Washington, DC 20002

Telephone: 202/408-1080

Fax: 202/408-1056

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<i>Gene Spurling</i>
<i>456-2878</i>
<i>Loose Shapiro</i>
<i>6</i>

Comments:

A quick analysis of the \$5.15 proposal.



CENTER ON BUDGET AND POLICY PRIORITIES

FOR IMMEDIATE RELEASE:
Friday, February 3, 1995

CONTACT: Nancy Coffey
Michelle Bazie
(202) 408-1080

ASSESSING A \$5.15-AN-HOUR MINIMUM WAGE

by Isaac Shapiro

President Clinton's proposal to increase the minimum wage to \$5.15 an hour via two 45 cent increases is a positive step for low-wage workers. In terms of restoring the value of the minimum wage, however, it should be considered a moderate and partial step.

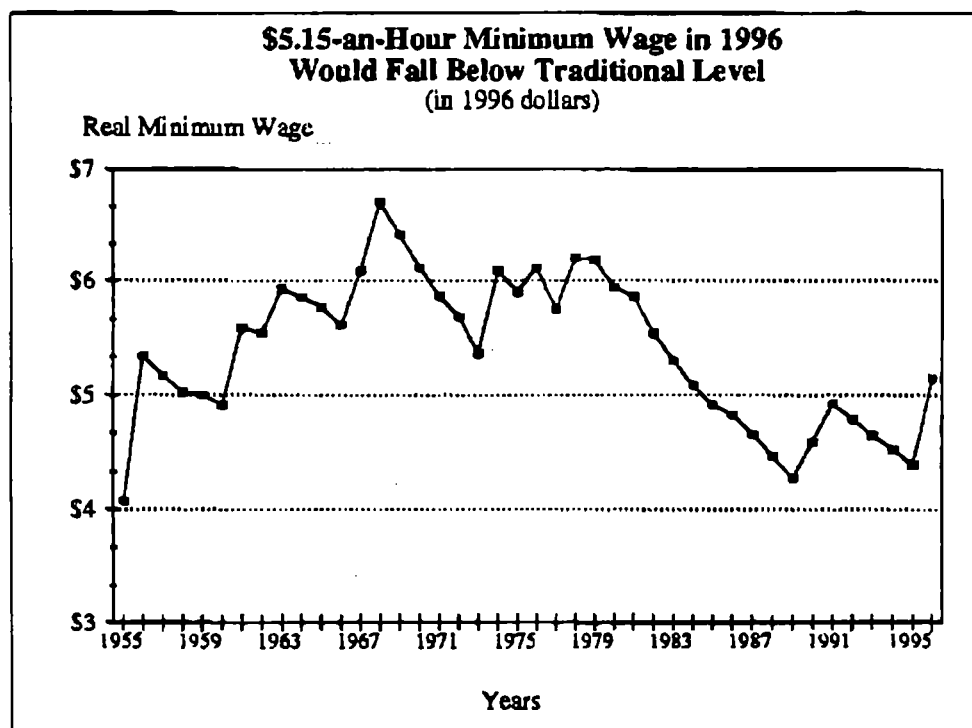
- Raising the minimum wage to \$5.15 an hour in 1996 would make up slightly more than half of the ground that was lost to inflation during the 1980s.
- A minimum wage of \$5.15 an hour in 1996 would be 13 percent below its average purchasing power during the 1970s, after adjusting for inflation.
- If the minimum wage were to have the same purchasing power in 1996 as it averaged during the 1970s it would need to equal \$5.93 an hour.

Recent studies also suggest that the proposal will not undermine employment opportunities. The proposed increase is roughly in the range of increases in the federal and state minimum wages that have been studied in recent years, with the preponderance of the evidence finding that they did *not* cause job losses. These include studies which examined the two-step 90 cent increase in the federal minimum wage at the turn of the decade as well as state increases to levels of nearly \$5.70 an hour in 1996 dollars.

Effect on the Value of the Minimum Wage

The explanation for why the value of the minimum wage would remain well below its traditional level even if it is raised to \$5.15 an hour lies in the history of the minimum wage since 1981.

From January 1981 to April 1990, the minimum wage remained frozen at \$3.35 an hour, despite a 48 percent jump in the cost of living. The minimum wage was then raised in two steps to \$4.25 an hour. But these raises made up only some of the ground



lost to inflation. In 1991, *after* the minimum wage was increased to \$4.25 an hour, its value was 17 percent below its average level in the 1970s.

Since April 1991 the minimum wage has stood still while the cost of living has continued to rise, increasing by 11 percent during this period. Consequently, the purchasing power of the wage standard has deteriorated further.

- The purchasing power of the minimum wage is now 26 percent below its average value in the 1970s, after adjusting for inflation.
- The real value of the minimum wage is now above its value in 1989 but is below its value for every other year going back to 1955. Without action to increase the minimum wage, by 1996 the wage floor will fall to its lowest level in more than four decades.
- Similarly, changes in the minimum wage have not kept pace with changes in the wages of other workers in the economy. In the 1950s and the 1960s, the minimum wage averaged more than half of the average wage of private nonsupervisory workers. In the 1970s, it averaged 46 percent of the average wage. Currently, it equals 38 percent of the average wage.

- Another comparison of interest is that during the 1960s and the 1970s, the earnings of a full-time minimum wage worker employed for the entire year typically were enough to lift a family of three out of poverty even without considering other sources of income. In 1995, full-time minimum wage earnings by itself will fall 27 percent below the estimated poverty line for a family of three.

A minimum wage of \$5.15 an hour in 1996 would be a helpful step towards restoring the strength of the minimum wage. The wage standard, however, would fall well short of the benchmarks described above.

- The minimum wage would remain 13 percent below its traditional level of purchasing power. If the minimum wage were to have the same purchasing power in 1996 as it averaged in the 1970s, it would need to be \$5.93 an hour. A minimum wage of \$5.15 an hour in 1996 would be below its value throughout the period from 1961 to 1983, after adjusting for inflation.
- In 1996, the wage floor would equal 43 percent of the projected average nonsupervisory wage, substantially below the 50 percent benchmark.¹
- Full-time year-round minimum wage earnings alone in 1996 would equal 85 percent of the estimated poverty line for a family of three.²

Moderate Increase Would Have Negligible Employment Effect

Recent experience with federal and state minimum wage reforms suggest that the federal minimum wage could be increased to \$5.15 an hour in 1996 without causing adverse employment effects of a significant nature. This conclusion is based on an examination of important recent studies which used several different methodologies to assess the effects of raises in the federal minimum wage both across the nation and in particular states, as well as the effects of raising state minimum wages above the federal level.

¹ This projection assumes that the average private nonsupervisory wage increases at the same pace as inflation in 1995 and 1996.

² The recent expansion in the federal Earned Income Tax Credit fills this gap for certain minimum-wage families. But for most minimum-wage workers, the combination of a \$5.15-an-hour minimum wage and the new EITC in 1996 will be less than their combined value in 1996. The minimum wage also has several advantages over the EITC — it does not raise marginal tax rates and is received in a timely manner throughout the year. The EITC and the minimum wage are best viewed as complementary policies and not as substitutes for each other.

Among the recent studies which found that the examined minimum wage increases did not cause job loss are:

- Studies of the federal minimum wage which examined the effects of raising the minimum wage in two 45 cent increases from \$3.35 an hour in 1989 to \$4.25 an hour in 1991.³⁴ A minimum wage of \$4.25 an hour in 1991 is equivalent to a minimum wage of \$4.93 an hour in 1996.
- A study that examined the effects of New Jersey raising its state minimum wage by 80 cents, from \$4.25 an hour to \$5.05 an hour in 1992 (\$5.69 in 1996 dollars).⁵
- A study of the effects of California increasing its minimum wage 90 cents from \$3.35 an hour in 1987 to \$4.25 an hour in 1988 (\$5.68 in 1996 dollars).⁶

After reviewing these and other recent studies of federal and state minimum wage changes — including a study which updated what had generally been considered the best study of the employment effects of the minimum wage during the 1960s and the 1970s with information through 1986 and found only a small effect on teenage employment⁷ — the noted Harvard labor economist Richard Freeman concluded:

³ David Card, "Using Regional Variation in Wages to Measure the Effects of the Federal Minimum Wage," *Industrial & Labor Relations Review*, October 1992. The Card study examined only the first 45 cent increase.

⁴ Lawrence Katz and Alan Krueger, "The Effect of the Minimum Wage on the Fast Food Industry," *Industrial & Labor Relations Review*, October 1992.

⁵ David Card and Alan Krueger, "Minimum Wages and Employment: A Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economic Review*, Volume 84, Number 4, September 1994.

⁶ David Card, "Do Minimum Wages Reduce Employment? A Case Study of California, 1987-89," *Industrial and Labor Relations Review*, October 1992.

⁷ Alison J. Wellington, "Effect of the Minimum Wage on the Employment Status of Youths: An Update," *The Journal of Human Resources*, Winter 1991. Wellington found that a 10 percent increase in the minimum wage was associated with a 0.6 percent decrease in teenage employment and that the decrease was not statistically significant. Wellington updated the study conducted by economists for the federal Minimum Wage Study Commission, which found a 10 percent increase in the minimum wage to be associated with a one percent decrease in the employment of teenagers and found no strong evidence of any job loss for adults age 25 and over. Charles Brown, Curtis Gilroy, and Andrew Kohen, "Time-Series Evidence of the Effects of the Minimum Wage on Youth Employment and Unemployment," *The Journal of Human Resources*, Winter 1983. Many of the estimates of large job losses made during the debate over the appropriate size of the minimum wage in the late 1980s were based on the high range of studies from the 1960s and the 1970s, often ignoring the review and update of these studies by Brown, Gilroy, and Kohen.

"That moderate increases in the minimum [wage] transferred income to the lower paid without any apparent adverse effect on employment ... at the turn of the 1990s is no mean achievement for a policy tool in an era when the real earnings of the less skilled fell sharply."⁸

These studies do not suggest or prove that *any* increase in the minimum wage — no matter how large — would have only desirable effects. But the outcomes of the studies suggest that the labor market functions in a more complicated manner than has been assumed by those contending that virtually any rise in the minimum wage results in a significant decrease in employment levels. For example, a higher minimum wage can make it easier for employers to fill vacancies and may decrease employee turnover. Both examples suggest circumstances in which a boost in the minimum wage can boost employment.

The studies *do* suggest that when the minimum wage is at especially low levels, as it is today, the employment effects of a moderate increase in the minimum wage — such as the proposed increase to \$5.15 an hour — are likely to be negligible.

(For a fuller discussion of the relationship between the minimum wage and employment, see the Center on Budget and Policy Priorities report "Four Years and Still Falling: The Decline in the Value of the Minimum Wage," January 11, 1995.)

Note on Inflation-adjustment Methodology Used in this Analysis

This analysis uses the latest projected inflation estimates from the Congressional Budget Office: inflation of 3.1 percent in 1995, and of 3.4 percent in 1996.

In adjusting the value of the minimum wage for inflation, this report used the experimental measure of changes in the cost-of-living, called the "CPI-U-X1". This measure was used instead of the government's official measure, the "CPI-U", because some analysts believe the CPI-U did not accurately adjust for changes in housing costs prior to 1983, thereby overstating inflation. (This analytic issue is separate from recent discussions — sparked in part by recent testimony by Alan Greenspan, chairman of the Federal Reserve Board — that inflation is currently being overstated.)

Although some analysts still believe the CPI-U is the preferable inflation measure to use for certain time-series, this report used the CPI-U-X1 so as to err on the conservative side. That is, if the CPI-U had been used instead of the CPI-U-X1, the erosion in the value of the minimum wage would have been shown to have been even larger. For example, using the CPI-U, if the minimum wage were to have the same value in 1996 as it averaged in the 1970s, it would need to equal \$6.21, compared to the \$5.93 figure mentioned in the full text that was generated by using the CPI-U-X1.

⁸ Richard B. Freeman, "Minimum Wages — Again!" *International Journal of MANPOWER*, Volume 15, Numbers 2/3, 1994.

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

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

RAISING THE MINIMUM WAGE PRIMARILY HELPS ADULT WORKERS -- MOST OF WHOM RELY ON THEIR MINIMUM WAGE JOBS TO SUPPORT THEIR HOUSEHOLDS: Nearly two-thirds of minimum wage workers are adults (63%); over one third of all minimum wage workers (36%) are the sole breadwinners in their families; the average minimum wage worker brought home over half of his or her family's earnings. Thus, a rise in the minimum wage is a significant boost to the standard of living to millions of households.

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

BETWEEN 11 MILLION AND 14 MILLION WORKERS WOULD BENEFIT FROM THE PRESIDENT'S PROPOSAL TO INCREASE THE MINIMUM WAGE: An estimated 11 million workers, paid by the hour, earn between \$4.25 and \$5.14. Research indicates that an increase in the minimum wage to \$5.15 could have a "ripple" effect on another 3.5 million workers who earn within 50 cents of the new minimum wage.

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

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

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February 6, 1995, U.S. Edition

SECTION: POLITICS; Pg. 27

LENGTH: 862 words

HEADLINE: THE POLITICAL INTEREST;
Minimum Wage, Minimum Sense

BYLINE: Michael Kramer

BODY:

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-- About 2.5 million Americans earn the minimum; 1.7 million more take home even less since the law doesn't cover them.

-- The minimum was first set at 25 cents an hour in 1938. Inflation has taken a heavy toll: since it was last raised from \$3.35 in 1991, its value has fallen 50 cents.

-- Contrary to popular belief, about 80% of those who get the minimum (or less) are not living in families with combined incomes above the poverty line (currently \$15,627 for a family of four) and thus are not defined as poor.

Many economists worry about two pernicious effects of raising the minimum. The first concerns job loss. Standard theory holds that every hike in the wage triggers employee firings, with the least skilled axed first. That view has been challenged by several recent studies co-authored by Alan Krueger, the Labor Department's chief economist. A modest increase, says Krueger, would have "negligible negative employment effects" -- or, in plain English, next to no job losses. Negligible, though, is a term of art. Because wage-related costs like unemployment compensation and payroll taxes rise along with the basic wage, most experts say the contemplated hike to \$5 an hour could cost between 40,000 and 100,000 jobs. "The consensus view has big problems with Krueger's results and methodology," says Texas A&M labor economist Finis Welch. "Alan ought to consider the old saw: If you drop an apple and it rises, question your experiment before concluding that the laws of gravity have been repealed."

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Alluding to Krueger's work without naming him, the President said last week that the "weight of the evidence is that a modest increase [in the minimum wage] will not cost jobs." That may be so, but Clinton's calculation was primarily political. "We need the energized support of minorities and unionists, our core group of voters," says a Clinton adviser, "especially if there's another three-way race in 1996."

That view seems shortsighted for two reasons. First, the Democratic base alone won't re-elect Clinton, and the swing voters he most needs disdain old-fashioned liberal solutions like raising the minimum wage. Second, the President's real problem involves a perceived lack of resolution and stamina. If Clinton lets his proposed hike die quietly and holds instead to his original diagnoses and prescriptions (which were right then and are right now), he might come across more like a President than a perpetual candidate -- and possibly get the four more years he covets.

GRAPHIC: Picture, PAUL GOMEZ gets the \$4.25 minimum wage cleaning up at a Chicago food market descColor., MICHAEL L. ABRAMSON FOR TIME

LANGUAGE: ENGLISH

LOAD-DATE: February 7, 1995

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However, the minimum wage over that 35-year span increased from \$1.15 an hour to \$4.25. When adjusted for inflation, that's a 23.3 percent decline.

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"The president proposes a balanced budget protecting Medicare, education, the environment," the ad says. "But Dole is voting no. The president cuts taxes for 40 million Americans. Dole votes no. ... Dole says no to the Clinton plans. It's time to say yes to the Clinton plans yes, to America's families."

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A DNC spokesman said the ad was airing in selected markets nationally but would not disclose the markets or the cost of the ad

ADP-04-01-96 1755EST

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THE WHITE HOUSE
WASHINGTON

February 2, 1995

MINIMUM WAGE ANNOUNCEMENT

DATE: February 3, 1995
LOCATION: Rose Garden
TIME: 9:30 am
FROM: Gene Sperling and David Lane

I. PURPOSE

To announce Administration and Congressional support for an increase in the minimum wage.

II. BACKGROUND

The minimum wage is currently \$4.25 per hour. Our proposal is to raise it to \$5.15 over a two-year period -- 45 cents each year. This would be similar to the last increase in 1990 from \$3.35 to \$4.25 over two years.

III. PARTICIPANTS

President, Vice-President, Secretary Reich, Minority Leader Daschle, Minority Leader Gephardt, and 20-30 Democratic Members of Congress.

IV. PRESS PLAN

Open press.

V. SEQUENCE OF EVENTS

- Minority Leader Gephardt makes remarks and introduces Minority Leader Daschle.
- Minority Leader Daschle makes remarks and introduces the Vice-President.
- The Vice-President introduces the President.

- The President makes remarks and exits the Rose Garden.

VI. Remarks

To be provided by speechwriting.

Jon Orszag
Special Assistant to the Chief Economist
Office of the Secretary
U.S. Department of Labor
(202) 219-8271
fax (202) 219-4902

TO: Gene Sperling
ORGANIZATION: NEC
DATE: February 1, 1995
FAX #: 456-2878
PHONE #: 456-2620
Number of Pages including Cover: 24

COMMENTS:

If you did not receive all of these pages, please call (202) 219-8271

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

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

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

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

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

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

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

Minimum Wage Increase Talking Points

page 2

In 1993, the president expanded the Earned Income Tax Credit (EITC), which raised income for 15 million households -- helping many working families move above the poverty line. Yet to complete the goal of insuring that full-time working families are out of poverty, we need to raise the minimum wage.

- o The Congressional Budget Office (CBO) projects that the poverty line for a family of 3 will be \$12,557 in 1996. A worker earning the current minimum wage of \$4.25 an hour and working full-time year round (\$8,500) would receive a tax credit of \$3,400 under the 1996 provisions of the EITC.
- o A worker with 2 children earning \$10,000 at a full-time year round minimum wage job paying \$5.00 an hour will receive the maximum EITC tax credit (\$3,560) and increase the family income to \$13,560 -- \$1,000 above the projected poverty line for 1996.

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

- o A Los Angeles Times national survey conducted in January 1995 found that 72% of Americans favor an increase in the minimum wage.
- o A Wall Street Journal/NBC News poll conducted in December 1994 found that increasing the minimum wage is favored by a margin of 75% to 20%.

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

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

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

- o Alaska, Connecticut, Hawaii, Iowa, New Jersey, Oregon, Rhode Island, Vermont and Washington have a higher minimum wage.
- o Hawaii's minimum wage is \$5.25 an hour; New Jersey's is \$5.05.

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

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

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

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

The Federal minimum wage is currently \$4.25 per hour. Adjusted for inflation, the value of the minimum wage has fallen by nearly 50 cents since 1991, and is now 27% lower than it was in 1979 (1995 dollars).

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

MANY ADULTS RELY ON THE MINIMUM WAGE AS A LIVING WAGE

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

In 1993, the president expanded the Earned Income Tax Credit (EITC), which raised income for 15 million households, helping many working families move above the poverty line. Yet to complete the goal of insuring that full-time working families are out of poverty, we need to raise the minimum wage. A worker in a full-time, year round job earning the minimum wage does not meet the Federal poverty level for a family of 3 (1 worker and 2 children), which the Congressional Budget Office (CBO) predicts in 1996 will be \$12,557. For that year, a worker with 2 children earning \$8,500 (the full-time year round wage at \$4.25 an hour) would receive a tax credit of \$3,400 under the 1996 provisions of the EITC -- but still, this tax credit will not be sufficient to raise the family's income above the poverty line. However, for a worker with 2 children earning \$10,000 (the full-time year round wage at \$5.00 an hour), the EITC would provide the maximum tax credit (\$3,560) and increase their family income to \$13,560 -- \$1,000 above the projected poverty line in 1996.

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

A MODERATE INCREASE IN THE MINIMUM WAGE DOES NOT COST JOBS

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

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

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

AMERICANS WANT AN INCREASE IN THE MINIMUM WAGE

The American public supports increasing the minimum wage by a solid margin. A national poll conducted in January 1995 for the Los Angeles Times found that 72% of Americans backed an increase in the wage, confirming a December 1994 Wall Street Journal/NBC News survey that found raising the minimum wage is "favored by 75% and opposed by only 20%" of respondents. (Wall Street Journal, December 16, 1994)

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

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

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

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

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

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

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

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

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

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

As the New York Times reported, most economists agree that raising the minimum wage increases the incomes of low wage workers, which more than offsets any effect on jobs. Further, studies of minimum wage increases fail to show disproportionate impacts for minority youth.

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

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

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

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

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

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

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

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

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

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

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

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

THE MINIMUM WAGE: MYTH AND REALITY

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

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

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

Myth: Minimum wage workers don't support families.

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

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

Reality: Seven million working Americans would get a pay raise if the minimum wage is increased to \$5.00 per hour. As Nobel Prize-winning economist Robert Solow said, "[T]he evidence of job loss is weak. And the fact that the evidence is weak suggests that the impact on jobs is small." (Source: *New York Times*, January 12, 1995)

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

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

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

Reality: A 75-cent per hour increase in the minimum wage means an additional \$1,500 for a minimum wage earner who works full-time, year round -- as much as the average family spends on groceries in 6 months. (Source: Bureau of Labor Statistics)

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

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

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

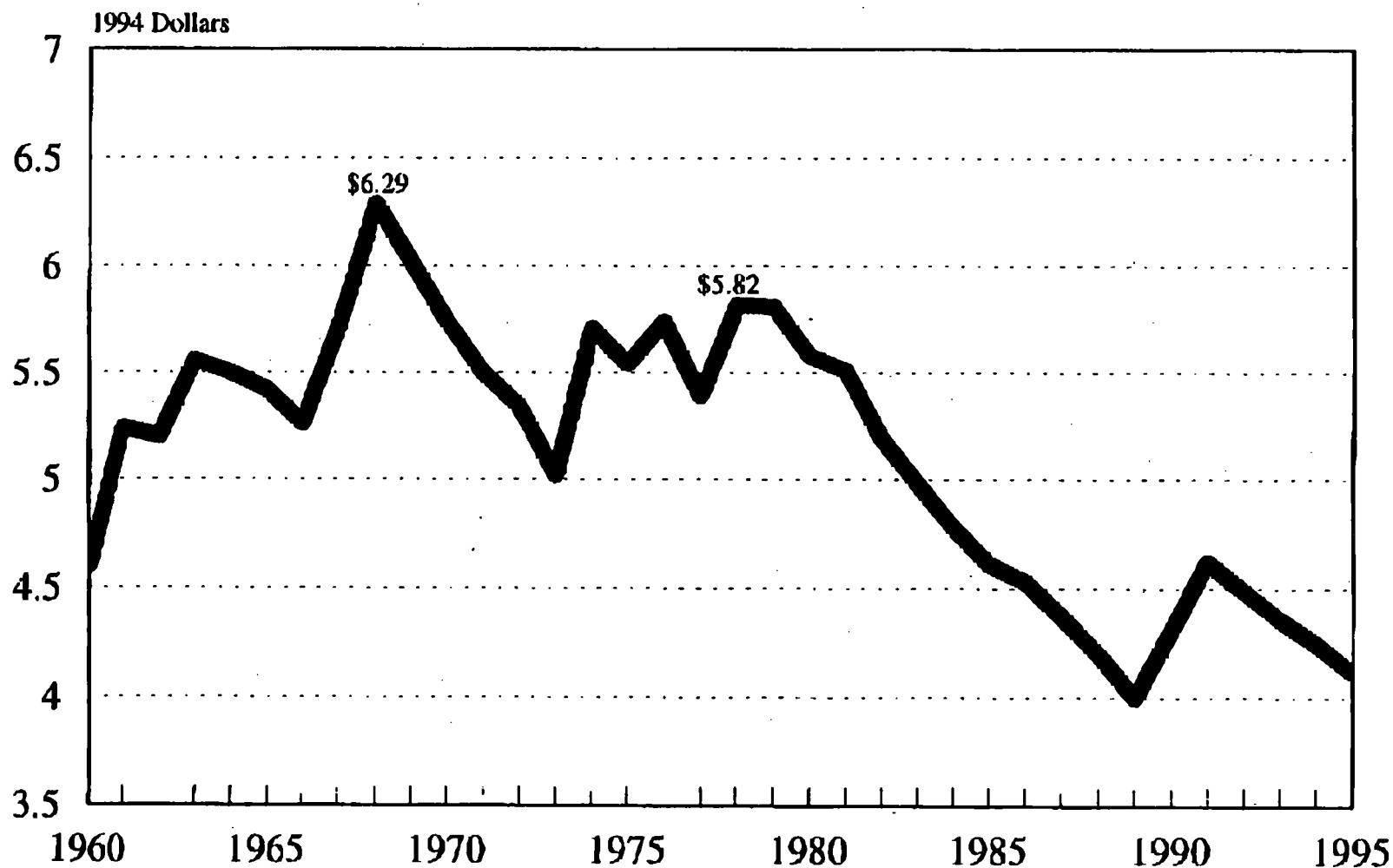
<u>Year</u>	<u>Value of the Minimum Wage, Nominal Dollars</u>	<u>Value of the Minimum Wage, 1995 Dollars*</u>	<u>Minimum Wage as a Percent of the Average Private Nonsupervisory Wage</u>
1955	\$0.75	\$3.94	43.9%
1956	1.00	5.16	55.6
1957	1.00	5.01	52.9
1958	1.00	4.87	51.3
1959	1.00	4.84	49.5
1960	1.00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

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

Source: Center on Budget and Policy Priorities

The Real Minimum Wage

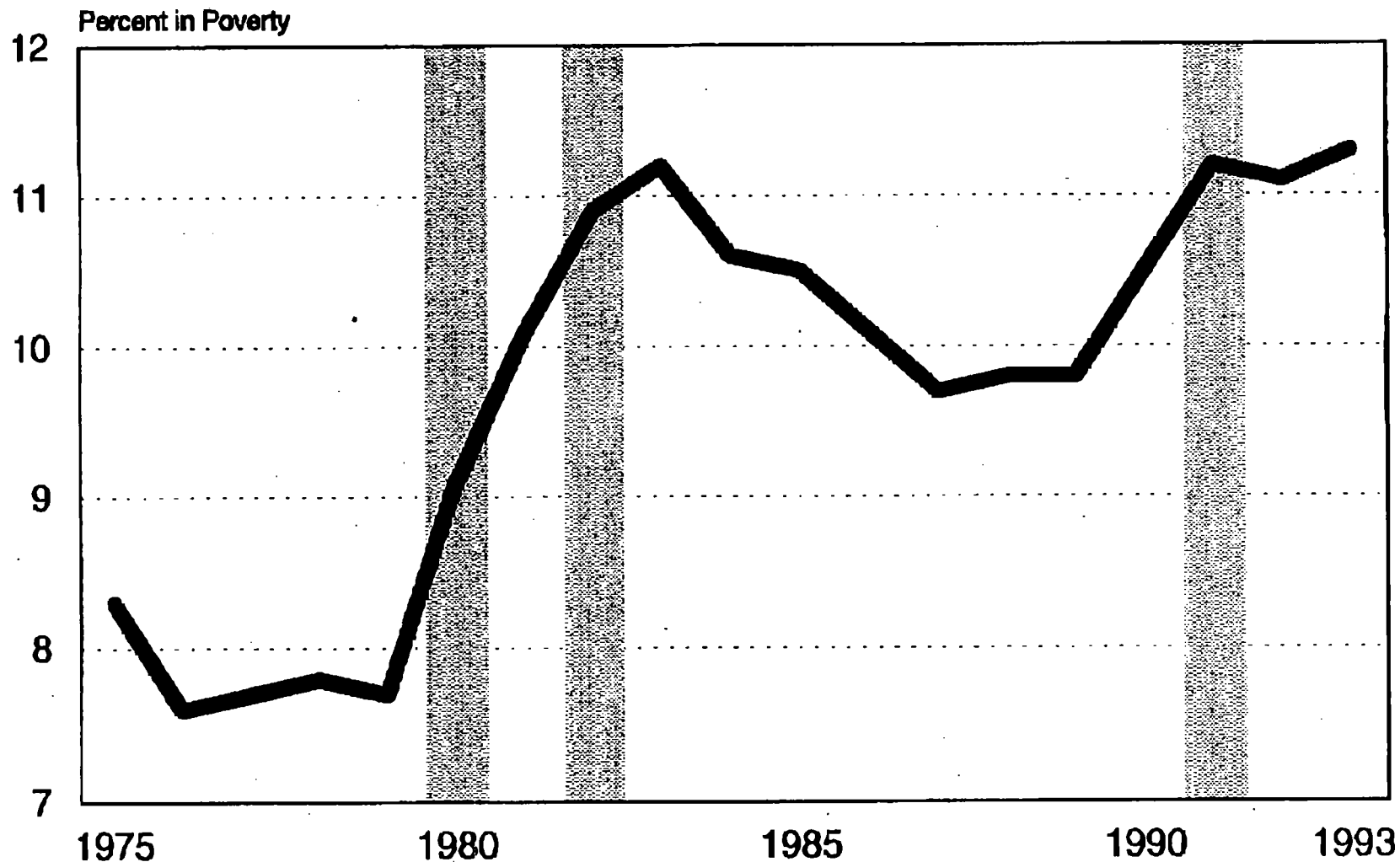
1960-1995



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

More Working Families are Poor

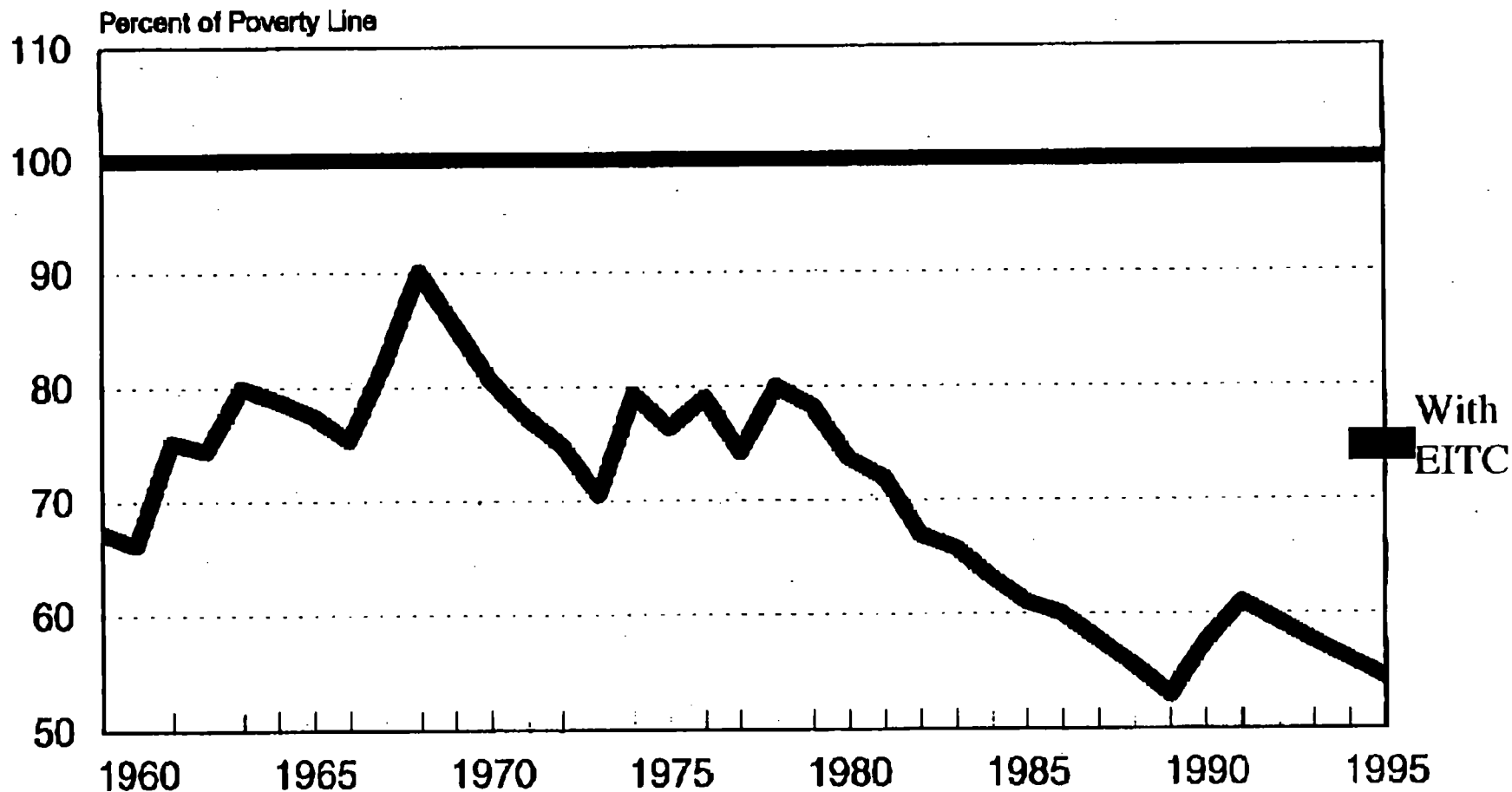
Percentage of Working Families in Poverty: 1975-1993



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

Minimum Wage Work Does Not Lift Families Out of Poverty

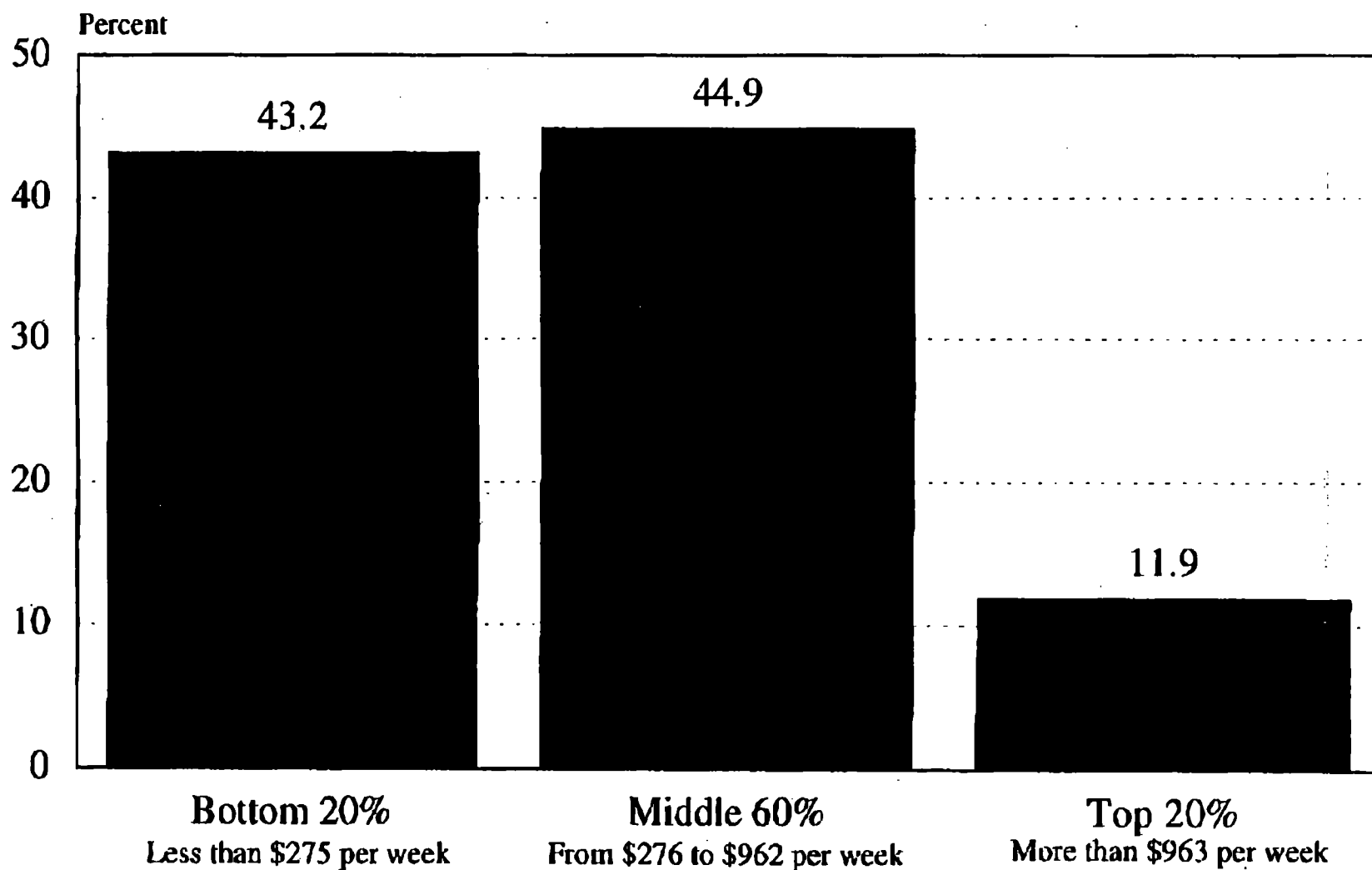
Annual Earnings at the Minimum Wage as a Percentage of the Poverty Line: 1959-1995



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

Who was Affected by the Last Minimum Wage Increase

Distribution by Family Earnings



Source: Card and Krueger (1995)

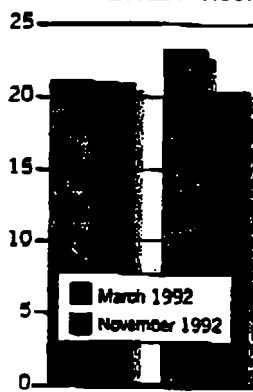
WASHINGTON Post
JANUARY 11, 1995

THE MAXIMUM MINIMUM

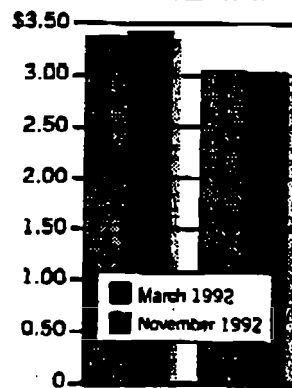
In the summer of 1992, New Jersey raised its minimum wage from \$4.25 an hour to \$5.05 while Pennsylvania kept its minimum wage at \$4.25. A study shows the increase had little impact on employment at New Jersey restaurants...

...although the price of a full meal* did increase slightly in New Jersey, while holding steady in Pennsylvania.

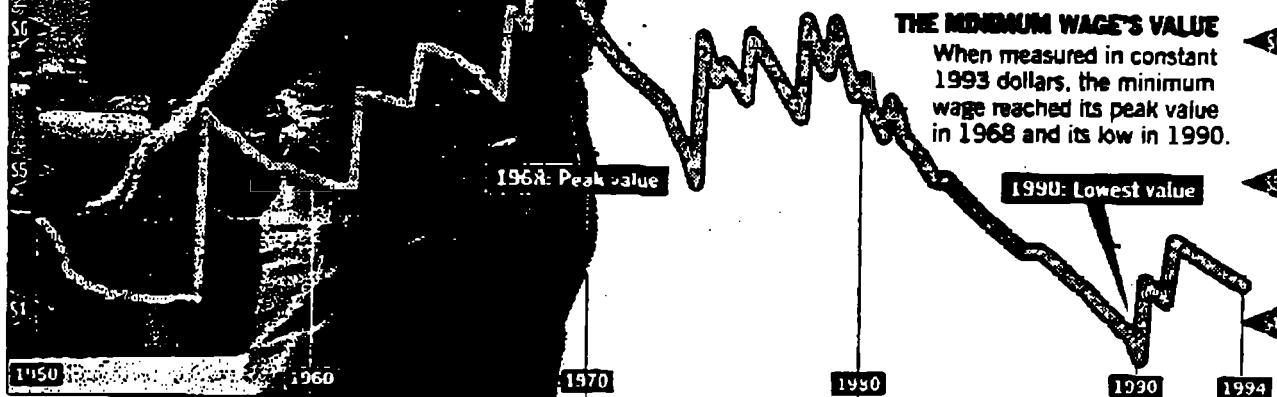
► EMPLOYMENT PER RESTAURANT



► PRICE OF A FULL MEAL



*Hamburger or two pieces of chicken, small order of fries and a medium soft drink



SOURCES: David Card and Alan Krueger, based on survey of 473 fast-food restaurants in New Jersey and eastern Pennsylvania

THE WASHINGTON POST

The Sages, Rethinking Wages

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

By Steven Pearlstein
Washington Post Staff Writer

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

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

It is one of the bedrock principles of economic theory that any time you raise the price of something—in this, the

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

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

In the most compelling study, Card and Krueger surveyed 437 fast-food restaurants in New Jersey and nearby eastern Pennsylvania in the spring of 1992, at a

time when New Jersey was raising the state's minimum wage. If economic theory was right and a higher minimum wage really resulted in lower employment, they reasoned, then the New Jersey restaurants should see a decline in fast-food employment relative to whatever was going on across the Delaware.

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

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

WAGES, D8, Col. 4

Study Challenges Theory on Minimum Wage

WAGES, From D1

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

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

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

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

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

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

But while much of the public debate focuses on the net number of jobs that might be at stake in a hike in the minimum wage, there is near-universal concern among econo-

mists about who wins and who loses if the wage goes up.

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

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

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

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

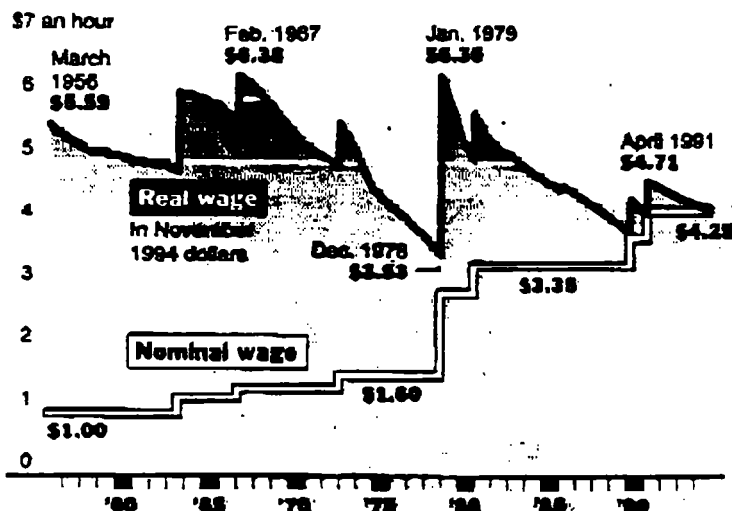
"The notion that the minimum wage destroys jobs is vastly exaggerated," said Shapiro, once a Clinton adviser. "But as a way of helping low-income people, it is very badly targeted."

NEW YORK TIMES

JAN 12 1995

What the Lowest-Paid Are Paid

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



Source: Department of Labor

The New York Times

Minimum Wage and Jobs

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

By LOUIS UCHITELLE

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

News Analysis

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

"The main thing about this research is that the evidence of job loss is weak," said Robert M. Solow, a Nobel laureate in economics at the Massachusetts Institute of Technol-

ogy. "And the fact that the evidence is weak suggests that the impact on jobs is small."

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

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

"Lifting the minimum wage is one of several major initiatives designed

to lift the wages of all working Americans," a senior Administration official said. He ranked its importance with the President's recent tax cut proposals for middle-income families.

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

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

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

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

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

Continued on Page D19

mo/y

7

Min. Wage²...

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

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

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

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

Estimates of job losses from higher minimum pay are reduced.

advocate within the Clinton Administration of lifting wages at the low end of the job ladder.

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

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

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

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

8

How can anyone oppose it? Wages of \$4.25 an hour equal \$170 a week, or \$8,840 a year. How can a family live on that? A family can't.

AMES, Iowa — So the Republicans say they are against raising the minimum wage.

What did you expect?

The minimum wage does nothing to help the rich.

Richard Arney, the Texan who as House majority leader makes \$148,400

a year, says he will oppose "with every fiber of my being" the minimum-wage increase that the Democrats are pondering. That doesn't seem to leave a lot of room for compromise.

That means:

The Republicans are against welfare and food stamps. They're against mandatory health coverage. They're against raising the minimum wage.

But they're for the working man.

Especially the working man worried about capital gains.

Especially the working man who employs what amounts to slave labor.

The minimum wage is \$4.25 an hour. It went up regularly until Ronald Reagan became president. It's gone up but twice in the 14 years since. That \$4.25 an hour equals \$170 a week, \$8,840 a year.

How in the world can a family live in America on \$8,840 a year? The answer is simple: A family can't. The poverty level in this country for a family of four is \$13,100 a year. If you make less than that, you simply can't get by.

But millions do make less than that.

There are 63,316,000 hourly workers in America, and an astounding 4,186 of them make the minimum wage — or less. Even if you take out the part-time workers, you end up with nearly 1.5 million Americans who make \$4.25 an hour or less in their full-time jobs. And, of course, these are the men

and women with no health insurance, no pension plans and few other benefits.

These are also the hard-working men and women who must set aside their dignity to sign up for welfare and food stamps and those other helpful — but personally demeaning — programs.

(Yet, somehow, these households that earn less than \$10,000 a year give to charity a greater percentage of their income than do families in any other bracket. They give twice as much, as a percentage, as do those making \$75,000 to \$100,000, and half again as much as those families with incomes over \$100,000. There must be a lesson there somewhere.)

Wouldn't it be better if these men and women made a bit more at work so they could take a bit less from the government?

Wouldn't that help the country in a number of ways?

Wouldn't it reduce the welfare load, which the Republicans want? Wouldn't it add to the dignity of the human being and thus reinforce family values, which the Republicans want?

Wouldn't it force up the wages of those in the rungs next up on the wage ladder? And wouldn't that be a good thing?

Stagnant wages are, after all, one of the real problems in this country. Income today in a one-wage-earner family is actually lower, in constant dollars, than it was in 1970. Men's income has declined, and women's income has declined. The only reason family income as a whole is up is because in more and more families wives have been forced to go to work.

The middle class is, in fact, disappearing. In the past 20 years, the percentage of Americans — king \$15,000

Changes in minimum wage

The Clinton administration is actively considering proposing an increase in the minimum wage to about \$5.25 an hour. Republicans say they are opposed. How the minimum wage has grown over the years:



Source: U.S. Labor Department

By Marcia Stalmer, USA TODAY

to \$50,000 — those are in constant, 1992 dollars — has declined markedly. The number making over \$50,000 has jumped, and the number making under \$15,000 has risen.

Yet the Republicans — with every fiber in their beings — are against raising the minimum wage.

This is somewhere between dumb and short-sighted from an economic standpoint, and it's somewhere between crass and racist from a social standpoint.

Economically, an increase of \$1 in the minimum — the amount the Clinton administration reportedly is considering — would simply raise the minimum annual salary to \$10,920 — still well below the poverty level for a family of four. And if every single one of the 4,186,000 Americans making the minimum wage or less got that \$1 increase, it would raise the nation's total wage bill by less than one-third of 1%.

Socially, an increase might help level out some injustices. The people most hurt by the low minimum are Hispanics and blacks. Fully 9% of hourly paid Hispanic workers make the minimum or less; for blacks, the figure is 7.1%; for whites 6.5%. Today in America, 31% of blacks live below the poverty level; for Hispanics, the number is 26.7%; for whites 10.3%.

Yet Congressman Arney — whose own hourly wage would be \$71.34 for a 40-hour week — will fight this raise with every fiber of his being.

So there's probably not much hope for those millions earning the minimum — unless this turns out to be a fiber-free Congress.

COUNTERPOINTS' four columnists provide views from diverse perspectives on today's issues. Wednesday: Linda Chavez on reforming the civil service. Thursday: Susan Estrich. Monday: Tony Snow. Tuesday: Michael Gartner.



COUNTERPOINTS
By Michael Gartner

Raise the minimum wage

MAKING WORK PAY -- EDITORIAL SUPPORT

Since January 1995

New York Times
USA Today
Philadelphia Daily News
St. Louis Post-Dispatch
Chicago Sun-Times
Lincoln Journal-Star
Buffalo News
San Francisco Chronicle

**The above list is provided for information only.

The New York Times
JAN 26, 1995

A Proposal Worth Fighting For

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

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

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

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

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

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

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

USA TODAY JAN 18 1995

Raise minimum wage, give workers a fair shake

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

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

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

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

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

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

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

But otherwise, GOP lawmakers should stop preaching tax breaks for the rich and

give some help to poor working stiff.

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

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

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

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

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

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

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

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

Philadelphia Daily News

JANUARY 27, 1995

In Our Opinion

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

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

More than 4.2 million — two-thirds of them adults over 25, most of them women — are making \$4.25 an hour and taking home an annual \$8,940, according to the U.S. Labor Department's Bureau of Labor Statistics.

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

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

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

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

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

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

The study compared fast-food restaurants in New Jersey and Pennsylvania in 1992, when New Jersey raised its

minimum wage to \$5.05 while Pennsylvania's stayed at \$4.25.

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

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

Economist Laura D'Andrea Tyson, head of the president's Council of Economic Advisers, said in a meeting with the Daily News editorial board this week that an increase in minimum

wages probably won't push up wages in general, because the minimum wage worker is so far behind the rest of the work force that a push upward on the average is near-impossible.

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

Congress should move on the issue pronto. ■

St. Louis Post-Dispatch
JANUARY 13, 1995

EDITORIALS

Making Work Pay

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

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

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

workers a decent income.

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

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

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

JANUARY 25, 1995

CHICAGO SUN-TIMES

EDITORIALS

Push Now for Hike In Minimum Wage

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

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

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

The culprit is inflation, which chewed away at earning power while the minimum wage was stuck at \$4.35 an hour from 1981 to 1990. Clinton's proposed two-step increase of 50 cents this year and 25 cents next year, though controversial, would still keep the minimum wage below inflation.

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

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

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

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

JANUARY 15, 1995

Lincoln Journal-Star

EDITORIALS

Opinions of the Journal-Star

Minimum wage: Time to move it up

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

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

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

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

But it has been four years since the last increase. The level is falling further and further behind the

intended benchmark of 50 percent of average hourly earnings that was in place when the minimum wage was established some 50 years ago.

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

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

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

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

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

BUFFALO NEWS
JANUARY 7, 1995

Let Washington cooperate in raising minimum wage

It rewards work over welfare in strong economy

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

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

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

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

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

White House is now freer to act

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

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

fare than by taking a low-paying job.

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

Higher wage sweetens work incentive

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

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

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

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

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

San Francisco Chronicle

THE VOICE OF THE WEST

JANUARY 30, 1994

EDITORIALS

Boost Minimum Wage To 'Make Work Pay'

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

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

It would be an important step toward fulfilling Clinton's pledge to "make work pay" — at least a livable income — and help make complete welfare dependency less attractive.

The traditional, knee-jerk assumption about the minimum wage — which still substitutes for reliable information among many Republicans and business-association lobbyists — is that every boost in the rate results in a loss of jobs, especially for teenage workers. That may once have been the case, but recent surveys from highly re-

garded economists have demonstrated convincingly that relatively small increases in the rate have almost no impact on the availability of low-paid jobs.

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

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

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

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

THE WHITE HOUSE
WASHINGTON

August 30, 1995

MEMORANDUM FOR ERSKINE BOWLES

AB MIKVA
LAURA TYSON
CAROL RASCO
ALICE RIVLIN
JACK QUINN
DOUG SOSNIK
PAT GRIFFIN
ALEXIS HERMAN
KITTY HIGGINS
TODD STERN
JACK LEW
STEVE KELMAN
MIKE SCHMIDT
DOROTHY ROBYN
ELGIE HOLSTEIN
KAREN HANCOX
SUSAN BROPHY
KATE CARR
STEVE SILVERMAN

Kamark

FROM: JENNIFER O'CONNOR *cmo*
SUBJECT: Minimum Wage Executive Order

Attached is a draft Executive Order, prepared by the Department of Labor, which would require federal contractors to pay the President's proposed new minimum wage of \$5.15 per hour. The package includes a description of the pros and cons, as well as backup material.

Please have the appropriate person on your staff review the draft Executive Order and contact me with comments by 5:00pm today (Wednesday, August 30). Comments can be faxed to me at 456-7929, e-mailed to me, or called in to me at 456-6350. My apologies for the rapid turn-around, but there is discussion of moving this very quickly.

MEMORANDUM

DATE: AUGUST 29, 1995

SUBJECT: MINIMUM WAGE EXECUTIVE ORDERS

Summary

As requested, we have prepared a draft executive order that would prohibit government agencies from doing business with federal contractors that pay below \$5.15 per hour.

Attached to this memorandum are: (1) the draft executive order relating to federal contractors and the minimum wage; (2) the press packet released by the White House on February 3, 1995 accompanying your legislative proposal to increase the minimum wage; (3) an excerpt on the minimum wage from your May 19, 1995 speech for the 75th Anniversary celebration of the Labor Department's Women's Bureau; and (4) a legislative background brief describing how members of Congress voted when the minimum wage was last increased in 1989.

Message

* The nation's leading economic problems are stagnant wages and declining real incomes for working families.

* The federal government should not contribute to the wage and income problems facing working families.

* The President has presented Congress with a legislative proposal to increase the minimum wage 90 cents from its current \$4.25 per hour. This initiative would assure that people who work hard and play by the rules receive a living wage of \$5.15 per hour. Congress has refused to act.

* If Congress won't act, President Clinton will. The President will use his executive authority to guarantee a living wage --- \$5.15 per hour --- for everyone working in firms that do business with the federal government.

* At a minimum, the federal government should not do business with corporations that pay workers less than a living wage.

Discussion

I. Increasing the Minimum Wage for Employees of Federal Contractors

A. How the Executive Order Would Work

This draft executive order would establish that "[i]t is the policy of the executive branch in procuring goods and services that . . . federal agencies shall contract with companies that pay their employees no less than \$5.15 an hour." This policy would be enforced in two ways. First, every government contract entered into after the effective date of the executive order (the date you sign it) would include a clause in which the contractor agrees to pay a minimum wage of \$5.15 per hour. Second, any contractor that pays below \$5.15 could have all of its government contracts terminated. The executive order does not provide for any exceptions.

The Secretary of Labor would enforce and administer the order. If the Secretary finds that a contractor is not paying a minimum wage of \$5.15, he would transmit a finding to the heads of contracting agencies or departments who, in turn, must terminate all contracts with the contractor unless the contractor pays all of its employees at least \$5.15 per hour within a time specified by the Secretary.

Like the "striker replacement" executive order, this draft order is premised on the authority delegated to the President by Congress in the Federal Property and Administrative Services Act of 1949 "to provide for the Government an economical and efficient system for . . . procurement and supply." Some economic theories suggest that increasing the wages of low-wage workers will result in an increase in those workers' productivity and, in turn, to increases in efficiency that will offset the cost to federal contractors of the higher wages. Thus, the federal government would, according to these theories, procure its goods and services from more efficient, more economical federal contractors.

B. Possible Variations in this Executive Order

(1) Use CEO Pay as a Trigger: The executive order could be made to apply only to federal contractors that pay their chief executive officer (or other top executive) more than 100 times the lowest wage paid to their employees. This approach would dramatize the growing wage disparity in our economy. On the other hand, it undermines the central moral argument which supports raising the minimum wage: every worker is entitled to a living wage, regardless of who employs them or how much others in their organization earn. Further, using a CEO pay trigger may weaken the nexus to economical and efficient procurement, the legal prerequisite for presidential action of this type.

(2) Use Profits as a Trigger: The executive order could also be made to apply only to federal contractors that earn above average profits. This approach would juxtapose the huge economic returns being yielded by capital (e.g., the soaring stock market) with the decline in

middle and working class family incomes. On the other hand, it suffers from both of the infirmities outlined above (i.e., undermining the moral argument and attenuating the procurement nexus), plus it would require an administrative apparatus to decipher each contractors' profits.

C. Arguments For and Against the Executive Order

(1) Pro: This draft executive order will demonstrate your commitment to increasing working families' wages (particularly for the lowest wage workers) and distinguish you from a congressional majority that refuses to even consider your legislative proposal to increase the minimum wage. The minimum wage has fallen 27% in real terms since 1979 and, without adjustment, will fall to its lowest real value in forty years in 1996. It is arguable that the growing disparity in family incomes and wealth is the most pressing issue for middle and working class families. This executive order would make your moral position clear --- you will not allow the federal government to do business with any company that contributes to declining real wages for low-wage workers.

(2) Con: This executive order is premised entirely on economic theory, much of which will be difficult to explain in simple terms to the public, that is outside the mainstream of scholarly economic thought; accordingly, it is unclear whether reliable third parties will validate the arguments set forth in the preamble. Further, it is unclear whether theory alone is adequate to support an executive order. Even accepting the theories as true, it is also unclear whether the nexus between a minimum wage increase and efficient and economical procurement is sufficiently close to pass judicial scrutiny.

Preliminary research has not disclosed any executive order, outside the context of President Roosevelt's extraordinary powers during World War II, that directly sets wages for employees of federal contractors; that is, this executive order could be unprecedented. The closest analogy may be President Carter's Executive Order No. 12092 which required federal contractors to certify that they were in compliance with voluntary wage and price guidelines established by the President's Council on Wage and Price Stability. Finally, this executive order could lend support to attacks that President Clinton and the Democrats want big government. A slippery slope argument is easily made: "If Bill Clinton can require federal contractors to pay a higher minimum wage, is he going to require a pay increase for all workers? Will he require all federal contractors to follow his health plan? To finance abortions through their health plans?"

(3) Likely Constituency Responses: The labor movement and other advocates for low-wage workers will likely support the executive order. Federal contractor groups and representatives of the business community (e.g., the Chamber of Commerce, the National Association of Manufacturers), as well as the Republican congressional majority, will oppose the executive order. Since a substantially larger group of federal contractors will be affected, it is reasonable to expect a much more vigorous negative response from the business community than the striker replacement executive order evoked. Litigation and congressional

action (e.g., efforts to overturn the executive order, appropriations riders blocking enforcement of the order) will likely result.

D. The EO's Costs Are Difficult to Estimate

A very rough estimate of the costs of the executive order suggests that it will cost federal contractors not more than \$2.1 billion per year. Please note, however, that the data needed to make a precise estimate of the cost of the minimum wage executive order are not available. Estimates of worker wages and the number of workers involved do, however, permit this crude projection.

The assumptions employed to reach the above estimate likely bias the estimate upward. First, many federal contractors (e.g., construction, service) are required to pay a prevailing wage above the minimum wage by the Davis-Bacon Act and the Service Contract Act. Second, federal contractors' firms tend to be larger and, as a result, may have a smaller percentage of minimum wage workers than firms in the economy as a whole. Accordingly, the total number of workers affected by the executive order is probably smaller than that assumed in the calculations to reach the above estimate. Certain structural changes to the executive order (e.g., adding a threshold, narrowing the definition of "federal contractor") would further reduce the number of workers covered and the commensurate costs.

On the other hand, this estimate does not take into account any "ripple" effect that minimum wage increase might have on the wages of workers that currently earn \$5.15 or slightly more. The ripple effect would tend to increase the costs of the executive order to federal contractors.

II. Two Approaches to Announcing the Executive Order

Should you decide to proceed, you should consider two approaches to announcing the executive order.

You could announce the executive orders in a speech --- such as your forthcoming address to the Alameda Central Labor Council's Labor Day Picnic --- or radio address and then sign the order soon before, the same day, or soon thereafter. This approach gives the White House control over timing and press arrangements. It also provides an opportunity to brief potential supporters without tipping off opponents. On the other hand, it could inspire congressional retaliation in the appropriations/reconciliation/debt ceiling process.

Or, you could announce in a speech or radio address that you are giving Congress a 90-day (or until Christmas or New Year's Eve) deadline before which it must enact your proposed 90-cent increase in the statutory minimum wage. If it does not act by the time the deadline is reached, you would issue the executive order. This approach puts the onus

squarely on Congress' shoulders. It also allows you to wield all of your available authority to keep the minimum wage from falling to its lowest real value in 40 years (which it will in 1996 if there is no adjustment). On the other hand, this approach allows opponents time to organize and, possibly, to seek judicial intervention. It also offers words when bold action might send a stronger and clearer message.

Attachments

DRAFT 4
August 25, 1995

ENSURING THE ECONOMICAL AND EFFICIENT ADMINISTRATION AND
COMPLETION OF FEDERAL GOVERNMENT CONTRACTS

PREAMBLE

Some economic theories suggest that requiring federal contractors to pay a higher minimum wage will lead to increases in efficiency that will offset the cost to federal contractors of the higher wage. The minimum wage has fallen 27% in real terms since 1979 and, without adjustment, will fall to its lowest real value in forty years at the end of 1996. Meanwhile, labor productivity has increased 17% since 1979.

These theories suggest that the productivity of low-wage workers is depressed when the minimum wage falls significantly in real terms. These conditions can lead to greater levels of "shirking" (i.e., reduced efforts by workers), higher turnover, lower morale, and longer periods in which needed jobs remain unfilled. Raising the minimum wage may lead to efficiency gains among federal contractors that employ low-wage workers by reducing shirking, lowering turnover, increasing morale, and reducing the periods of time during which needed jobs remain unfilled. In sum, productivity is lower when workers are paid an obsolete minimum wage and, as a result, the federal government receives lower quality, less reliable, and less timely goods for each taxpayer dollar. By paying a higher wage to low-wage workers, federal contractors will increase worker productivity. The federal government will procure its goods and services from more efficient, more economical federal contractors.

The market may not address this problem on its own. The problems of turnover, shirking, low morale, and extended job-slot vacancies likely result from a minimum wage which is too low to attract new workers and retain incumbent workers. However, employers cannot lure a new worker into a particular job with a higher wage without giving everyone else in that job a pay increase. Thus, in the absence of a requirement that they pay a higher wage, employers choose lower levels of employment and output rather than increasing the wages paid to all of their low-wage workers.

NOW, THEREFORE, to ensure the economical and efficient administration and completion of Federal Government contracts, and by the authority invested in me as President by the Constitution and the laws of the United States of America, including 40 U.S.C. 471 and 486(a) and 3 U.S.C. 301, it is hereby ordered as follows:

Section 1: It is the policy of the executive branch in procuring

goods and services that, to ensure the economical and efficient administration and completion of Federal Government contracts, Federal agencies shall contract only with companies that pay their employees no less than \$5.15 per hour of work. All Government contracting agencies shall include in every Government contract hereafter entered into the following provision:

"During the course of the contract the contractor agrees that all employees of the contractor will be paid no less than \$5.15 an hour."

Sec. 2.(a) The Secretary of Labor ("Secretary") may investigate any Federal contractor to determine whether the contractor is paying any of its employees less than \$5.15 per hour of work.

(b) The Secretary shall receive and may investigate complaints that the contractor is paying any employee less than \$5.15 per hour of work.

(c) The Secretary may hold such hearings, public or private, as he or she deems advisable, to determine whether any contractor is paying any employee less than \$5.15 per hour of work.

Sec. 3. (a) When the Secretary determines that a contractor has paid any employee less than \$5.15 per hour of work, the Secretary may make a finding that it is appropriate to terminate the contract for convenience. The Secretary shall transmit the finding to the head of any department or agency that contracts with the contractor. All Government contracts with the contractor shall be immediately terminated unless the contractor commences within a time specified by the Secretary to pay all of its employees no less than \$5.15 per hour of work.

(b) Each contracting agency shall cooperate with he Secretary and provide such information and assistance as the Secretary may require in the performance of the Secretary's functions under this order.

Sec. 4.(a) The Secretary shall be responsible for the administration and enforcement of this order. The Secretary may adopt such rules and regulations and issue such orders as may be deemed necessary and appropriate to achieve the purposes of this order.

(b) The Secretary may delegate any function or duty of the Secretary under this order to any officer in the Department of Labor or to any other officer in the executive branch of the Government, with the consent of the head of the department or agency in which that officer serves.

Sec. 5. This order is not intended, and should not be construed, to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its

agencies, its officers, or its employees. The order is not intended, however, to preclude judicial review of final agency decisions in accordance with the Administrative Procedure Act, 5 U.S.C. 701 et seq.

Sec. 6. This order is effective immediately.

THE WHITE HOUSE

PRESIDENT CLINTON ANNOUNCES INCREASE IN MINIMUM WAGE

Friday, February 3, 1995

To reward work in an economy that in 1994 saw the best job growth in a decade, President Clinton will today announce his proposal to raise the minimum wage to \$5.15 an hour over two years -- through two 45 cent increases.

This news comes in the midst of more good news today for the economy under the Clinton administration. This morning, the Department of Labor reported that more than 6 million jobs have been created since President Clinton took office. In addition, the unemployment rate has dropped 20 percent to date under President Clinton.

A fact sheet and charts on the President's minimum wage proposal are attached.

House Minority Leader Richard Gephardt (D-MO) will open the announcement in the Rose Garden today, followed by Senate Minority Leader Tom Daschle (D-SD). The Vice President will then speak and introduce the President for his remarks.

-30-30-30-

REWARDING WORK: THE CASE FOR INCREASING THE MINIMUM WAGE

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

MAINTAINING THE HISTORIC VALUE OF WORK: If the minimum wage were to stay at its current level of \$4.25, it would fall to its lowest real level in 40 years. Indeed, the real value of the minimum wage is now 27% lower than it was in 1979, and has fallen 54 cents in real value since its last increase in April 1991. The first half of the President's 90 cent proposal simply restores the minimum wage to its value at the time of the last increase.

RAISING THE MINIMUM WAGE PRIMARILY HELPS ADULT WORKERS -- MOST OF WHOM RELY ON THEIR MINIMUM WAGE JOB TO SUPPORT THEIR HOUSEHOLDS: Nearly two-thirds of minimum wage workers are adults (64%); over one-third of minimum wage workers (39%) are the sole breadwinners in their families; and the average minimum wage worker brings home half of his or her family's earnings. Thus, a rise in the minimum wage is a significant boost to the standard of living of millions of households.

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

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

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

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

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

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

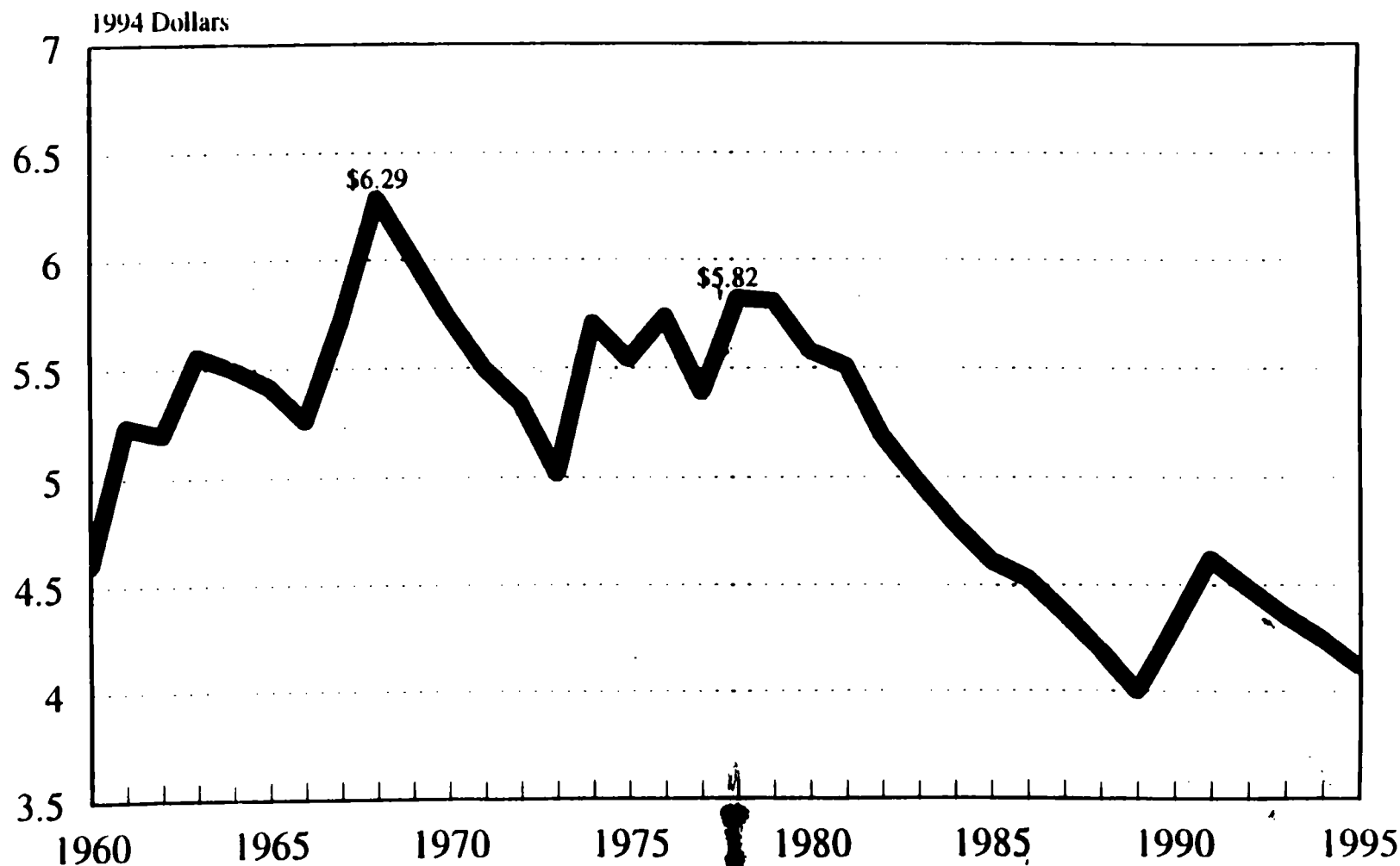
<u>Year</u>	<u>Value of the Minimum Wage, Nominal Dollars</u>	<u>Value of the Minimum Wage, 1995 Dollars*</u>	<u>Minimum Wage as a Percent of the Average Private Nonsupervisory Wage</u>
1955	\$0.75	\$3.94	43.9%
1956	1.00	5.16	55.6
1957	1.00	5.01	52.9
1958	1.00	4.87	51.3
1959	1.00	4.84	49.5
1960	1.00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

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

Source: Center on Budget and Policy Priorities

The Real Minimum Wage

1960-1995



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

THE WHITE HOUSE
Office of the Press Secretary

For Immediate Release

May 19, 1995

REMARKS BY THE PRESIDENT
AT WOMEN'S BUREAU RECEPTION

The South Lawn

5:38 P.M. EDT

THE PRESIDENT: Thank you very much.

Sitting here listening to my marvelous wife speak, I was thinking, you know, I've been seeing her lately long distance, on Oprah Winfrey and on the -- (laughter) -- Morning Show this morning. And I thought, boy, I'm glad she lives here. (Laughter and applause.)

I want to thank Secretary Reich and the Women's Bureau Director, Karen Nussbaum. She has done a wonderful job. I am very grateful to her and to him. (Applause.)

. . . . But I think it's important that we recognize that women in the workplace are caught in a lot of cross-currents today, because all American workers, or at least more than half of us, are working longer hours for the same or lower pay that we were making 10 years ago. And therefore, more and more parents are working harder for the same or less and spending less time with their children. Women feel this pressure very deeply insofar as they have either sole, primary or even just half of the responsibility for taking care of their children as well as earning a living. Because male workers over the age of 45, on average, have lost 14 percent of their earning power in the last 10 years, women in the work force and in the home feel the anxiety of their husband's sense of loss and insecurity and frustration and anger.

What is causing all this and what are we to do about it? Well, what is causing it all is the impact of the global economy and the dramatic revolution in technology on our society -- opening up all kinds of new changes in ways that are perfectly wonderful if you can access them, but terrifying if you cannot.

For example -- we don't have the figures yet on '94, but I think '94 will confirm '93's trend -- in 1993 we had the

largest number of new businesses started in America in any year in history, and the largest number of new millionaires in America in any year in history. And that is a good thing. That is a good thing. And that is happening because so many of us are now able to access the world of the future. Many of you in this room are part of the trend toward a brighter, bigger, broader tomorrow.

But there is also a fault line in our society that is splitting the middle class apart, putting unbearable pressures on families, making them less secure and making them less able to live up to the fullest of their abilities. You know it, and I know it.

That's why the Family and Medical Leave Law was important. If people are going to be working for smaller companies, not bigger ones, and moving around, at least they ought to know they can take some time off without losing a job if there's someone sick in their family or if a baby is born or some other emergency arises. (Applause.) That's why it was important. (Applause.)

That's why the efforts of the Secretary of Labor and the Secretary of Education to create a fabric, a seamless fabric of lifelong learning -- whenever people lose their jobs or feel that they're underemployed -- it's terribly important. (Applause.)

And that's why I believe it is especially important to women that we raise the minimum wage this year. (Applause.) Women represent three out of five minimum wage workers, but only half the work force.

I have done everything I could to create a climate in which people are encouraged to choose work over welfare, in which people are encouraged to be successful parents and successful workers. I believe that. That's what the Earned Income Tax Credit was all about in 1993. (Applause.)

Let me tell you what that meant -- that meant this year that the average family of four with an income under \$27,000 got a \$1,000 tax cut below what they paid before this administration came into office. And it means three years from now, if the Congress will stick with it and not repeal it, we will be able to say that no one who works full-time and has children at home, when they go home from work, will live below the poverty line. That is the best war against welfare we could wage. (Applause.)

But it isn't enough. If we do not raise the minimum wage this year, next year it will be in real dollar terms, the lowest it has been in 40 years. Now that is not my idea of what the 21st century American economy is all about. I want a smart work, high-wage economy, not a hard-work, low-wage economy. And

the working women of America and their children and their husbands deserve it as well. (Applause.)

You know, I have a -- I don't get to watch a lot of kind of extra television, but the other night, just by accident, I was watching a news program where a special was being done on the minimum wage. And -- I don't even know if it was a national program or one of the state networks around here, but they went down south to a town that had a lot of minimum wage workers. And they went in this plant to interview a remarkable woman who worked in this plant at a minimum wage. And they said to this lady: You know, your employer says if we raise the minimum wage that they'll either have to lay people off or put more money into machinery and reduce their employment long-term. What do you say to that? I could not have written the script. (Laughter.) This lady sort of threw her shoulders back and looked into the eyes of the television reporter and said: Honey, I'll take my chances. (Laughter and applause.)

If we are going to bring our budget deficit into balance, which will be good for all of us; if we're going to have to over a period of years cut back on expenditures that the government used to make, that makes it even more important for people who do go out into the private sector and work full-time, play by the rules, and want to make their own way without public assistance, to be rewarded for that work. This is a huge issue.
. . . .

. . . . I thank you all. Please stay around. Have a good time. We're delighted to see you. Good-bye. Thank you. (Applause.)

END 5:58 P.M. EDT

Legislative Background - Minimum Wage - 1989

* Last increase (from \$3.35/hour to \$3.80 on 4/1/90 and \$4.25/hour on 4/1/91) passed Congress in 1989 in a bi-partisan agreement following an earlier veto by **President Bush**:

- o Senate Vote: 89 - 8
 - o House Vote: 382- 37
- (see attached list of votes)

* **President Bush proposed** the increase to \$4.25 an hour and refused to accept any increase above that;

* **President Bush had vetoed** a Democratic attempt to raise minimum wage to \$4.55 over three years and Congress failed to override the veto - his first successful veto as President;

* **Cong. Goodling** (R-PA) was quoted at the time as stating that Republican lawmakers were "uneasy" about President Bush's position and "don't want to go to the wall a second time." Cong. Goodling introduced his own minimum wage bill that proposed a three year phase to \$4.25/hour, a training wage and expansion of the earned-income tax credit. He voted for **final passage** of the minimum wage increase;

* The **Labor Secretary** at the time was **Elizabeth Dole**;

* The Senate and the House were both controlled by Democrats;

* The bill signed by President Bush included a training wage for teenagers between 16 and 19;

* **Sen. Dole** (R-Kan) (voted for final passage)

"I think that many of us feel that this is not an issue where we ought to be standing and holding up anybody's getting a 30- to 40-cents-an-hour- increase, at the same time we are talking about capital gains. I never thought the Republican Party should stand for squeezing every last nickel from the minimum wage."

* The Senate tabled an amendment by Sen. Hatch that would have barred Congress from passing any legislation that would increase the costs of certain small business (the small business exemption from the minimum wage was increased to cover small businesses with sales of less than \$500,000 (from \$362,500) by the bill itself;

* The Senate tabled an amendment by Sen. Gramm (R-Tex) which would have removed the provision which prevented farmers from using the training wage for teenage farmworkers;

* Much of the current Senate and House Leadership voted for minimum wage increase in 1989 - including **Dole, Lott, Gramm, Gingrich and Kassebaum**. However, **Armey, Delay, Livingston** - **voted against** (see attached list);

* Key Senate Republicans supporters in 1989 (supported an attempt at a Dem. compromise)

Sen. Cohen (R-Maine)
Sen. Hatfield (R-Ore.)
Sen. Jeffords (R-Vermont)
Sen. Packwood (R-Ore.)
Sen. Pressler (R-SD)
Sen. Specter (R-Penn)

* Key Senate Republicans in Opposition:

Sen. Mack (R-Florida)
Sen. Nickles (R-OK)
Sen. Helms (R-NC)
Sen. Hatch (R-Utah)

* Governor Wilson voted for the minimum wage increase as a Senator in 1989.

* Senate Democrats of concern (voted against Dem. compromise at \$4.55 or cloture in 1989):

Sen. Hollings (D-SC)
Sen. Bennett Johnston (D-La)
Sen. Heflin (D-Al)
Sen. Exon (D - NE)

Sen. Campbell (D-Col) (voted to uphold Bush's veto in House)

Senators in the Democratic and Republican Leadership their votes
on H.R. 2710 final passage (minimum wage).

SENATE LEADERSHIP

YES

Democrats

Breaux -- Deputy Whip
Byrd -- Ranking on Appropriations
Daschle -- Minority Leader
Ford -- Minority Whip
Harkin -- Ranking on the Appropriations, Labor Subcommittee
Kennedy -- Ranking on the Labor Committee
Mikulski -- Secretary of the Democratic Party
Reid -- Co-Chair of the Democratic Polciy Committee

Republicans

Cochran -- Chair Republican Conference
Dole -- Majority Leader
D'Amato -- Campaign Committee Chair
Lott -- Majority Whip
Kassebaum -- Chairman of Labor Committee
Hatfield -- Chair of Appropriations Committee
Specter -- Chair of the Appropriations Labor Subcommittee

NO

Democrats

None

Republicans

Mack -- Policy Committee
Nickles -- Chair of the Republican Policy Committee

SENATE VOTES ON HR 2710 (Minimum wage -- Final Passage)
Members that are still in the Senate for the 104th Congress)

YES

Democrats

Biden
Bingamen
Bradley
Breaux
Bryan
Bumpers
Byrd
Conrad
Daschle
Dodd
Exon
Ford
Glenn
Graham
Harkin
Heflin
Hollings
Inouye
Johnston
Kennedy
Kerrey
Kerry
Kohl
Lautenberg
Leahy
Levin
Lieberman
Mikulski
Moynihan
Nunn
Pell
Pryor
Reid
Robb
Rockefeller
Sarbanes
Shelby
Simon

Additional Democratic Senator that did not vote or express a position
Baucus

SENATE VOTES ON HR 2710 (Minimum wage -- Final Passage)
Members that are still in the Senate for the 104th Congress)

YES

Republicans

Bond
Burns
Chafee
Coats
Cochran
Cohen
D'Amato
Dole
Domenici
Gorton
Gramm
Grassley
Hatfield
Jeffords
Kassebaum
Lott
Lugar
McCain
McConnell
Murkowski
Packwood
Pressler
Roth
Simpson
Specter
Stevens
Thurmond
Warner

SENATE VOTES ON HR 2710 (Minimum wage -- Final Passage)
Members that are still in the Senate for the 104th Congress)

NO

Democrats (0)

Republicans

Hatch

Helms

Mack

Nickles

HOUSE LEADERSHIP VOTES ON FINAL PASSAGE OF HR 2710

HOUSE

Democrats

YES

Gephardt
Bonior
Clay
Obey

NO

None

Repubilcans

YES

Gingrich
Goodling
Porter

NO

Armey
Delay
Livingston

HOUSE VOTES ON FINAL PASSAGE OF HR 2710 (MINIMUM WAGE) FOR
MEMBERS OF THE 104TH CONGRESS

YES

Democrats

A

Ackerman

B

Beilenson

Berman

Bevill

Bonior

Borski

Boucher

Browder

Brown, George

Bryant, John

Burton, Dan

C

Cardin

Chapman

Clay

Clement

Coleman

Collins, Cardiss

Condit

Costello

Coyne

D

Dellums

DeFazio

de la Garza

Dicks

Dingell

Dixon

Durbin

E

Engel

Evans

F

Fazio
Flake
Foglietta
Frank
Frost

G

Gejdenson
Gephardt
Geren
Gibbons
Gonzalez
Gordon

H

Hall, Ralph
Hall, Tony
Hamilton
Hayes
Hefner
Hoyer

J

Jacobs
Johnson, Tim
Johnston, Harry

K

Kanjorski
Kaptur
Kennedy, Joe
Kennelly
Kildee
Kleczka

L

LaFalce
Lantos
Laughlin
Levin
Lewis, John
Lipinski
Lowey

M

Manton
Markey
Martinez
Matsui
McDermott
McNulty
Mineta
Mfume
Mollohan
Montgomery
Murtha

N

Neal, Richard

O

Oberstar
Obey
Ortiz
Owens, Major

P

Pallone
Parker
Payne, Donald
Payne, Lewis
Pelosi
Pickett
Poshard

R

Rahall
Rangel
Richardson
Rose

S

Sabo
Sawyer
Schroeder
Schumer
Sisisky
Skaggs
Skelton
Slaughter
Spratt
Stark
Stenholm
Stokes
Studds

T

Tanner, John
Taylor, Gene
Tauzin
Torres
Torricelli
Towns
Traficant

V

Vento
Visclosky
Volkmer

W

Waxman
Williams, Pat
Wilson
Wise
Wyden

Y

Yates

Additional Democrats that did not vote yes or no

Did not vote or make a position known

Conyers
Moakley

Announced For

Ford, Harold

HOUSE MEMBERS THAT VOTED FOR FINAL PASSAGE OF HR 2710 (minimum wage) that are in the 104th Congress

YES

Republicans

B

Ballenger
Bateman
Bliley
Boehlert
Bereuter
Bilirakis

C

Coble
Clinger

D

Duncan

E

Emerson

F

Fields

G

Gekas
Gillmor
Gilman
Gingrich
Goodling
Gunderson

H

Hastert
Herger
Houghton
Hunter
Hyde

J

Johnson, Nancy

K

Kasich
Kolbe

L

Leach
Lewis, Jerry
Lightfoot

M

McCrery
McDade
Meyers, Jan
Moorhead
Morella
Myers, John

P

Packard
Petri
Porter

Q

Quillen

R

Regula
Roberts, Pat
Rogers
Ros-Lehtinen
Roth
Roukema

S

Saxton
Schaefer
Schiff
Sensenbrenner
Shaw
Shays
Shuster
Skeen
Smith, Christopher
Smith Lamar
Soloman
Spence
Stearns

T

Thomas, William

U

Upton

V

Vucanvoich

W

Walker

Walsh

Weldon, Curt

Wolf

Y

Young, Don

Young, C.W. "Bill"

Additional Republican members that did not vote yes or no

Did not vote or express an opinion

Molinari

HOUSE VOTES ON FINAL PASSAGE OF HR 2710 (MINIMUM WAGE) FOR ALL
MEMBERS OF THE 104TH CONGRESS

NO

Democrats

Miller, George (California)

Republicans

A

Archer

Armey

B

Baker, Richard

Barton

Bunning

Burton

C

Callahan

Crane

Combest

Cox

D

DeLay

Dornan

Drier

F

Fawell

G

Gallegly

Goss

H

Hansen
Hancock
Hefley
Hunter

L

Livingston

M

McCollum

R

Rohrabacher

O

Oxley

P

Paxon

S

Stump

MEMBERS OF THE SENATE THAT WERE IN THE HOUSE AND VOTED
ON FINAL PASSAGE OF HR 2710

YES -- Democrats

Boxer
Akaka

YES -- REPUBLICANS

Craig
Snowe
DeWine
Inhofe