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Coalition of Retailers Vows to Fight Any Clinton Bid to Lift Minimum Wage

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

WASHINGTON – Even before President Clinton proposes raising the minimum wage, sharp battle lines are being drawn over the issue.

Mr. Clinton has yet to sign off on any specific plan, but it's all but decided that he will seek an increase in the pay floor from the current $4.25 an hour.

The president struck a generally positive tone on the subject yesterday, telling reporters that "the No. 1 mission of the country in this recovery is to raise incomes." Mr. Clinton noted that his economic advisers haven't yet sent him a formal recommendation on the minimum wage, but said that when they do, "I will seriously consider" it.

One leading option being kicked around by the president's advisers would boost the base wage by 50 cents an hour, essentially making up for the inflation that has occurred in the four years since it was last increased. The administration would then call for another boost of 25 cents to take effect about a year later, lifting the minimum wage to $5. Also being strongly considered is a proposal to alter the law so that the minimum wage automatically rises to keep up with inflation, just as government benefits such as Social Security do.

Some 2.5 million hourly workers are paid the federal minimum wage, the Bureau of Labor Statistics estimates. An additional 1.7 million hourly workers, including some who receive tips and are covered by a different standard, are paid below the $4.25 level.

Administration officials stressed that the details of their proposal are still undecided, as consultations continue with Democratic congressional leaders about how best to proceed.

Nonetheless, opposition groups already are gearing up to take on any proposal that emerges. During the debate over health-care reform last year, retailers, restaurateurs and small-business owners organized into a potent coalition that helped beat back a White House proposal that would have forced employers to help pay for their workers' medical insurance. "If the administration lays a minimum-wage hike on the table, we're ready to join forces again," vowed Steve Pfister, a lobbyist at the National Retail Federation.

Meanwhile, the Republicans in charge on Capitol Hill are opposed to a higher minimum wage, with both Speaker Newt Gingrich and House Republican Leader Richard Armey coming out against it.

Conservative Democrats also express reservations. Rep. Charles Stenholm of Texas said he would like to see higher compensation for people earning the minimum wage, but thinks it must be done in the context of a broader package. The minimum wage itself, he suggested, "may in some cases need to be reduced in order to provide for job opportunities."

Fulfilling Campaign Pledge

Nonetheless, the White House feels that attempting to raise the pay floor will help distinguish its agenda from that of the GOP, demonstrate its compassion toward lower-income working Americans, and fulfill a promise Mr. Clinton made during his election campaign. It also seems popular. The latest Wall Street Journal/NBC News poll found that 75% of the public supports increasing the minimum wage.

In meetings over the past few weeks, the president's top economic advisers have reached a consensus that raising the minimum wage by the amounts being considered would have, at most, a small negative effect on employment. At the same time, they've concluded that such a move could have a very positive effect on the earnings of the working poor, without introducing a big new government program.

Much of this view is based on a series of economic studies that have been produced since the late 1980s, including works by Alan Krueger, the chief ecomomist at the Labor Department, and his predecessor in that post, Harvard University's Larry Katz. Their research, along with that of Princeton's David Card, determined that among fast-food restaurant workers in states where the minimum wage has gone up, including Texas and New Jersey, there was no adverse impact on job creation. Additional research on recent federal minimum-wage increases produced similar results across the nation.

Restaurant Lobbyist

Yet the opposition already is trotting out its own analyses from university economists that try to poke holes in those findings. Some of these studies have been produced by the Employment Policies Institute Foundation, a think tank run by Richard Berman, a lobbyist with strong ties to Republican lawmakers. In his lobbying role, Mr. Berman represents several restaurant companies.

"An enormous amount of work has been done showing that the minimum wage is harmful," Mr. Berman said yesterday, especially among low-skill adults. He also maintained that there is "significant evidence" that a higher minimum wage will make it harder for many people to make the transition from welfare to the work force.

Some congressional Democrats, including House Minority Leader Richard Gephardt, have indicated that they'll fight for a higher minimum wage. But opponents hope to make something out of the fact that in 1977 Mr. Gephardt opposed an increase in the minimum wage. "The economics on the minimum wage haven't changed since his vote," Mr. Berman said.

A spokeswoman for Mr. Gephardt said the congressman took the stand he did 18 years ago primarily because an amendment to the bill would have removed nearly one million workers from minimum-wage coverage.

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