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INCREASING THE MINIMUM WAGE: A RAISE FOR AMERICAN FAMILIES

September 1, 1997

ON SEPTEMBER 1, 1997, THE FEDERAL MINIMUM WAGE WILL INCREASE FROM $4.75 TO $5.15. President Clinton's fight for a 90-cents per hour minimum wage boost -- which included a first step-up from $4.25 to $4.75, effective October 1, 1996, in addition to this second step, effective Labor Day 1997 -- increases earnings for full-time minimum wage workers by $1,800. If the President had not acted, the minimum wage would have fallen to its lowest real level in 40 years.

ABOUT 10 MILLION WORKERS, ALMOST 10% OF ALL WORKERS, WILL BENEFIT FROM THE INCREASE IN THE MINIMUM WAGE -- including those who were helped by the first step-up.

- *71% of these workers are adults* (age 20 and over), according to the Bureau of Labor Statistics.

- Almost half of these workers (46%) work full-time, and another 33% work between 20 and 34 hours per week.

- Two out of every five (38%) of these workers are the sole wage earners in their households; the average minimum wage worker brings home half of the family's earnings.

- Over one million families with children are dependent on the earnings of a minimum wage worker (i.e., a minimum wage worker accounts for 50% or more of the family's total weekly earnings).

- Nearly three-fifths (58%) of the workers directly affected by the minimum wage increase are women. 16%, almost 1.6 million, are African American, and over 17% are of Hispanic origin.

THE MINIMUM WAGE INCREASE HAS HELPED TO LIFT EARNINGS AT THE BOTTOM OF THE INCOME DISTRIBUTION. According to data from the Bureau of Labor Statistics, real earnings at the 10th decile of the earnings distribution rose almost 1 percent between the first quarter of 1996 and the first quarter of 1997 -- faster than the growth in real median earnings. Many experts attribute the relative increase to the effects of the higher minimum wage.

DESPITE THE CLAIMS OF SOME CRITICS, THE EVIDENCE SUGGESTS THAT THE INCREASE IN THE MINIMUM WAGE HAS NOT HAD AN ADVERSE EFFECT ON EMPLOYMENT. Indeed, the unemployment rate stands at 4.8%, as low as it's been in 24 years.

- According to a recent report by the Economic Policy Institute, the evidence shows that the minimum wage hike has increased wages for the lowest paid Americans without sacrificing jobs.

- Nearly two dozen empirical studies have found that moderate increases in the minimum wage do not have a significant effect on employment.

- In 1995, 101 economists, including three Nobel prize-winners, signed a letter concluding that the minimum wage increase's "overall effects on the labor market, affected workers, and the economy would be positive." The evidence suggests they were right.

THE ECONOMY UNDER PRESIDENT CLINTON: MORE MONEY IN WORKING FAMILIES' POCKETS

In the 15 years before President Clinton took office, America's families worked harder just to stay afloat. Since 1992, however, these families have seen their economic well-being improve as the economy strengthened and President Clinton ensured that government worked better for America's working families. Across the income spectrum, families are better off -- they have more money in their pockets and they are more confident about their future than any other time in the last two decades.

- **Minimum Wage Hike Increases Pay By $1,800 for Full-Time Worker.** On September 1, 1997, the minimum wage increases to $5.15 per hour for nearly 10 million workers. For someone working at the previous minimum wage, $4.25 per hour, that's a raise of 90-cents per hour -- or $1,800 per year for a full-time worker.

- **Family Incomes Up $1,600.** According to the Bureau of the Census, real median family income in 1995 was $1,600 higher than it was two years earlier. [Source: Bureau of the Census]

- **Expanded EITC Puts Money Back in Working Families' Pockets.** The President fought for a substantial expansion in the Earned Income Tax Credit in 1993 -- the average family with two kids who received the EITC got a tax cut of $1,026. [Source: Department of Treasury]

- **$500 Child Tax Credit For 27 Million Families with 45 Million Children Under Age 17.** The balanced budget legislation that the President negotiated with the Congress includes a $500 per-child tax credit for children under age 17. Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. [Source: Department of the Treasury]

- **Education Tax Breaks.** The balanced budget deal also includes a $1,500 Hope Scholarship to make the first two years of college universally available, and a 20-percent tuition tax credit for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning. For a student attending the average 4-year college, these education tax incentives will provide tax savings of up to $5,000. [Source: Department of the Treasury]

- **Nearly 13 Million New Jobs in 4½ Years.** Since President Clinton took office, 12.9 million new jobs have been created -- over two-thirds in job categories paying above the median wage. The unemployment rate has fallen from 7.5 percent in 1992 to 4.8 percent today -- that's as low as it's been in 24 years. [Source: BLS]

- **Lower Mortgage Rates Saving Families Thousands.** According to the *New York Times* and *Money*, lower interest rates as a result of the President's 1993 Economic Plan saved 10 million families who refinanced their home mortgage between $1,000 and $2,000 per year.

- **Capital Gains Tax Cut for Homeowners.** The Balanced Budget Act eliminates capital gains taxes for up to $500,000 in gains from selling a home. This exclusion replaces the one-time $125,000 exclusion previously available for taxpayers over age 55. [Source: Department of the Treasury]

- **Closing Costs Reduced By $1,200 For First-Time Homebuyers.** President Clinton has reduced closing costs for FHA loans three times -- these reductions, along with savings passed on to homebuyers from increased efficiency in the FHA, will save homebuyers $1,200 in closing costs on the average FHA mortgage of $85,000. [Source: HUD]

Family #1 -- The Smith Family
SINGLE MOTHER WITH TWO KIDS EARNING THE MINIMUM WAGE

WHY THE SMITH FAMILY IS BETTER OFF

I.	MINIMUM WAGE INCREASE	$1,800
II.	EXPANDED EARNED INCOME TAX CREDIT	$1,294

AMOUNT BETTER OFF: $3,094

Explanation: Since Ms. Smith works full-time, year-round at the minimum wage, the increased minimum wage the President fought for will raise her earnings by $1,800 per year (90 cents per hour times 2,000 hours per year). If President Clinton had not expanded the Earned Income Tax Credit (EITC), the Smith family would have received an EITC of $2,106. Under the new law, the family will receive an EITC of $3,400 -- that's an increase of $1,294 per year.

Family #2 -- The Jones Family
FAMILY EARNING $65,000 WITH ONE 13-YEAR OLD SON AND ONE 18-YEAR OLD DAUGHTER IN COLLEGE

WHY THE JONES FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,527
II.	REFINANCED THEIR HOME AT LOWER RATES	$1,668
III.	CHILD TAX CREDIT	$500
IV.	EDUCATION TAX CREDIT	$1,500

AMOUNT BETTER OFF: $5,195

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Jones family increased from $63,597 to $65,124 in 1995, adjusted for inflation. Experts -- including Alan Greenspan -- agree that President Clinton's 1993 Economic Plan helped lower interest rates. As the *New York Times* wrote: "In 1993 alone, six million homeowners, most of them solidly middle class, refinanced their mortgages because of the lower rates. Most of these families locked in rates two percentage points or so lower than their previous mortgages. On a standard 30-year fixed mortgage of $100,000, for example, the monthly savings was $139 a month, or $1,668 a year." [August 3, 1996] The balanced budget deal also helps the Jones family by providing a $500 child tax credit for their 13-year old son and $1,500 HOPE scholarship tax credit for their 18-year old daughter in college.

Family #3 -- The Johnson Family
FAMILY WITH 16-YEAR OLD AND 8-YEAR OLD SONS AND 12-YEAR OLD DAUGHTER AND INCOME OF $42,000

WHY THE JOHNSON FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,088
II.	CHILD TAX CREDIT	$1,500

AMOUNT BETTER OFF: $2,588

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Johnson family increased from $40,914 to $42,002 in 1995, adjusted for inflation. The balanced budget deal also helps the Jones family by providing a $500 child tax credit for each of their three children -- a tax benefit of $1,500 per year.

Family #4 -- The Green Family
FAMILY WITH TYPICAL INCOME, $100,000 MORTGAGE, AND A DAUGHTER WHO IS A JUNIOR IN COLLEGE

WHY THE GREEN FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,631
II.	REFINANCED THEIR HOME AT LOWER RATES	$1,668
III.	EDUCATION TAX CREDIT	$1,000

AMOUNT BETTER OFF: $4,299

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Green family increased from $38,980 to $40,611 in 1995, adjusted for inflation. Experts -- including Alan Greenspan -- agree that President Clinton's 1993 Economic Plan helped lower interest rates. As the *New York Times* wrote: "In 1993 alone, six million homeowners, most of them solidly middle class, refinanced their mortgages because of the lower rates. Most of these families locked in rates two percentage points or so lower than their previous mortgages. On a standard 30-year fixed mortgage of $100,000, for example, the monthly savings was $139 a month, or $1,668 a year." [August 3, 1996] The balanced budget deal also helps the Green family by providing a 20 percent tax credit on the first $5,000 of their daughter's college tuition.

Family #5 -- The Brown Family
YOUNG COUPLE EARNING $40,600 WITH INFANT CHILD, AND ARE FIRST-TIME HOMEBUYERS

WHY THE BROWN FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,631
II.	CHILD TAX CREDIT	$500
III.	REDUCED FHA CLOSING COSTS FOR FIRST-TIME HOMEBUYERS	$1,200
	AMOUNT BETTER OFF:	**$3,331**

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Brown family increased from $38,980 to $40,611 in 1995, adjusted for inflation. The balanced budget deal also helps the Brown family by providing a $500 child tax credit for their infant child. On an average FHA mortgage of $85,000, President Clinton has reduced closing costs three times. The three reductions -- along with savings passed on to homebuyers because of increased efficiency in the FHA -- save homebuyers $1,200.

PRESIDENT CLINTON IS HELPING EVERY AMERICAN MEET THE CHALLENGE OF RAISING A FAMILY

August 7, 1996

Raising the minimum wage and providing retirement security. Today President Clinton signed into law a 90 cent increase in the minimum wage, helping thousands of families who work hard and play by the rules. The bill will also help provide retirement security for Americans who have earned pensions and want to keep them as they move.

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

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

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

  * 69% of those workers who would benefit from an increase are adults, age 20 or over;
  * Three-fifths (59%) are women, many of whom are trying to raise the family on $4.25; and
  * The average minimum wage worker brings home half of their family's earnings.

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

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

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

- More -

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

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

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

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

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

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

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

PRESIDENT WILLIAM J. CLINTON
STATEMENT ON THE MINIMUM WAGE
MAY 22, 1996

An increase in the minimum wage would honor our values: work, family, responsibility, and opportunity. You cannot raise a family on $4.25 an hour. Over the years, both parties have worked together to ensure that the minimum wage keeps up with the cost of living. To continue that commitment to working families, I have challenged Congress to raise the minimum wage by 90 cents. It is clear that a bipartisan majority of the House of Representatives stands ready to pass this increase.

But the House leadership is today proposing a giant fraud on the American people. Their legislation will eliminate the minimum wage, as well as child labor protections, for all workers hired by fully two-thirds of American businesses.

I hope Senator Dole will join me in opposing this extreme measure. We must not tolerate sweatshops for children, and a repeal of wage protections for millions of adults, as a condition of assuring a living wage for some workers.

Let me be clear: Eliminating the minimum wage is no way to raise it. If Congress sends me a bill to eliminate the minimum wage and child labor protections for millions of workers, I will veto it. Speaker Gingrich and Majority Leader Dole should allow an honest up-or-down vote on the minimum wage.

INCREASING THE MINIMUM WAGE:
A RAISE FOR AMERICAN FAMILIES
September 1, 1997

On September 1, 1997, the Federal minimum wage will increase from $4.75 to $5.15. President Clinton's fight for the minimum wage boost -- which includes the first stage of the increase, effective October 1, 1996, in addition to the second step, effective Labor Day 1997 -- increased earnings for full-time minimum wage workers by $1,800. If the President had not acted, the minimum wage would have fallen to its lowest real level in 40 years.

Don't say

About 10 million workers, almost 10% of all workers, will benefit from the increase in the minimum wage -- including those who were helped by the first stage. According to analysis of data from the Bureau of Labor Statistics, 71% of these workers are adults (age 20 and over). Almost half (46%) work full-time, and another 33% work between 20 and 34 hours per week.

- Two out of every five (38%) of these workers are the sole wage earners in their households; the average minimum wage worker brings home half of the family's earnings.

- Over one million families with children are dependent on the earnings of a minimum wage worker (i.e., a minimum wage worker accounts for 50% or more of the family's total weekly earnings).

- ~~700,000 poor families with children will benefit from the minimum wage increase.~~

- Nearly three-fifths (58%) of the workers directly affected by the minimum wage increase are women. 16%, almost 1.6 million, are African American, and over 17% are of Hispanic origin.

The minimum wage increase has helped to lift earnings at the bottom of the income distribution. As highlighted in a rec~~ent New York~~ *Times* article, the bottom end of the income distribution -- after being battered over the past 15 years -- has experienced relatively high wage increases over the past year. ~~According to data from~~ the BLS, real earnings at the 10th decile of the earnings distribution rose almost 1 percent between the first quarter of 1996 and the first quarter of 1997 -- faster than the growth in real median earnings. Many experts attribute the relative increase to the effects of the higher minimum wage. [Louis Uchitelle, "Raises Arrive At Bottom Rung Of Labor Force: For Now, Earnings Gap Has Stopped Widening," May 23, 1997, Section D; Page 1]

Check it? what do we say -- lowest 20% of 95, 05 49%

Despite the claims of some critics, the evidence suggests that the increase in the minimum wage has not had an adverse effect on employment. Indeed, the unemployment rate stands at 4.8%, as low as it's been in 24 years.

- According to a recent report by the Economic Policy Institute, the evidence shows that the minimum wage hike has increased wages for the lowest paid Americans without sacrificing jobs.

- Nearly two dozen empirical studies have found that moderate increases in the minimum wage do not have a significant effect on employment.

- In 1995, 101 economists, including three Nobel prize-winners, signed a letter concluding that the minimum wage increase's "overall effects on the labor market, affected workers, and the economy would be positive." The evidence suggests they were right.

The Economy Under President Clinton: More Money In Working Families' Pockets

In the 15 years before President Clinton took office, America's families worked harder just to stay afloat. Since 1992, however, these families have seen their economic well-being improve as the economy strengthened and President Clinton ensured that government worked better for America's working families. Across the income spectrum, families are better off -- they have more money in their pockets and they are more confident about their future than any other time in the last two decades.

The previous minimum wage

- **Minimum Wage Hike Increases Pay By $1,800 for Full-Time Worker.** On September 1, 1997, the minimum wage increases to $5.15 per hour for nearly 10 million workers. For someone working at $4.25 per hour, that's a raise of 90-cents per hour -- or $1,800 per year for a full-time worker.

- **Family Incomes Up $1,600.** According to the Bureau of the Census, real median family income in 1995 was $1,600 higher than it was two years earlier. [Source: Bureau of the Census]

- **Expanded EITC Puts Money Back in Working Families' Pockets.** The President fought for a substantial expansion in the Earned Income Tax Credit in 1993 -- the average family with two kids who received the EITC got a tax cut of $1,026. [Source: Department of Treasury]

- **$500 Child Tax Credit For 27 Million Families with 45 Million Children Under Age 17.** The balanced budget legislation that the President negotiated with the Congress includes a $500 per-child tax credit for children under age 17. Because of the President's efforts, 13 million children from families with incomes below $30,000 will receive the tax credit -- up to 7.5 million more than under the House plans. [Source: Department of the Treasury]

- **Education Tax Breaks.** The balanced budget deal also includes a $1,500 Hope Scholarship to make the first two years of college universally available, and a 20-percent tuition tax credit for college juniors, seniors, graduate students, and working Americans pursuing lifelong learning. For a student attending the average 4-year college, these education tax incentives will provide tax savings of up to $5,000. [Source: Department of the Treasury]

- **Nearly 13 Million New Jobs in 4½ Years.** Since President Clinton took office, 12.9 million new jobs have been created -- over two-thirds in job categories paying above the median wage. The unemployment rate has fallen from 7.5 percent in 1992 to 4.8 percent today -- that's as low as it's been in 24 years. [Source: BLS]

- **Lower Mortgage Rates Saving Families Thousands.** According to the *New York Times* and *Money*, lower interest rates as a result of the President's 1993 Economic Plan saved 10 million families who refinanced their home mortgage between $1,000 and $2,000 per year.

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1996-1997 MINIMUM WAGE INCREASE BENEFITS

State	Benefited from 1996 increase (thousands)	Benefit from 1997 increase (thousands)
Alabama	105	147
Alaska	7	2
Arizona	76	115
Arkansas	75	99
California	999	200 *
Colorado	37	38
Connecticut	18	41
Delaware	10	7
District of Columbia	5	104
Florida	214	342
Georgia	96	185
Hawaii	0	0
Idaho	22	37
Illinois	158	272
Indiana	105	117
Iowa	6	58
Kansas	65	76
Kentucky	91	69
Louisiana	142	167
Maine	18	26
Maryland	35	55
Massachusetts	91	0
Michigan	142	238
Minnesota	60	57
Mississippi	80	123
Missouri	111	104
Montana	19	30
Nebraska	29	48
Nevada	24	32

Jan 1 1997, M/W ↑ $4.75 to 5.25 (unless going up again on Sept. 1)

New Hampshire	12	13
New Jersey	0	24
New Mexico	35	48
New York	189	364
North Carolina	106	236
North Dakota	19	25
Ohio	192	249
Oklahoma	86	114
Oregon	107	0 *
Pennsylvania	193	257
Rhode Island	25	0
South Carolina	56	89
South Dakota	13	25
Tennessee	121	198
Texas	446	697
Utah	33	44
Vermont	0	2
Virginia	79	83
Washington	0	61
West Virginia	49	70 *
Wisconsin	88	91
Wyoming	12	16
National	4701	5225

* CA Future increase expected on 3/1/98
OR Future increase expected on 1/1/98
WV Future increase expected on 9/1/98

NB : 10-15% of the workforce in some states are not covered by the federal minimum wage.

MINIMUM WAGE INCREASE: Workers in the Affected Wages Ranges, by State

State	Full Sweep*		Second Step**	
	Share	Number in thousands	Share	Number in thousands
United States	8.9%	9,886	0.6%	6,784
Alabama	14.0%	246	8.9%	158
Alaska	3.6%	9	1.8%	4
Arizona	9.9%	180	6.1%	111
Arkansas	14.8%	155	9.1%	93
California	10.0%	1,230	6.9%	877
Colorado	6.1%	106	3.3%	56
Connecticut	4.6%	66	3.1%	46
Delaware	6.2%	20	5.2%	17
District of Columbia	5.5%	13	3.5%	8
Florida	10.1%	578	6.8%	394
Georgia	9.4%	295	6.0%	195
Hawaii	3.0%	14	1.2%	6
Idaho	10.7%	51	7.5%	39
Illinois	6.8%	354	5.9%	305
Indiana	9.3%	248	4.7%	126
Iowa	9.0%	117	6.1%	79
Kansas	11.8%	127	7.0%	77
Kentucky	10.4%	160	5.7%	89
Louisiana	15.3%	250	10.8%	181
Maine	7.9%	41	5.5%	30
Maryland	5.7%	134	3.3%	82
Massachusetts	5.0%	134	3.0%	82
Michigan	7.2%	289	5.2%	213
Minnesota	6.0%	128	4.2%	92
Mississippi	16.5%	177	11.6%	126
Missouri	8.1%	194	5.2%	124
Montana	11.9%	39	7.8%	26
Nebraska	8.8%	64	6.1%	45
Nevada	6.2%	44	4.3%	33
New Hampshire	5.1%	26	3.1%	17
New Jersey	4.6%	157	3.5%	128
New Mexico	12.3%	76	8.8%	57
New York	7.6%	542	6.1%	442
North Carolina	9.2%	297	5.7%	189

State	Full Sweep*		Second Step**	
	Share	Number in thousands	Share	Number in thousands
North Dakota	13.6%	36	9.1%	25
Ohio	8.7%	420	5.6%	270
Oklahoma	14.6%	189	8.5%	110
Oregon	7.3%	99	4.7%	64
Pennsylvania	8.9%	437	5.1%	256
Rhode Island	7.3%	31	3.7%	15
South Carolina	11.3%	176	6.6%	108
South Dakota	10.2%	31	6.5%	19
Tennessee	8.7%	196	7.4%	165
Texas	12.0%	953	8.9%	729
Utah	8.6%	72	5.3%	46
Vermont	7.0%	18	4.9%	12
Virginia	8.4%	250	4.2%	122
Washington	5.4%	126	4.9%	117
West Virginia	14.8%	100	9.9%	67
Wisconsin	6.6%	163	3.8%	94
Wyoming	12.5%	26	10.1%	21

* "Full Sweep" refers to workers earning between $4.25 and $5.14 in the year prior to the minimum-wage increase.

** "Second step" refers to the workers earning between $4.75 and $5.15 in the ten months following the first step of the increase.

Source: Economic Policy Institute analysis of CPS ORG data.

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Family #1 -- The Smith Family
SINGLE MOTHER WITH TWO KIDS EARNING THE MINIMUM WAGE

WHY THE SMITH FAMILY IS BETTER OFF

I.	MINIMUM WAGE INCREASE	$1,800
II.	EXPANDED EARNED INCOME TAX CREDIT	$1,294
	AMOUNT BETTER OFF:	**$3,094**

Explanation: Since Ms. Smith works full-time, year-round at the minimum wage, the increased minimum wage the President fought for will raise her earnings by $1,800 per year (90 cents per hour times 2,000 hours per year). If President Clinton had not expanded the Earned Income Tax Credit (EITC), the Smith family would have received an EITC of $2,106. Under the new law, the family will receive an EITC of $3,400 -- that's an increase of $1,294 per year.

Family #2 -- The Jones Family
FAMILY EARNING $65,000 WITH ONE 13-YEAR OLD SON AND ONE 18-YEAR OLD DAUGHTER IN COLLEGE

WHY THE JONES FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,527
II.	REFINANCED THEIR HOME AT LOWER RATES	$1,668
III.	CHILD TAX CREDIT	$500
IV.	EDUCATION TAX CREDIT	$1,500
	AMOUNT BETTER OFF:	**$5,195**

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Jones family increased from $63,597 to $65,124 in 1995, adjusted for inflation. Experts -- including Alan Greenspan -- agree that President Clinton's 1993 Economic Plan helped lower interest rates. As the *New York Times* wrote: "In 1993 alone, six million homeowners, most of them solidly middle class, refinanced their mortgages because of the lower rates. Most of these families locked in rates two percentage points or so lower than their previous mortgages. On a standard 30-year fixed mortgage of $100,000, for example, the monthly savings was $139 a month, or $1,668 a year." [August 3, 1996] The balanced budget deal also helps the Jones family by providing a $500 child tax credit for their 13-year old son and $1,500 HOPE scholarship tax credit for their 18-year old daughter in college.

Family #3 -- The Johnson Family
FAMILY WITH 16-YEAR OLD AND 8-YEAR OLD SONS AND 12-YEAR OLD DAUGHTER AND INCOME OF $42,000

WHY THE JOHNSON FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,088
II.	CHILD TAX CREDIT	$1,500

AMOUNT BETTER OFF: $2,588

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Johnson family increased from $40,914 to $42,002 in 1995, adjusted for inflation. The balanced budget deal also helps the Jones family by providing a $500 child tax credit for each of their three children -- a tax benefit of $1,500 per year.

Family #4 -- The Green Family
FAMILY WITH TYPICAL INCOME, $100,000 MORTGAGE, AND A DAUGHTER WHO IS A JUNIOR IN COLLEGE

WHY THE GREEN FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,631
II.	REFINANCED THEIR HOME AT LOWER RATES	$1,668
III.	EDUCATION TAX CREDIT	$1,000

AMOUNT BETTER OFF: $4,299

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Green family increased from $38,980 to $40,611 in 1995, adjusted for inflation. Experts -- including Alan Greenspan -- agree that President Clinton's 1993 Economic Plan helped lower interest rates. As the *New York Times* wrote: "In 1993 alone, six million homeowners, most of them solidly middle class, refinanced their mortgages because of the lower rates. Most of these families locked in rates two percentage points or so lower than their previous mortgages. On a standard 30-year fixed mortgage of $100,000, for example, the monthly savings was $139 a month, or $1,668 a year." [August 3, 1996] The balanced budget deal also helps the Green family by providing a 20 percent tax credit on the first $5,000 of their daughter's college tuition.

Family #5 -- The Brown Family
YOUNG COUPLE EARNING $40,600 WITH INFANT CHILD, AND ARE FIRST-TIME HOMEBUYERS

WHY THE BROWN FAMILY IS BETTER OFF

I.	INCREASE IN REAL PRE-TAX INCOME	$1,631
II.	CHILD TAX CREDIT	$500
III.	REDUCED FHA CLOSING COSTS FOR FIRST-TIME HOMEBUYERS	$1,200

AMOUNT BETTER OFF: $3,331

Explanation: According to the Bureau of the Census, since 1993, the real income of families similar to the Brown family increased from $38,980 to $40,611 in 1995, adjusted for inflation. The balanced budget deal also helps the Brown family by providing a $500 child tax credit for their infant child. On an average FHA mortgage of $85,000, President Clinton has reduced closing costs three times. The three reductions -- along with savings passed on to homebuyers because of increased efficiency in the FHA -- save homebuyers $1,200.

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I.	INCREASE IN REAL PRE-TAX INCOME	$1,631
II.	REFINANCED THEIR HOME AT LOWER RATES	$1,668
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AMOUNT BETTER OFF: $4,299

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Explanation: Since Ms. Smith works full-time, year-round at the minimum wage, the increased minimum wage the President fought for will raise her earnings by $1,800 per year (90 cents per hour times 2,000 hours per year). If President Clinton had not expanded the Earned Income Tax Credit (EITC), the Smith family would have received an EITC of $2,106. Under the new law, the family will receive an EITC of $3,400 -- that's an increase of $1,294 per year.

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Jonathan A. Kaplan 08/18/97 06:32:44 PM

Record Type: Record

To: Rahm I. Emanuel/WHO/EOP, Michelle Crisci/WHO/EOP

cc: Russell W. Horwitz/OPD/EOP, Stephen B. Silverman/WHO/EOP, Katherine Hubbard/WHO/EOP
Subject: Labor's Workforce Report

Rahm:

Per your request, we have looked into the Labor Department's Report on the American Workforce.

The headline for the study is: "Labor Report Says There's More To Do for America's Workers." This report may not be ideal for the President to trumpet on Labor Day. It is a Bureau of Labor Statistics study, which is an independent bureau within the Labor Department.

While it could allow the President to discuss the continued importance of education, training and retirement security for America's workers, the report points to some negative statistics, such as declining real earnings for male high school graduates and dropouts since 1979.

not worth the risk

A caveat: we have not reviewed the actual report, but only the three-page cover letter from Sec. Herman that will serve as the foreword. If you would still like to consider releasing this report on Labor Day as part of the minimum wage step-up announcement, we would need to engage in an aggressive review process.

Please let us know how to proceed.

Jon Kaplan

Rahm: put in speech but not big release/embrace

Peter + Emil –
what is your
sense of this
report? What
do you suggest
we tell Rahm?
Jon

August 18, 1997

MEMORANDUM FOR CABINET AFFAIRS

FROM: **Edward Montgomery**
Chief Economist

Subject: **Report on the American Workforce**

The Bureau of Labor Statistics will release the 3rd edition of the *Report on the American Workforce* on Labor Day. The 2nd edition was released in 1995.

The report examines three important decisions that the American worker faces in the course of his or her life. These concern:

1.) what skills to acquire,
2.) where to live to best exploit these skills, and
3.) how to prepare for retirement.

The subject of each decision is the focus of a chapter. The first chapter addresses the labor market consequences of schooling choices and what role specific aspects of education play in these consequences. The second chapter focuses on interarea comparisons of compensation and prices, and identifies high and low price and labor cost areas. The third chapter covers employer-provided retirement plans -- who receives the plans and how much do they pay. An appendix of statistical tables completes the volume.

Attached is a "Messages from the Secretary" for this new edition which contains a discussion of this report.

Message from the Secretary of Labor

The American economy has surged ahead during the last 5 years. Inflation and interest rates are low and the budget deficit is smaller than it has been in nearly two decades. The picture presented by the labor market has been particularly bright. More than 2.5 million new jobs were created in the last year alone, and unemployment has hovered around 5 percent. More than 129 million Americans were working in June 1997, and the share of the American population over age 16 that is employed today is near record levels. Not only are more people working, but their real wages have finally begun to rise. By many measures, the United States has not been in such robust economic health in a generation.

As we approach the new millennium, however, the American and world economies are confronted with the challenges of rapid technological change, the globalization of markets, and profound demographic shifts.

The 1997 *Report on the American Workforce* provides an in-depth look at three important decisions that all workers must face in this new economic world. These concern what skills to acquire, where to live to best use these skills, and how to ensure a secure retirement.

The *Report* presents evidence on the powerful effects of education on earnings, employment, and occupation, and how these effects have increased during the last two decades. Workers with the most education tend to be in higher-paying managerial, professional and technical occupations, and earn more within their field. College major and college quality strongly influence pay and occupation, and vocational training improves earnings. On-the-job training also often boosts wages.

This evidence suggests that one of the best investments that a country, a community, or a company can make is in its people. Government policies can be crucial in facilitating these investments. Initiatives such as the Hope Scholarship, which provide tax credits to make at least 2 years of college affordable to everyone, and incentives to employer-provided training play an important role. Skill standards provide a framework for improving the quality of this education and training. Community-based school-to-work initiatives are also vital in helping to better prepare youth for post-secondary education and high-skill, high-wage careers. These efforts are essential to develop a culture of lifelong learning, because the knowledge and skills required for good jobs are changing so rapidly that those without opportunities for ongoing learning risk falling behind.

The *Report's* analysis of employer-provided pensions points out that retirees receive much more income from Social Security than from the other two "legs" of retirement security—private pensions and personal savings. Only about half of Americans are covered by pensions, and coverage and benefits vary considerably by industry, income, and size of firm.

These findings present an increasingly acute challenge, as America's median age rises and people live longer after retiring. How to provide retirement security is a key bread-and-butter issue. Individuals, employers, and government all have a role in addressing this challenge. Retirement security is being enhanced by a public-private savings education campaign and a Federal crackdown on pension-plan abuses. The Small Business Job Protection Act of 1996 provides incentives for businesses with 100 or fewer employees to offer retirement benefits through SIMPLE (Savings Incentive Match Plan for Employees of Small Employers) plans. The Nation's private pension system is in good health, as is evident by the fact that the Pension Benefit Guaranty Corporation is solvent for the first time in 20 years. However, as the Baby Boom generation begins to retire early in the next century more needs to be done. We must not only ensure that pensions are sound, but work to expand coverage --particularly for low-income workers and those in smaller firms-- and encourage individuals to plan and save for retirement.

While America's strong economy should give us confidence, we must not lose sight of the challenges brought on by our new technology-intensive, globally integrated economy. The gap between the well-to do and the rest of the population is still too large. Real earnings for male high school graduates and dropouts have declined by 13 percent and 21 percent, respectively, since 1979, while earnings for their female counterparts have been flat. Unemployment rates for all groups have declined since 1992, yet African Americans and Hispanics are still twice as likely to be jobless than whites. In addition, although women's wages relative to men have risen over the past decade, a substantial gap remains.

All Americans must be able to share the fruits of our Nation's strong economy. The welfare rolls have been reduced by more than 3 million since 1993, but millions remain on welfare and need help moving into the workforce. The economic benefits of their finding productive work are enormous. Greater are the social benefits, because a paycheck provides a passport to dignity.

Good jobs must not only provide decent living standards but also working conditions that are safe, healthy, and fair. Workplace death rates have been cut in half, and huge strides have been taken in providing equal job opportunity to women, minorities, and others during the last quarter century. Yet, we cannot rest when more than 6,000 Americans die each year from occupational injuries, median earnings for women are 73 percent of men's, blacks' median earnings are 77 percent of whites', and Hispanics' median earnings are 67 percent of whites'. In order to improve worker protections and ensure fairness in the workplace for all Americans, the Government must continue to reinvent how it does business, coupling enforcement of our labor laws with partnership with employers to flexibly and effectively get the job done.

Finally, it is crucial to remember that good livelihoods cannot come at the expense of good lives. As the proportion of women working outside the home has doubled during the last half century, this has meant often pitting jobs against families. No one should have to choose between the families they love and the jobs that they need. The 1993 Family and Medical Leave Act has made it possible for millions to take time off when a family member is sick or a baby is born, without fear of losing their jobs. It has made for happier and more productive workers, and happier parents and children. Policies that help workers balance the competing demands of work and family are crucial to our long-run economic and social well-being.

Clearly, we have much to celebrate about the state of the American economy and workforce in 1997. Much of this we owe to the enterprise and hard work of our businesses and workers. This *Report* provides useful insights for workers and employers in their efforts to confront the challenges of today and tomorrow. Good public policy that is responsive to our people's changing needs plays an important role in helping Americans deal with these challenges. There is more to be done, but together, as a country, we can continue to work to make our great Nation even greater.

ALEXIS M. HERMAN
Secretary of Labor