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FAX TRANSMITTAL SHEET

DEPARTMENT OF LABOR • UNITED STATES OF AMERICA •

RECEIVER TELECOPIER NUMBER: 395-6853

TO: David Levine

FROM: Alan Krueger

DATE: 3/13/95 TIME: 2:30

PAGE NUMBER ONE OF 4 PAGES

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ADDITIONAL COMMENTS:

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

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

o Lowell Taylor and Tael Kim. Taylor is an assistant professor at Carnegie Mellon, and Kim is a graduate student there. Taylor and Kim reexamine the effect of the minimum wage on employment in California, following up on David Card's earlier work on this issue. They were also funded by the Employment Policy Institute. Their paper claims to contradict Card's findings. Card compared California to a set of control states before and after California raised its state minimum wage to $4.25 in 1988. Card found California's employment of teenagers and retail trade workers was in line with that of the other states. Taylor and Kim don't dispute this finding, but they argue California would have done much better than the other states if it weren't for the minimum wage hike. Their work looks at the pattern of employment growth in California across industries and counties (e.g., did the low wage industries grow more?). Their work can be criticized in a few ways. First, Card finds different results -- Card's paper was published in a refereed journal (Industrial and Labor Relations Review), and he received no outside funding for his work. Second, Taylor and Kim's data set lacks information on wage rates. As a result, they use a proxy for wages (total payroll in the industry or county divided by total number of employees). Their proxy for wages introduces a statistical problem because any measurement error in employment will automatically induce a positive association between their derived wage and the change in employment. Finally, in our book, Card and I re-estimate Taylor and Kim's cross-industry model using changes from 1988 to 1991 (they look from 1989 to 1991). Although this change in the base year should not matter for their estimates, it does -- indeed, looking over the 1988 to 1991 period we find that the base period wage had no relationship with employment growth across industries in California.

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

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

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

CC: D L
File

FAX TRANSMITTAL SHEET

6958

RECEIVER TELECOPIER NUMBER: 395-~~8042~~

TO: Laura Tyson

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PAGE NUMBER ONE OF 3 PAGES

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Why a minimum wage hike might not cause job loss - "Search Theory"

Many low-wage employers operate with vacancies and high turnover. Managers in these establishments continually spend time recruiting workers. In many cases the managers of these firms would like to pay a higher wage to attract more workers, but they resist paying more to recruit these desired workers because a pay hike would require them to pay more to the workers they already employ. Instead of increasing pay, the firms pay recruitment bonuses or try other schemes to attract more workers. A moderate rise in the minimum wage wage enables the firm to recruit additional workers to fill its vacancies -- many of these workers come from the ranks of the unemployed because work now pays more. A minimum wage hike also helps to lower a firm's turnover, because workers want to stay in jobs that pay more. And with lower turnover, the firm gets a higher payoff from providing training.

Other employers offer higher pay, which leads to lower turnover and helps the firm to fill vacancies. People...

Why a Moderate Minimum Wage Increase Might Not Affect Employment

The minimum wage is currently 27 percent lower than it was in 1979, adjusting for inflation. Many employers have some market power, and can afford to pay minimum-wage workers a higher wage. Furthermore, the fact that paying a higher wage tends to make employees more loyal, reduce turnover, help recruitment, and enhance productivity helps to offset the higher costs of a minimum wage to employers.

As the President said in the State of the Union, raising the minimum wage would give many people a stronger incentive to join the workforce. Moreover, in this recovery -- in spite of nearly 6 million jobs being created in two years -- employers still demand additional workers. For example, the Conference Board announced on February 2nd that its Help Wanted Index reached its highest level since April 1990.

Leonard.Burman@do.treas.gov
06/24/99 05:43:29 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Mark.Iwry@do.treas.gov
Subject: Riders to Minimum Wage -Reply

Date: 06/24/1999 05:35 pm (Thursday)
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CC: iwrym
Subject: Riders to Minimum Wage -Reply

We should resist making WOTC permanent. (I think I told you something different earlier, and apologize for that.) It is a new program and we should assess its effectiveness before committing to it permanently. Its predecessor, the Targeted Jobs Tax Credit was widely viewed as an ineffective waste of money. WOTC was designed to correct some of the defects in TJTC, but we won't know for several years if those corrections have been effective.

I will ask BTC to comment on the pension provisions.

Len

>>> ex.mail."William_G._Dauster@opd.eop.gov" 06/24/99 04:48pm >>>
We have received a request from Kennedy and Bonior staff

to discuss with
them tomorrow the administration's position where we know it on various
items potentially to be attached to minimum wage legislation. The attached
table lays out what we've heard. If you could advise us of the
administration's position on any of the items that have open boxes, please
let me know. Similarly, let me know if you have any details to add.
Thanks very much.

(See attached file: minimum wage chart 0624.doc)

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Provisions Rumored as Possible Amendments to Minimum Wage Legislation			
Proposal	**Description**	**Estimated Cost**	**Comments**
	Tax-Law Provisions		
Small business equipment deduction	Accelerate $17,500 to $25,000 increase in allowable first year deduction for equipment purchased by small businesses. $25,000 deduction to be allowed in 2003 per 1996 MW act.	1999: $19,000 2000: $20,000 2001: $24,000 2003: $25,000 (?)Estimated 5 year revenue loss in 1996 was $1.6 billion	How this is accelerated has big impact. We are probably OK if it is paid for.
R&D experimentation tax credit	Extend Credit for research and experimentation, due to expire June 30, 1999, for one year. (Our budget extends through June 30, 2000) Credit was extended in through May 31, 1997 in 1996 MW Act.	$2.1 billion loss over five years from 1 year extension.	OK for permanent extension.
WOTC	Make permanent. Due to expire June 30, 1999. Our proposal is to extend to June 30, 2000.	$415 million loss over five years from 1 year extension.	We should resist making it permanent, as it is a new program and we should assess its effectiveness before committing to it permanently.
Self-employed health insurance deduction	Accelerate 100 percent health deduction for self-employed, currently due to occur in 2005.	$2.5 billion over 5 years ?	Not great, but just acceleration OK if paid for. Cost is a factor.

FUTA tax	Reduce FUTA tax from 0.8 percent to 0.6 percent.	$1.3 – $1.6 billion.	Very expensive. Doing this independently of other Administration-supported UI changes weakens the ability to achieve broad-based UI reforms and would conflict with the President's budget.
Tax Deduction for business meals	Increase somehow- once was 100 percent, now 50 percent. They want 80 percent.	$3 billion	Oppose.
Business meals for small businesses	H.R. 3667, McCrery-Tanner (introduced 4/1/98)		Oppose.
Reduce max tax rate for small business	Limit tax on small business to 34 percent on net taxable income	??	Oppose.
Subchapter S corporations	Raise ceiling on number allowed on board to qualify ?		Oppose as unnecessary. The ceiling on the number of shareholders allowed in an S Corporation was raised from 35 to 75 last year.
Independent contractors	Make it easier to characterize what are now "employees" as "independent contractors."		We could support the Kleczka bill with minor modifications. We oppose other bills.
Pension incentives	H.R. 1590, Gejdenson-Gephardt-Bonior-Rangel-Clay (introduced 4/28/99)		We are generally favorable to it, although we do have concerns about a handful of provisions, some of which are quite controversial.

Pension changes to section 415	(a) (a) income calculation (c) employer pension plans	high 3 years raising the corporat aggregating mult-	We could use more information on these.
	Labor-Law Provisions		
Anti-Ergo	Delay or prohibit OSHA rulemaking on ergonomics. Bond and Blunt bills.		Oppose.
Bonus	Reduces overtime pay by excluding bonuses form the calculation of base pay.		Oppose.
Volunteers	Allow workers to volunteer to work for their employers.		Oppose.
Inside sales overtime	Make salespeople who work inside exempt from overtime rules in FLSA, like door-to-door salespeople.		Oppose.
Helpers	Norwood bill H.R. 1012 "provides for the creation of an additional category of laborers or mechanics known as helpers under the Davis-Bacon Act."		Oppose.
Project Labor Agreements	Tim Hutchinson bill, S.1194, "prohibits discrimination in contracting on federally funded projects on the basis of certain labor policies of potential contractors."		Oppose.

Contractor Responsibility	Repeal or block proposed regulation that would allow contracting officer to take into consideration contractors record of obeying the law.		Oppose.
Indexing	Quinn bill.		We are not opposed to indexing in principle, but would examine it in its particular circumstances.
Wages paid to tipped employees	Maintain amount employers must pay tipped employers at $2.15.		Oppose.
Youth subminimum training wage			Such a subminimum has been authorized and assessed in the past. Virtually no one adopted it. We would oppose.
Subminimum wage for former welfare recipients			We already have the Welfare-to-Work tax credit that effectively achieves this hiring incentive for employers. Oppose as unnecessary (not to say punitive).
Lower wage increase or extended time frame for wage increase			Oppose.
Credit health insurance premiums to minimum wage obligation			Unlikely to support.
Amish child labor bill			Oppose. Single-agency veto threat by DOL.

Comp Time	Reduce employers' overtime pay requirements through comp time or flex-time changes.		Oppose.

Presented at Meeting 6/17/99 w/ NEC

Living Wage Successes:
A Compilation of Living Wage Policies on the Books

Prepared by ACORN
Association of Community Organizations for Reform Now
739 Eighth St. SE, Washington, D.C. 20003
202-547-2500 • fax 202-546-2483

June, 1999

*Listed below, in reverse chronological order, are examples of local living wage laws tying wage and/or benefits requirements to government contract eligibility or other government financial assistance.**

- **Somerville, MA (1999) --** In May, the Somerville Board of Aldermen unanimously passed an ordinance requiring that a living wage be paid to full and part time direct employees of the City of Somerville, as well as employees of firms carrying out service contracts with the city for at least $50,000 (this threshold will decrease to $30,000 in 2 years and again to encompass all contracts valued at $10,000 or more two years after that). The living wage is set at no less than $8.35 an hour, the poverty line for a family of four (based on 40 hours a week for 50 weeks), adjusted annually in accordance with the poverty guidelines (Somerville Living Wage Committee, local labor, Massachusetts AFL-CIO).

- **Miami-Dade County, FL (1999) --** In May, the Board of County Commissioners of Miami-Dade County voted unanimously to enact a living wage ordinance requiring that the County itself, certain of its service contractors, and airport licensees (for ground service personnel) pay employees a living wage of no less than $8.56 an hour if employer-paid health benefits are offered, or $9.81 without health benefits. The ordinance covers the following categories of county service contracts worth at least $100,000: food preparation and/or distribution; security services; routine maintenance services such as custodial, cleaning, refuse removal, repair, refinishing, and recycling; clerical or other non-supervisory office work, whether temporary or permanent; transportation and parking services including airport and seaport services; printing and reproduction services; and, landscaping, lawn, and/or agricultural services. The ordinance establishes a Living Wage Commission to enhance compliance and review the effectiveness of the law (South Florida AFL-CIO, Human Services Coalition of Dade County, Florida Legal Services).

- **Cambridge, MA (1999) --** In May, the Cambridge City Council adopted an ordinance requiring a living wage of at least $10.00 an hour be paid to employees of the City of Cambridge, as well as to employees of companies or non-profits that enter into service contracts or subcontracts with the city worth at least $10,000 and to employees of firms that benefit from at least $10,000 in city subsidies in a year (as well as their tenants and leaseholders). The wage

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* These summaries are not specific as to some important features such as exemptions, reporting requirements, and enforcement provisions, which vary significantly among ordinances. For more specific information, contact ACORN or the organizations listed as responsible for each victory. In addition, this list does not include existing or proposed state-wide legislation to impose wage, job creation benefit or disclosure requirements on firms doing business with the states. Such measures do exist and are being explored, proposed or expanded in states such as Connecticut, Minnesota, New York, and Montana. *Please report any omissions to Jen Kern at ACORN.*

level is to be adjusted yearly in accordance with the area Consumer Price Index. The ordinance directs the city agencies to report annually on subsidies and establishes a Community Advisory Board to review and recommend action on waiver requests. (Eviction Free Zone, Carpenters Local 40, National Lawyers Guild).

- **Hayward, CA (1999)** -- In April, the Hayward City Council approved the Hayward Living Wage Ordinance which provided that a living wage be paid to direct employees of the City of Hayward, as well as employees of certain firms contracting with the city for at least $25,000. The living wage is set at no less than $8.00 an hour if health benefits are paid to the employees, or $9.25 per hour if no such benefits are paid. The wage will be upwardly adjusted annually in accordance with the area cost of living calculation. The contracted service categories covered under the policy are: automotive repair and maintenance, facility and building maintenance, janitorial and custodial, landscaping, laundry services, temporary personnel, pest control, security services, and social service agencies. The ordinance entitles covered workers to a minimum of 12 paid days off and 5 uncompensated days off per year. The ordinance also allows for the terms of a collective bargaining agreement to provide that said agreement may supersede the requirements of the living wage ordinance upon mutual agreement by both parties (Alameda County Central Labor Council, Hayward Democratic Club).

- **Madison, WI (1999)** -- In March, the Madison City Council passed an ordinance that requires employers holding city service contracts (and their subcontractors) worth at least $5,000 and firms receiving $100,000 or more in financial assistance (and their contractors) from the city to pay employees on city funded projects a living wage of at least $7.91 an hour. The wage will be upwardly adjusted in two steps to 110% of the federal poverty guidelines for a family of four by January 1, 2001 and continuing thereafter. City of Madison employees are also covered. The ordinance also allows that the terms of a collective bargaining agreement may supersede the requirements of the living wage ordinance (Progressive Dane/New Party, South Central Federation of Labor).

- **Dane County, WI (1999)** -- In March, the Dane County Board of Supervisors passed an ordinance requiring that a living wage be paid to county employees, employees of county service contractors, subcontractors, and beneficiaries of economic development assistance of $5,000 or more from the county. The living wage is established at the federal poverty level for a family of four, currently $8.03 an hour. By July 1, 1999 a Living Wage Review Council will make recommendations on possible adjustments for employers that do not provide health insurance (Progressive Dane/New Party, South Central Federation of Labor, Developmental Disabilites Coalition).

- **Hudson County, NJ (1999)** -- In January, the Hudson County Board of Freeholders unanimously adopted an ordinance requiring County service contractors employing security, food service, and janitorial workers to pay all employees working at least 20 hours per week on County contracts at an hourly rate of pay of 150% of the federal minimum wage, currently $7.73 an hour. Contractors must also provide health benefits and one week paid vacation to these employees.

- **San Jose, CA (1998)** -- In November, the San Jose City Council voted to require companies holding city service contracts worth at least $20,000 to pay those employed on such contracts a wage of at least $9.50 an hour with health benefits, or $10.75 if the company does not provide benefits. In addition, the ordinance requires companies seeking these service contracts to provide assurances of good labor relations and requires certain companies awarded a new contract by the city to offer jobs to the employees of the city's former contractor. Employees of companies receiving direct financial grants from the city valued at $100,000 or more in a year are also covered. The contracted service categories covered under the policy are: automotive repair and maintenance, food service, janitorial, landscaping, laundry, office/clerical, parking lot management, pest control, property maintenance, recreation, security shuttle services, street sweeping, and towing (South Bay AFL-CIO/Working Partnerships USA with ACORN and other groups).

- **Detroit, MI (1998)** -- At the ballot box on November 3, Detroit voters overwhelmingly approved a living wage measure that requires city service contractors or recipients of city financial assistance worth $50,000 or more to pay employees a wage equivalent to the federal poverty line for a family of four, currently $8.35 an hour (the ordinance calculates the work year at 40 hrs./50 weeks a year), or 125% of the poverty line, $10.44 an hour, if no health benefits are provided. The ordinance also requires companies to attempt to hire Detroit residents to fill any new jobs created as a result of the contract or assistance granted by the city (Metropolitan Detroit AFL-CIO with ACORN and other groups).

- **Multnomah County, OR (1998)** -- In October, the Multnomah County Board of Commissioners passed a living wage policy that requires county janitorial and security services contractors to pay their employees a combined wage and benefit package of $9.00 per hour (adjusted annually by the Consumer Price Index). The County's action will also apply to food service contracts when those are rebid in 2000. In addition, the resolution includes a retention provision requiring new janitorial contractors to first interview employees of the previous contractor before hiring new workers. Language in the ordinance commits living wage advocates and County officials to a joint lobbying effort aimed at increasing state funding sources that would enable the County to extend the current living wage policy to social service contract workers (Jobs with Justice, Oregon Public Employees Union Local 503, New Party).

- **Boston, MA (1997, amended 1998)** -- In September of 1998, the Boston City Council approved an amended version of an earlier, more comprehensive living wage ordinance. In its current form, the ordinance requires companies getting city service contracts worth at least $100,000 (or subcontracts of at least $25,000) to pay their employees a wage at least $8.23 an hour, equal to the poverty level for a family of four upon date of passage (assuming 40 hrs/50 wks. a yr.), indexed annually on July 1 to whichever is higher of the adjusted poverty guidelines or 110% of the state minimum wage. The measure also includes community hiring provisions for both contractors and recipients of subsidies or other financial assistance, requires covered companies to report on jobs created and wages paid, and creates a Living Wage Advisory Committee to oversee the implementation of the ordinance (ACORN, Greater Boston Labor Council and the Massachusetts AFL-CIO led the 40-member Boston Jobs and Living Wage Coalition).

- **Pasadena, CA (1998)** -- On September 14, the Pasadena City Council adopted a living wage ordinance which requires city service contractors (with contracts worth at least $25,000) to pay employees $7.25 per hour, $8.50 if health benefits are not provided. In August, the Coalition succeeded in getting the City to make a permanent budget adjustment to provide the same wage and benefits package to City employees. Coalition set to work on expanding coverage to recipients of economic development and other city subsidies (Pasadena Living Wage Coalition, including Clergy and Laity United for Economic Justice).

- **Cook County, IL (1998)** -- In September, the Cook County Board of Commissioners passed an ordinance that requires County contractors of any size to pay employees working under such contracts at least $7.60 an hour (Commissioners Stroger, Maldonado, and Daley; Chicago Jobs and Living Wage Coalition led by ACORN, SEIU Local 880).

- **Chicago, IL (1998)** -- In July, the Chicago City Council voted 49-0 to require for-profit city contractors and subcontractors to pay their workers at least $7.60 an hour in the following categories: home and health care workers, security guards, parking attendants, day laborers, cashiers, elevator operators, custodial workers and clerical workers (Chicago Jobs and

Living Wage Coalition led by ACORN, SEIU Local 880, New Party, Chicago Coalition for the Homeless).

- **San Antonio, TX (1998)** -- In July, the San Antonio City Council passed an ordinance adopting guidelines and criteria pertaining to tax abatements that includes a requirement for beneficiaries to pay at least 70% of employees in new jobs created at least $9.27 per hour (non-durable goods manufacturing and service companies; and $10.13/hr for durable goods manufacturing). The guidelines deem retail industry facilities ineligible for tax abatements. In addition, businesses may be eligible for more tax abatement if they fill 25% of new jobs created with economically disadvantaged individuals (COPS/Metro Alliance, San Antonio Central Labor Council).

- **Portland, OR (1996, amended 1998)** -- June 1996 City Council ordinance required city contractors employing janitors, parking lot attendants, temporary clerical services and security workers to pay their employees $6.75/hour starting July 1, 1996, $7.00/hour in 1997. April 1998 amendment requires a new wage floor of $7.50 an hour beginning July 1, 1998 and $8.00/hour beginning July, 1999 through the year 2000. In addition, the amendment requires that such service contractors offer basic medical benefits to their employees performing work for the City (Jobs with Justice).

- **Oakland, CA (1998)** -- In March, the Oakland City Council unanimously approved an ordinance requiring companies or non-profits that enter into service contracts with the city worth at least $25,000 or and firms that benefit from at least $100,000 in city subsidies in a year (as well as their tenants and leaseholders) to pay workers a minimum of $9.25 an hour or $8.00 if the firm provides health benefits. The wage level is to be adjusted by April 1 each year in accordance with the Bay Region Consumer Price Index, bringing the current wage requirements to $8.35 and $9.60 an hour. The ordinance entitles covered workers to 12 paid days off per year. The ordinance also allows for the terms of a collective bargaining agreement to provide that said agreement may supersede the requirements of the living wage ordinance (Oakland Jobs and Living Wage Campaign led by ACORN and the Alameda County Central Labor Council, including HERE, SEIU, UFCW, etc.).

- **Durham, NC (1998)** -- In January, 1998 the Durham City Council passed an ordinance requiring City service contractors to pay their employees working on city projects an hourly wage at least equal to the minimum hourly wage rate paid to Durham City employees, currently $7.55 an hour.

- **Duluth, MN (1997)** -- In July, 1997, the City Council passed a living wage ordinance requiring recipients of city economic development assistance of $25,000 or more to pay at least 90% of employees on the assisted project at least $7.25 an hour. ($6.50 with health benefits). (Coalition led by AFSCME Council 96).

- **Milwaukee, WI (1995,1996,1997)** -- November 1995 City Council ordinance requires certain city service contractors to pay employees at least $6.05/hr, adjusted annually to the poverty level for a family of three (currently $6.67). Jan. 1996 school board measure requires all Milwaukee Public School system employees and employees of MPS contractors to be paid $7.70/hr. County Board of Supervisors voted in May 1997 to require county contractors to pay at least $6.25/hr. in the areas of janitorial, security, and parking lot attendant, indexed to increased wages of county employees (Progressive Milwaukee/New Party, Campaign for a Sustainable Milwaukee).

- **New Haven, CT (1997)** -- In April, 1997, the Board of Aldermen passed living wage ordinance requiring city service contractors to pay their employees a wage at least equivalent to the poverty line for a family of four. The wage will be phased up to 120% of poverty over 5 years beginning July '97. The ordinance also requires such contractors to give first consideration to referrals from community based hiring halls to fill vacant service positions. (Labor/community/church coalition led by HERE Locals 34, 35, 217).

- **Los Angeles, CA (1997)** -- On March 18, 1997, City Council overwhelmingly approved a living wage ordinance requiring recipients of public service contracts worth $25,000 or more as well as any business benefiting from a subsidy of at least $1,000,000 in one year or $100,000 on a continuing annual basis to pay their employees a living wage. The wage -- indexed yearly to the rise in cost of living-- is set at $7.25 an hour plus family health benefits, or $8.50 without. The wage is to be adjusted annually to correspond with adjustments to retirement benefits paid to members of the City Employees Retirement System, bringing the current wage requirements up to $7.39 and $8.64 an hour. Affected workers are entitled to 12 paid days off a year. The ordinance also allows that a collective bargaining agreement may supersede the requirements of the living wage ordinance (Los Angeles Living Wage Coalition).

- **Minneapolis, MN (1997)** -- In March, 1997 city council unanimously passed a living wage policy requiring businesses benefiting from $100,000 or more in city assistance in one year to pay employees a living wage. The wage will be defined and indexed as 110% of the federal poverty level for a family of four, currently $8.83. Recipients of such assistance must also set a goal that 60% of new jobs created will be held by City residents. Additional provisions prohibit privatization of services currently performed by city employees that would result in lower wages, and preferences for assistance to union-friendly businesses (defined as neutrality on union organizing, providing complete list of names and addresses of employees, access to facilities during non-work hours, card-check recognition, etc.). Administrative guidelines determine implementation details (Based on recommendations of the Joint Twin Cities Living Wage Task Force -- including ACORN, New Party, and labor unions -- convened to respond to issues raised by a 1995 living wage initiative effort spearheaded by ACORN, New Party and labor).

- **St. Paul, MN (1997) --** In January 1997, city council unanimously passed a directive requiring recipients of $100,000 or more of city economic development assistance in one year to pay employees a living wage, defined as 110% of the federal poverty level for a family of four, currently about $8.83 an hour (100% of poverty line required for companies who provide health insurance; currently $8.03). At least 60% of new jobs created as a result of such assistance must go to St. Paul residents (As above, based on recommendations of the Living Wage Task Force, including ACORN, New Party, and labor unions).

- **New York City, NY (1996)** -- September 1996 City Council ordinance requires that employees of city contractors for security, temporary, cleaning and food services be paid the applicable prevailing wage for the industry to be determined by the City Comptroller (Industrial Areas Foundation, Councilmember Albanese).

- **Jersey City, NJ (1996)** -- June 1996 City Council ordinance requires that city contractors employing clerical, food service, janitorial workers, or security guards pay these workers $7.50/hour and provide health benefits and vacation (Interfaith Community Organization/IAF).

- **Santa Clara County, CA (1995)** -- County Board of Supervisors law requires manufacturing firms applying for tax abatements to disclose how many jobs they will create, what wages and benefits they will pay, and what other subsidies they are seeking. Businesses benefiting from abatements must also pay a minimum wage of $10/hr. and provide health insurance or a suitable alternative to all permanent employees. The measure gives the county money-back guarantee protection if goals are not met (South Bay AFL-CIO Labor Council, California Budget Project, Working Partnership USA).

- **Baltimore, MD (1994) --** In December 1994 the Baltimore City Council passed a bill requiring companies that have service contracts with the city of Baltimore to pay workers

$6.10/hr. The bill included steps to increase the wage to its current level of $7.70/hr. over a four year period (BUILD/Solidarity Support Committee, AFSCME).

- **San Jose, CA (1991)** -- Prevailing wage ordinance requires city contractors to pay union-scale wages and requires the city to evaluate health benefits, workplace grievance procedures, workplace health and safety standards, and labor standard compliance records of companies bidding for city contracts.

- **Gary, IN (1991)** -- Ordinance requires recipients of any tax abatement to pay prevailing wage and provide complete health care package to employees working over 25 hours a week. Also includes public disclosure provisions (Calumet Project for Industrial Jobs).

- **Des Moines, IA (1988, amended 1996)** -- In 1988 City Council set a $7.00/hr. minimum compensation policy for City-funded urban renewal and loan projects. In 1996, this policy was amended to require such city funded projects to set a goal of a $9.00/hr. average wage, including benefits (Councilmember George Flagg).

And the movement continues. . .

Growing coalitions of community, labor and religious organizations continue to organize campaigns to tie higher wages, benefits, and other worker protections to public contracts, tax breaks and other subsidies in cities and counties all over the country. Such campaigns are now underway in places such as Philadelphia, Albuquerque, St. Louis, Denver, Cleveland, Pittsburgh, Buffalo, San Francisco, Marin County, CA, Missoula, MT, Manhattan, KS, Montgomery County, MD, Alexandria , VA, Austin, TX, South Bend, IN, and are being explored in dozens of additional cities, counties and states.

Living Wage Ordinances
"stats at a glance"*

Compiled by ACORN, 6/99

• Thirty two ordinance on the books, counting "pre-cursors" such as Des Moines (1988, amended 1996) and Gary, IN (1991). 29 ordinances have passed since Baltimore in 1994 (largely considered to be the first victory in the modern living wage movement).

• City ordinances = 24
  County ordinances = 7 (Santa Clara, Milwaukee, Cook, Multnomah, Hudson, Dane, Miami-Dade)
  School board = 1 (Milwaukee)

• Wage ranges from $6.25 (Milwaukee County) to $10.75/hour (San Jose, assuming employer doesn't pay health benefits, otherwise $9.50/hour)
[Note: $9.00 in Des Moines stated as a "goal" and includes substantial exemptions; $10.00 an hour in Santa Clara County covers only manufacturers that get tax abatements]

• Seventeen ordinances cover only city or county service contractors
• Seven cover only some form of economic development subsidy (Minneapolis, St. Paul, Duluth, Gary, Santa Clara County, Des Moines, San Antonio)
• Eight cover both (L.A., Boston, Oakland, Detroit, San Jose (sort of), Dane County, Madison, Cambridge)
• Several also cover direct city or county employees in addition to contracts and/or subsidy recipient coverage (Cambridge, Somerville, Miami-Dade Co., etc)

• Ten ordinances specifically limit coverage to *certain* service contracts (Miami-Dade Co., Hayward, Hudson County, San Jose, Chicago, Multnomah County, New York, Jersey City, Portland, Milwaukee County)
[Note: Job categories covered generally: janitorial, food service, security, parking lot attendants, clerical workers. Hayward and San Jose include more; Chicago includes home health care workers]

• Seven ordinances include some "jobs" language -- e.g. job creation goals, targeted community hiring (Detroit, San Antonio, Minneapolis, St. Paul, Boston, New Haven, and Santa Clara County)

• Two require covered firms to work with community hiring halls to fill jobs created with contract/subsidy (Boston, New Haven)

• Sixteen ordinances require (or encourage) some form of health benefits (Hayward, Hudson County, San Jose, Detroit, Multnomah County, Pasadena, Oakland, Los Angeles, St. Paul, Minneapolis, Gary, Santa Clara County, Des Moines, Jersey City, Duluth, and Portland, as amended in 1998)

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* This compilation attempts only to provide a thumbnail sketch of some of the technical points of the living wage measures on the books. It does not catalog many important aspects of the ordinances, such as monitoring, enforcement and sanctions. While the information was gathered carefully, we cannot guarantee complete accuracy. Feel free to flag mistakes and report any omissions to Jen Kern at ACORN; 202-547-2500.

[Note: In some ordinances, the health benefit requirement is simply stated as such (Santa Clara County, Gary, IN). Other ordinances require a wage at a higher percentage of the poverty calculation for firms that don't provide health benefits (Twin Cities); other ordinances just tack on an extra dollar-plus per hour (San Jose, Oakland, L.A., Hayward, Duluth, etc.)]

• Nine ordinances cover some non-profits (Somerville, Cambridge, Hayward, Madison, Dane County, Detroit, Oakland, Boston, L.A.)
[Notes: L.A. -- if non-profit executive director makes more than eight times lowest paid worker; Boston -- if non-profit has over 100 employees; Hayward, Madison, Dane County, Oakland and Detroit -- cover all (within established dollar and employee number thresholds) except certain training and educational programs]

• Five include vacation benefits (Hayward, Hudson County, Jersey City, Los Angeles, Oakland)

• Six ordinances include specific labor language (San Jose -- worker retention and good labor relations; Minneapolis -- preference given to firms with broadly defined "responsible labor relations"; Hayward, Madison, L.A. and Oakland -- collective bargaining supersession clause; many also prohibit retaliatation against employees inquiring about coverage or making claims of non-compliance with the ordinance)

• Some ordinances set dollar-value and/or employee-minimum thresholds for coverage of service contractors:
Madison, Dane County and Milwaukee (city): $5,000
Cambridge -- $10,000
San Jose: $20,000
Hayward: $25,000
Detroit: $50,000
Somerville: $50,000 (goes down to $10,000 over four years)
Los Angeles: at least $25,000 and at least 5 employees
Miami-Dade -- $100,000
Boston: at least $100,000 and 25 employees for a for-profit firm, 100/non-profit.
Oakland: at least $25,000 and 5 employees

• Most ordinances define subsidy thresholds:
Cambridge -- $10,000
Dane County -- $5,000
Duluth -- $25,000/year
Detroit -- $50,000
Madison -- $100,000
L.A. -- $1,000,000 in a year or $100,000 on a "continuing basis"
Boston -- $100,000 in a year
Oakland -- $100,000 in a year
St. Paul -- $100,000/year
Minneapolis -- $100,000/year

Summary of Research on Living Wage Ordinances

Prepared by ACORN
February, 1999

Living wage ordinances are relatively new and therefore have not yet been the focus of much research. However, some recent studies evaluating or predicting the economic effects of living wage ordinances are instructive. On the whole, these analyses effectively debunk the arguments of living wage opponents that such ordinances lead to cost increases and/or unemployment:

Baltimore's Living Wage Law: An Analysis of the Economic Costs of Baltimore City Ordinance 442, October 1996.

In October 1996, the Preamble Center for Public Policy, a Washington-based independent research and education organization, conducted a study on the effect of Baltimore's living wage ordinance. The 1994 ordinance mandated a minimum hourly wage of $6.10 for anyone working on a city service contract, with an increase to $6.60 on July 1, 1996. The wage is indexed to $7.70 by 1999.

The study found:

- The real cost of city contracts actually *decreased* since the ordinance went into effect.

- Business investment in the city increased substantially in the year following the ordinance.

- Companies interviewed that held contracts before and after passage of the ordinance did not report reducing staff levels in response to the higher wage requirement. Some contractors praised the ordinance for "leveling the playing field" by relieving pressure on employers to squeeze labor costs in order to win low-bid contracts.

- The cost to taxpayers of compliance with the ordinance has been minimal, with the City allocating about 17 cents per person annually for this purpose.

The authors note that while the study effectively disproves the predicted negative effects of the ordinance, their analysis includes no assessment of the potentially significant *benefits* of the living wage ordinance including substantially higher incomes for low wage workers and their families, higher quality of life, and cost savings as a result of decreased demand on federal, state and local government assistance programs.

The Effects of the Living Wage in Baltimore, February 1999.

This study, commissioned by the Economic Policy Institute in Washington, D.C. and carried out by researchers at The Johns Hopkins University, this study updates and largely confirms the earlier findings of the Preamble study (above). Benefiting from an additional year of data since the 1996 study, the EPI study examines the impact of the 1994 living wage ordinance on the City budget, comparing contract data from before the ordinance was passed to data from living wage-covered contracts as of August 1997. In addition, using payroll data and interviews, the new study surveys the impact on workers covered by the ordinance.

In short, the researchers conclude that the living wage ordinance has had direct positive impact on a relatively modest number of workers in Baltimore without significant financial cost to the city. The study's findings also suggest that the City may be failing to sufficiently implement the ordinance:

- For contracts that could be directly compared before and after the law went into effect, the real aggregate cost to the city for these contracts actually declined slightly, when adjusted for inflation, despite the increase in wage rates.

- Cost changes varied considerably by contract type, with the largest percentage increase in the labor-intensive janitorial sector. However, other contracts with concentrations of low wage workers (i.e. bus aides) did not produce proportional contract cost increases.

- The number of workers directly affected by the ordinance is estimated to be around 1,500. Since some part time workers "share" living wage jobs, the number could be substantially higher.

- Payroll evidence suggests that higher wages and hours improve the stability of the workforce.

- Non-compliance with the living wage ordinance with respect to both wage rates and payroll reporting is a significant problem that limits the benefits of the ordinance to an unknown degree.

- While praising the ordinance highly, the majority of living wage workers interviewed work only part time and report a need for full time work to raise themselves above poverty. Workers indicate a greatly enhanced sense of recognition for work, which may in turn be linked to increased job commitment, reduced turnover, and increased productivity.

Economic Analysis of the Los Angeles Living Wage Ordinance, October 1996 (study).

The Living Wage: Building a Fair Economy by Robert Pollin and Stephanie Luce: New Press, 1998 (book, includes above study)

In 1996, a research team at the University of California-Riverside lead by Professor Robert Pollin of the Department of Economics, was commissioned by the Los Angeles City Council to conduct an extensive study to estimate the economic impact of the proposed Los Angeles Living Wage Ordinance. The Ordinance was passed unanimously by the Council in March of 1997.

- The study reviews experiences with federal and state minimum wage laws as well as existing living wage and prevailing wage regulations and concludes that these measures did not result in either unemployment or significant cost to their respective cities.

- The study calculates the total cost of the proposed wage increase to affected firm as a percentage of their total output (production of goods and services) and concludes that the ordinance could be implemented while causing no net increase in the City budget, no employment loss and no loss of city services to the residents of Los Angeles.

- The study also quantifies potential benefits of such an ordinance, including a 50.4% reduction in the amount of government subsidies received by affected workers and their families, as well as growth in spending, homeownership, and small business markets for at least three areas of the city.

- Researchers document case studies of successful "high road" employers and predict that the ordinance has the potential to encourage "high road" competition among businesses, characterized by decent wages, increased productivity, reduced turnover, and increased efficiency.

Among the researchers' other findings are:

- The living wage ordinance will not increase unemployment among less-skilled workers in Los Angeles

- The living wage ordinance does not place small business at any disadvantage

- The ordinance will not discourage businesses from either locating in Los Angeles or doing business with the city itself.

In their 1998 book, *The Living Wage: Building a Fair Economy*, Pollin and Luce present a revised version of the original L.A. study, as well as propose to answer the same impact questions given the alternative (hypothetical) coverage scenarios of a minimum wage increase and an ordinance covering just service contracts (like Baltimore) .

The authors also provide a useful review of the available economic research on the effects of comparable wage interventions -- minimum wage and prevailing wage laws -- noting the positive affects of both.

In addition, they discuss evidence of the failure of the prevailing "business subsidy model" of economic development to produce living wage jobs and effectively reduce poverty, giving specific city examples and proposing alternative sustainable development policies predicated on the creation of living wage jobs.

Living Wage Campaigns: A Small Step in the Right Direction, February, 1998.

Labor economist Jared Bernstein of the Economic Policy Institute issued a paper examining the growing phenomenon of living wage campaigns as a strategy to raise the wages of low-wage workers. The paper provides a context of stagnating wages at the bottom of the wage scale and increasing income inequality. It also reviews both the research on the impact of living wage ordinances and the more substantial economic evidence on the impact of past minimum wage increases.

Bernstein concludes that living wage ordinances as they are currently being proposed clearly raise the earnings of covered workers while not lowering their employment opportunities. He further notes that by counteracting trends that have a negative distributional consequences for low wage workers -- such as privatization and increased use of tax abatements -- living wage policies take the place of some of the eroded bargaining power that has been lost to low wage workers.

[Dr. Bernstein is a labor economist who specializes in the analysis of wage and income inequality, with an emphasis on low-wage labor markets and poverty. Between 1995 and 1996, he held the post of deputy chief economist at the U.S. Department of Labor.]

Setting a Living Wage Level

Some questions to consider:

- How should your figure compare to the average wage of the greatest segment of low wages potentially affected by the proposal?
- What "definition" of a living wage is rhetorically most defensible/useful?
- Cost of living in area (see below)
- What makes sense given the constituency of your coalition organizations (members of community orgs, unions)
- Can you also win indexing of the wage? (if not, argue to set it higher)
- What's winnable?

Some numbers to consider:

1."Poverty Line" figures
Hourly wages based on the "1999 Poverty Guidelines" provided by the U.S. Department of Health and Human Services for a family of four = $16, 700 and $13,880 for a family of three. (Can do different family sizes here too, as well as different percentages of the poverty level):

Family of four
- $8.03 -- 52 weeks at 40 hours
- $8.35 -- 50 weeks at 40 hours
- $9.18 -- 52 weeks at 35 hours
- $9.54 -- 50 weeks at 35 hours

Family of three
- $6.67 -- 52 weeks at 40 hours
- $6.94 -- 50 weeks at 40 hours (given unpaid time off)
- $7.63 -- 52 weeks at 35 hours (given "full time" is often less than 40 hrs)
- $7.93 -- 50 weeks at 35 hours (given both possibilities)

2. Food Stamp eligibility
In order to qualify for food stamps, the federal government sets two thresholds. First, your gross income cannot exceed 130% of the poverty line. Second, your net monthly income cannot exceed 100% of the poverty line.

Family of 4 (130% of $16,700 = $21,710)
- $10.44 -- 52 weeks at 40 hours
- $10.86 -- 50 weeks at 40 hours
- $11.93 -- 52 weeks at 35 hours
- $12.40 -- 50 weeks at 35 hours

Family of 3 (130% of 13,880= $18,044)
- $8.67 -- 52 wks at 40 hrs
- $9.02 -- 50 wks at 40 hrs
- $9.92 -- 52 wks at 35 hrs
- $10.31 -- 50 wks at 35 hrs

Some studies to consider:

There are now countless examples of "Cost of Living", "Minimum Standard of Need", or "Self-Sufficiency Standards" study methodologies that take advantage geographically specific data on expenditures (food, housing, health care, transportation, child care. misc.) to calculate a truer "living wage" for different family sizes in different cities and states. These figures are, obviously, higher than the poverty line -- ranging from around $8.00 an hour for a single person with a child to as much as $15+ an hour for two workers and two kids; higher in more expensive cities and depending on the methodology.

Some living wage campaigns have chosen to base their ordinance's living wage on these figures. Other campaigns are using these higher "real cost of living" figures to make a point about the insufficiency of lower wages, while at the same time making their ordinance's own (lower) "living wage" figure look modest in comparison.

Sample studies:

• Wide Opportunities for Women (WOW) has developed a Self Sufficiency Standard that is being used in several cities, states, and a number of community organizations. For further information about the Standard, to obtain report copies, or to learn about how to have WOW develop the Standard for your community, contact WOW at 202-638-3143, 815 Fifteenth Street, NW, Suite 916, Washington, D.C. 20005

• ACORN has also developed a Basic Needs Budget methodology for three different family sizes (based substantially on that used by Patricia Funk, Ph.D. in her study cost of family support in Nebraska in 1994, updated in 1997) and has produced reports in several cities. Several living wage coalitions have used this basis and developed their own cost of living studies. ACORN studies available: ACORN, 739 8th St., SE, Washington, D.C. 20003; 202-547-2500.

• National Priorities Project developed statewide "living wage" figures for their December 1998 study entitled: *Working Harder, Earning Less: The Story of Job Growth in America* available by calling: 413-584-9556.

• "The Cost of Living in Minnesota" by the JOBS NOW coalition on the minimum cost of basic needs for Minnesota families in 1997. Reports available: JOBS NOW Coalition, 46 East Fourth Street, 818 Minnesota Building, St. Paul, MN 55101-1101; 651-290-0240; jobsnow@mtn.org.

• Increasingly, city and county social service agencies are conducting similar studies.

Prepared by ACORN, 1999
202-547-2500

From: Melissa N. Benton on 04/26/99 05:26:14 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: LRM MNB54 - - LABOR report on Increasing the minimum wage

Note to EOP staff: you will not receive a hard copy of this LRM.

---------------------- Forwarded by Melissa N. Benton/OMB/EOP on 04/26/99 05:15 PM ---------------------------

LRM ID: MNB54

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

Emailed No Comment 4/27/99 7:10 pm

Monday, April 26, 1999

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melissa N. Benton
PHONE: (202)395-7887 FAX: (202)395-6148

SUBJECT: **LABOR Statement for the Record on Increasing the minimum wage**

DEADLINE: **11 a.m. Tuesday, April 27, 1999**

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: The Department of Labor wants to submit this statement for the record for a House Education and the Workforce hearing tomorrow afternoon (April 27th).

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LRM ID: MNB54 **SUBJECT:** LABOR Statement for the Record on Increasing the minimum wage

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short 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.

You may also respond by:
(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
Please include the LRM number shown above, and the subject shown below.

TO: Melissa N. Benton Phone: 395-7887 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ______________________ (Date)
______________________ (Name)
______________________ (Agency)
______________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _______

_____ Other: ______________________

_____ FAX RETURN of _____ pages, attached to this response sheet

- Minwagty.wpd

Message Sent To: ______________________

Barbara Chow/OMB/EOP
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STATEMENT OF ALEXIS M. HERMAN,
SECRETARY OF LABOR

BEFORE THE

COMMITTEE ON EDUCATION AND THE WORKFORCE
HOUSE OF REPRESENTATIVES

APRIL 27, 1999

I am pleased to be able to offer my remarks today in strong support of the President's proposal to increase the minimum wage. For more than 11 million American workers, increasing the minimum wage from $5.15 an hour to $6.15 a hour over two years is not an academic debate among economists. Instead, it is about paying the rent, buying the groceries, and keeping the kids in clothes. Seventy percent of those who would benefit are adults, 20 and over. Three-fifths are women, many of whom are the sole breadwinners in their families. Mr. Chairman, these hard-working Americans – some of whom work 2 and 3 jobs -- deserve a raise.

When we last raised the minimum wage and expanded the earned income tax credit, we took important steps to reward work and help millions of Americans raise their families with dignity and move off welfare. Because of our actions, a full-time working parent with two children does not have to live in poverty. But more must be done to ensure that *all* working families are lifted out of poverty.

The minimum wage is not enough to make ends meet for many families. Working 40 hours a week, 50 weeks a year, a minimum wage worker still earns just $10,300 a year. For these workers and their families, a one-dollar increase would make a real difference. It would mean another $2,000 a year. That's enough to buy a family of four groceries for 7 months or pay for 5 months' rent.

Opponents of an increase in the minimum wage overlook these benefits, and claim an increase will hurt those it's intended to help. When we last raised the minimum wage, opponents claimed that jobs would be lost throughout the economy -- especially in lower-wage sectors such as retail stores and restaurants. They predicted that unemployment rates would skyrocket for teenagers and disadvantaged workers. Some claimed that inflation would go through the roof.

The facts have proven the critics were wrong. Unemployment and inflation are the lowest they have been in roughly 30 years. Since President Clinton signed the last increase into law, over 7 million new jobs have been added. More than one million new retail jobs have been added, and restaurant jobs have grown by over 270,000.

Unemployment has also declined significantly over the same period. The unemployment rate for African-Americans has dropped from 10.6% to 8.1%. Unemployment for Hispanics is at a record low of 5.8% -- down from 8.3% in September 1996. For high school dropouts, unemployment dropped from 8.2% to 6.1% -- another record low. Teenage unemployment declined from 15.7% to 14.3%, while African-American teen unemployment went from 33% to 31%.

Employment has increased dramatically as well. Employment among African-American women has risen from 57.2% to 60.9%. And employment for welfare recipients and single mothers with children is continuing to climb, at least partly because of policies that "make work pay" such as a higher minimum wage.

Some critics claim that these employment increases might have been even greater in the absence of the minimum wage increases, but it is hard to take these claims seriously. Many surveys of employers currently show that, instead of facing pools of qualified applicants whom they refuse to hire, they are having difficulty finding applicants to fill jobs that they've already created. This simply doesn't fit the picture of an economy in which moderate increases in the minimum wage have led to fewer jobs and lost employment opportunities.

The minimum wage increase would help, not hurt, poor families. Most studies show that minimum wage increases disproportionately benefit workers in low-income families. While a majority of those who earn the minimum wage live in families with incomes above the poverty line, these incomes are often below the average level of family income in the United States. An increase in the minimum wage would therefore help a wide range of families with low-wage workers who need a raise.

Mr. Chairman, we know who will benefit from this bill. We see minimum wage workers every day when we buy a cup of coffee on the way to work. We see them cleaning our offices as we leave. We see them as we pick up our children from the child care center, or visit our parents in the nursing home. Our nation's extraordinary prosperity rests on the efforts of all these workers.

They deserve to be treated with dignity. They deserve a fair share of our prosperity. They deserve an increase in the minimum wage, and I urge you to adopt the President's proposal.

From: Melissa N. Benton on 04/21/99 03:05:11 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: See the distribution list at the bottom of this message

Subject: LRM MNB51 - - LABOR Report on S192 Fair Minimum Wage Act of 1999

NOTE: Senator Kennedy intends to offer his minimum wage bill (S. 192) as an amendment to Y2K liability legislation being considered by the Senate tomorrow. Labor therefore requests expedited clearance of its letter. The deadline is 5 p.m. TODAY.

EOP STAFF: You will not receive a hard copy of this LRM.

---------------------- Forwarded by Melissa N. Benton/OMB/EOP on 04/21/99 03:03 PM ---------------------------

LRM ID: MNB51

Emailed No Comment 4/21/99 5:09 pm

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

Wednesday, April 21, 1999

LEGISLATIVE REFERRAL MEMORANDUM

TO: Legislative Liaison Officer - See Distribution below

FROM: Janet R. Forsgren (for) Assistant Director for Legislative Reference

OMB CONTACT: Melissa N. Benton
PHONE: (202)395-7887 FAX: (202)395-6148

SUBJECT: **LABOR Report on S192 Fair Minimum Wage Act of 1999**

DEADLINE: **5 p.m. Wednesday, April 21, 1999**

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: NOTE: Senator Kennedy intends to offer his minimum wage bill (S. 192) as an amendment to Y2K liability legislation being considered by the Senate tomorrow. Labor therefore requests expedited clearance of its letter.

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59-INTERIOR - Jane Lyder - (202) 208-4371
52-HEALTH & HUMAN SERVICES - Sondra S. Wallace - (202) 690-7760

LRM ID: MNB51 **SUBJECT:** LABOR Report on S192 Fair Minimum Wage Act of 1999

RESPONSE TO
LEGISLATIVE REFERRAL
MEMORANDUM

If your response to this request for views is short (e.g., concur/no comment), we prefer that you respond by e-mail or by faxing us this response sheet. If the response is short 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.

You may also respond by:
(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
Please include the LRM number shown above, and the subject shown below.

TO: Melissa N. Benton Phone: 395-7887 Fax: 395-6148
Office of Management and Budget
Branch-Wide Line (to reach legislative assistant): 395-7362

FROM: ________________________ (Date)
________________________ (Name)
________________________ (Agency)
________________________ (Telephone)

The following is the response of our agency to your request for views on the above-captioned subject:

_____ Concur

_____ No Objection

_____ No Comment

_____ See proposed edits on pages _______

_____ Other: ____________________

_____ FAX RETURN of _____ pages, attached to this response sheet

- Minwage.wpd

s192.pdf

DRAFT 4/20/99

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

Dear Senator Kennedy:

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

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

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

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

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

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

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

Sincerely,

Alexis M. Herman

106TH CONGRESS
1ST SESSION

S. 192

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

IN THE SENATE OF THE UNITED STATES

JANUARY 19, 1999

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

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A BILL

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

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

SECTION 1. SHORT TITLE.

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

SEC. 2. MINIMUM WAGE INCREASE.

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

"(1) except as otherwise provided in this section, not less than—

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

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

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

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

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

○

Sarah Rosen
04/21/99 04:20:49 PM

Record Type: Record

To: Melissa N. Benton/OMB/EOP

cc: See the distribution list at the bottom of this message

Subject: Re: LRM MNB51 - - LABOR Report on S192 Fair Minimum Wage Act of 1999

FYI -- Lott may move to proceed to the Y2K bill tomorrow, but Hollings will object and then Lott will file cloture which won't ripen until Tuesday so the earliest that the Kennedy amendment could be considered is Tuesday, I am told.

Message Copied To:

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