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Sampson, R.J. (1997). The embeddedness of child and adolescent development: A community-level perspective on urban violence. In J. McCord (ed.), *Violence and Childhood in the Inner City* (pp. 31-77). Cambridge: Cambridge University Press.

Sampson, R., Raudenbush, S., Earls, F. (1997). Neighborhood and violent crime: A multilevel study of collective efficacy. *Science*, 277, 918-924.

Helpful links

- The Future of Children, vol. 6 (Winter 1996)
<http://www.futureofchildren.org/juv/index.htm>
- National Center for Juvenile Justice
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<http://www.ncjrs.org/jjhome.htm>
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- Office of Juvenile Justice and Delinquency Prevention
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The Effect of Minimum Wage on TANF Caseloads

Based on a JCPR working paper by Mark Turner¹

President Clinton, in his 1999 State of the Union address, proposed raising the minimum wage from \$5.15 to \$6.15 per hour in two 50¢ increments. Opponents of this policy suggest that a higher minimum wage will increase welfare rolls because employers will hire fewer low-skilled workers. Given that employment is a main route off welfare, any declines in employment owing to higher wages could result in fewer women making the transition to work. On the other hand, proponents argue that higher minimum wages create an incentive for single mothers not to go on welfare and for current recipients to leave the rolls and find work.

Using 1990 and 1991 Survey of Income and Program Participation (SIPP) data, Mark Turner estimates the effects of higher minimum wage on the employment of single mothers receiving welfare. The samples span the years from 1989 through 1993, whereas Turner's hazard model followed respondents for 2.5 years. From SIPP, one can draw a nationally representative longitudinal sample of single mothers with children younger than 18 years. Each respondent was interviewed eight times, generating 32 months of data. The data set contains demographic and family characteristics as well as monthly AFDC participation. Nine of the 50 states were excluded from the SIPP data, seven of which had minimum wages that exceeded the federal level. Turner was unable, owing to the data set, to gauge the influence of local labor market conditions; data were at the state level only.

During the study period, the federal minimum wage rose from \$3.35 in April 1990 to \$4.25 by April 1991. In 1990, 17 states had minimum wages higher than the federal wage. Twelve of these states further increased their minimum wage (average increase was 8.4%) in the following year.

The findings below, it should be noted, were derived prior to welfare reform, with its time limits and emphasis on work. In other words, welfare reform may have significantly changed how single mothers respond to labor market conditions. Such reforms may have weakened the inducement that higher wages alone had on women prior to reform. Falling caseloads may also leave mothers less responsive to higher minimum wages.

Turner looks at welfare participation and the influence of higher minimum wage in two ways. First, he considers the effect of a rise in minimum wage on the welfare caseload at a

¹ Mark D. Turner is research scientist in the Institute for Policy Studies at Johns Hopkins University, and a research affiliate at the Joint Center for Poverty Research. Turner's research focuses on social welfare, workforce development, paternal involvement, and family formation. This research was funded by a 1998-99 ASPE/Census Bureau Small Grant. The paper is available at www.jcpr.org

ization. However, the association between task-oriented families and the serious, chronic pattern was not found for the neighborhoods with high levels of social organization. These neighborhood differences were not found for either of the other two delinquency groups (chronic minor or escalating offenders). These data suggest that for families in which emotional needs are not emphasized, neighborhoods with high social organization may protect youth from susceptibility to serious and violent offending.

The effect of struggling families is also limited to the two neighborhoods with low levels of neighborhood social organization. In such

neighborhoods, children from families struggling with basic family functions show elevated risk for the escalat-

ing pattern of offending. They were also less likely to be non-delinquent. In the inner-city neighborhoods that evidenced functioning social processes, there was no elevated risk for youth from families with this configuration of characteristics for any of the delinquency patterns. Again, these results suggest that neighborhoods with functioning social processes may provide some protection for youth, even those coming from families with less than adequate functioning.

Conclusion

The results indicate that different configurations of family characteristics relate to different patterns of delinquency. The protective role of families that emphasizes emotional cohesion and strong family orientation, as well as consistent parenting and clear family roles and responsibilities, can be found in all neighborhoods. Regardless of neighborhood, children from these families are less likely to show any pattern of delinquency and are most protected from serious delinquency. However, the effects vary in magnitude by neighborhood; they are greatest in neighborhoods with greater social organization.

The importance of including this broad set of family relationship characteristics is illustrated by the elevated risk of task-oriented families. These families had relatively high levels of discipline consistency, parental monitoring, and structure in family roles, but low levels of cohesion and beliefs about family importance. Children from these families were the most at risk for serious and chronic (including violent) delinquency. These findings are consistent with previous work suggesting that the lack of an emotional base is related to increased risk for violence (Gorman-Smith et al., 1996). In these stressful neighborhoods, the lack of family emotional closeness and dependability may affect risk substantially.

Good parenting may not be enough (Gorman-Smith et al., 1998; Mason et al., 1996). The "struggling" families showed greater likelihood for an escalating pattern of delinquency, but not for serious and chronic delinquency. Thus, these families exhibit serious risk, as did task-oriented families, but for a different pattern of delinquency.

However, the relations between these two family patterns and specific delinquency pathways also depended on neighborhood context. The task-oriented families had no greater probability of serious and chronic delinquency in neighborhoods with functioning processes. It may be that if emotional

needs, such as a sense of belonging and support, are met by the neighborhood, the risk carried by the family is minimized. This may indicate an important consideration for

prevention or intervention work with such families; it may be as useful to help them connect to neighborhood support as it is to try to improve family functioning (Gorman-Smith et al., 1996; Sampson, 1997).

Overall, the patterns shown suggest that some family configurations elevate risk in the presence of certain neighborhood conditions, while others relate to risk across neighborhood types, but with varying magnitudes. Recognizing these patterns should be an important advance in designing components of family-focused interventions and in targeting groups for prevention efforts. ■

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point in time (a static model). His second approach is to examine whether higher minimum wages influence a woman's chances of leaving welfare—a look at the dynamics of welfare participation and minimum wage. In other words, given a woman's particular demographic characteristics, labor market conditions, and her participation in welfare during the previous month, what is the probability that she will leave welfare given a rise in the minimum wage?

Turner's static model, which included state labor market conditions, finds that a 50¢ increase in the minimum wage (like the one proposed by Clinton) would reduce welfare participation by a statistically significant 1.3 percentage points, or 33,000 fewer single mothers receiving welfare. Demographic and other characteristics affected the magnitude of the increase, however. Never-married mothers, nonwhites, those with more children, those with less education, those with previous welfare receipt, mothers living in subsidized housing, and those with less work experience were more likely to continue receiving welfare.

To determine whether rises in the minimum wage increase a woman's chances of leaving welfare, Turner employed a hazard model, which estimates the likelihood that a single mother will stop receiving welfare in a given month; the model factors in labor conditions and demographic characteristics. He also employed a competing risk model to determine why women leave welfare—because of higher earnings brought about by an increased minimum wage, or other reasons, in this case, marriage. Results from the hazard model, and including both state and year fixed effects, find that a 50¢ increase in minimum wage increases the probability of leaving welfare by 2.5 percentage points. Raising the minimum wage by 50¢ to \$5.65 per hour would prompt nearly 17,000 welfare recipients to leave the rolls.

Many of the same demographic and other characteristics noted above had similar effects in the hazard model. Never marrying, having more children and less education, receiving higher welfare benefits, and living in subsidized housing lowered exit rates. In contrast, older mothers, mothers having other family income sources (e.g., child support), and those with work experience are more likely to leave than their counterparts.

Estimating the effect of minimum wages on leaving welfare for work versus leaving for other reasons, Turner finds that although increased minimum wages lead to lower welfare participation because more recipients are entering the labor force, his study suggests that only a small fraction of the new entrants leave welfare because of higher earning promoted by a minimum wage increase. ■

The Future of Welfare Research



On February 17, the Joint Center for Poverty Research hosted a Research Information Session featuring Barbara Blum, the Director of the Research Forum on Children, Families, and the New Federalism. Blum, a former president of both the Foundation for Child Development and the MDRC, addressed how changes in welfare benefits since the enactment of welfare reform in 1996 have affected low-income families, and how researchers might be better able to capture true effects of these changes. Drawing on a recent paper she coauthored with Ellen C. Berrey, "Welfare Research Perspectives: Past, Present, and Future," Blum reviewed the motivation for welfare reform and the seemingly positive effects to date.

Despite these positive results, Blum emphasized the need for continued research on the affected populations. Rather than accepting the reported results as evidence of TANF's success, researchers should analyze their implications and question whether they are indeed positive. Blum noted the benefit of time-tested studies—such as New Chance; the Teen Parent Demonstration; and Learning, Earning, and Parenting (LEAP)—most of which were begun during the 1980s, as examples of programs that have improved the education levels and parenting skills of their targeted populations. Blum argued for the necessity of similar programs designed to serve low-income families.

Many multistate initiatives have also focused on the effects of reform on recipients. The Administration for Children and Families has provided resources for the Employment Retention and Advancement Program, a 10-state project focusing on employment retention, to determine which combinations of support are most effective at distributing benefits and encouraging welfare exit. Child outcomes studies are also currently in place in several states.

Despite current research activity, further investigation is needed to fully understand the implications of welfare reform. The research community must focus on how reform has affected individual groups within highly impoverished populations. Researchers should be asking, for example, how a reduction in benefits affects immigrant populations, especially children. The declining Medicaid and Food Stamps caseloads might reflect diminishing benefits for immigrants. Child outcomes are another critical area of needed research. Child poverty has declined nationally, but there are isolated rural and inner-city areas that have not seen similar declines.

Noting that the overwhelming majority of research has focused on the state of welfare "leavers," Blum argued that some attention should also be focused on those who remain within the system—the "hard to serve" populations: drug users,

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the disabled, and the mentally ill, for example. What problems do they face, and what interventions can be designed to help these families? Similarly, research is needed on those families that are sanctioned for not meeting work requirements.

Given the rapidly approaching PRWORA reauthorization deadline, Blum concluded with a framework for future research. First, issues of research quality should continue to be stressed. Concerted efforts should be made to synthesize and disseminate research, as well as to synthesize findings across states. A mechanism to discuss and exchange information at the state level would be helpful. (Some current studies that attempt cross-state comparisons include research under the New Federalism project at the Urban Institute.)

Current research projects can be enhanced by extending durations, improving representation, and refining data quality. Research should examine specific populations, high-risk families, immigrants, diverse racial groups, and child-only cases (where only children are eligible for welfare benefits). Finally, there should be more testing of special interventions where new programs may be developed and analyzed.

Depending on the outcome of the November election, the future of welfare policy could take several courses, and research could play a role in influencing its course. There is some discussion, Blum noted, of not tinkering with the current programs, of sustaining the effort and maintaining funding levels. Researchers must call attention not only to the low-wage working families but also to those families who are more difficult to serve. We want to avoid, she argued, new programs that segregate the "hard-to-serve" population from those who enter the workforce. ■

Visiting Scholars Announced

The Joint Center for Poverty Research named James Kunz and Marianne Page as its 2000-01 visiting scholars. The competitive award, which includes a full salary and up to \$10,000 in research funding, allows scholars to take a year's leave from their academic duties to concentrate on research and scholarship.

James Kunz is an assistant professor at Columbia University School of Social Work, where he focuses on the intergenerational effects of welfare and poverty, specifically how poverty in early childhood affects events in later childhood and adolescence, and subsequently, later adult outcomes, as well. During his tenure as a visiting scholar, Kunz plans to further his research by examining the effects of family and neighborhood poverty on outcomes during late childhood and early adolescence as well as examine the effects of teenage childbearing on adult psychological outcomes.

Marianne Page is an assistant professor of economics at the University of California, Davis. Her research interests lie in understanding the forces that affect inequality and the degree to which social programs can alter outcomes. She intends to explore the effects of neighborhood on socioeconomic outcomes. In a second project, Page will evaluate the effect of Title I (a targeted education program) on disadvantaged children. Kunz will begin the one-year tenure in August 2000; Page will begin in January 2001. ■

THE MINIMUM WAGE: INCREASING THE REWARD FOR WORK

March 2000

A REPORT BY THE NATIONAL ECONOMIC COUNCIL
WITH THE ASSISTANCE OF THE COUNCIL OF ECONOMIC ADVISERS
AND THE OFFICE OF THE CHIEF ECONOMIST, U.S. DEPARTMENT OF LABOR

EXECUTIVE SUMMARY

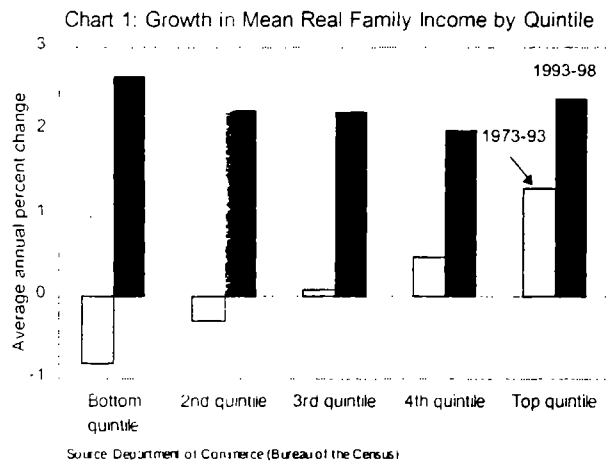
- **Raising the Minimum Wage by \$1 to \$6.15 an Hour Would Potentially Benefit More than 10 Million American Workers—Most of Whom are Adult Workers.** An analysis of labor market data shows that in 1999, 10.1 million hourly paid workers made between \$5.15 and \$6.14 an hour, and thus would potentially benefit from a \$1 increase in the minimum wage. About 69 percent of these workers are adults (age 20 or over), about 60 percent are women, about 45 percent worked full-time, and about 33 percent were parents with children under 18 years old. In 1997, the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.
- **Raising the Minimum Wage to \$6.15 an Hour Would Restore the Real Value to What It Was in 1982.** Since it was first established in 1938, the minimum wage has been increased 19 times. Between January 1981 and March 1990, the minimum wage was fixed at \$3.35 an hour, while prices rose by nearly 50 percent. The proposal to raise the minimum wage by \$1 over two years would restore the real value of the minimum wage to what it was in 1982.
- **Increasing the Minimum Wage Would Help Hard-Pressed Families Pay for Groceries, Rent, and Other Necessities.** Raising the minimum wage from \$5.15 to \$6.15 would raise the annual earnings of a full-time worker by about \$2,000 a year. A study of spending by low-income families found that they spend on average about \$300 per month on groceries and about \$400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent.
- **Recent Increases in the Minimum Wage Had No Discernable Negative Effect on Employment.** Since the minimum wage increase in 1996, the economy has created more than 10 million jobs and the unemployment rate has fallen from 5.2 percent in September 1996 to 4.1 percent in February 2000, near its lowest level in thirty years. Labor market trends for workers most affected by the minimum wage increase—including younger workers, workers with lower educational levels, and minorities—also show no negative impact of the minimum wage on employment. Numerous careful economic studies, including ones by David Card and Alan Krueger, have shown that increasing the minimum wage has no negative effect on employment. Recent research has even suggested that higher wages can increase employment, because they increase employers' ability to attract, retain, and motivate workers. And they benefit workers by increasing the reward to work.
- **The Minimum Wage Plays a Key Role in Ensuring That All Workers Share in a Growing Economy.** In the last seven years, incomes have grown nearly as strongly at the bottom as at the top of the income distribution, ending a decades long increase in inequality. In contrast, in the previous two decades inequality widened, as poorer families saw their incomes decline in real terms. Research has shown that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women.

- **The Minimum Wage Has Helped Reduce the Welfare Caseload.** By increasing the reward to work, a higher minimum wage attracts new workers into the workforce. An analysis by the Council of Economic Advisers showed that higher federal and state minimum wages were responsible for 10 to 16 percent of the decline in welfare caseloads between 1996 and 1998.
- **The Minimum Wage and the Earned Income Tax Credit Are Complementary.** A working parent with two children earning the minimum wage in 1993 made \$10,563 with the EITC (in 1998 inflation-adjusted dollars)—well below the poverty line. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty line—making \$13,268—a 26 percent inflation-adjusted increase in its standard of living.

1. INTRODUCTION

The American economy is in the midst of the longest economic expansion in history. Since January 1993, the economy has created nearly 21 million new jobs. The unemployment rate in February 2000 was 4.1 percent, near its lowest level in three decades. The overall performance of the economy has only grown stronger over time. In the last four years, labor productivity has grown at a 2.9 percent annual rate and GDP has grown at a 4.4 percent annual rate. At the same time, the underlying core inflation rate in 1999 was 1.9 percent—the lowest rate since 1965.

In contrast to the previous twenty years, the strong economy of the last seven years has contributed to shared growth across all income groups and substantial poverty reduction. As indicated in Chart 1, incomes have grown nearly as strongly at the bottom as at the top of the



income distribution, ending a decades long increase in inequality. The poverty rate has fallen to 12.7 percent, the lowest level since 1979. The strong labor market has been beneficial to people across the economic and demographic spectrum. In 1999, the unemployment rates for African Americans and Hispanics fell to the lowest levels ever recorded.

Strong growth is necessary but not sufficient to produce sustained income gains and poverty reduction. Also important are policies that insure that all workers are

rewarded for their work. The Clinton Administration has consistently sought to make work pay through a range of policies, including expanding the Earned Income Tax Credit in 1993, reforming welfare in order to increase work incentives, and increasing investments in child care for working parents. And an additional key element was the 1996-97 increase in the minimum wage. These policies interact in a beneficial way for low-income families. For instance, a working parent with two children earning the minimum wage in 1993 made \$10,563 with the EITC (in 1998 inflation-adjusted dollars), well below the poverty threshold. With the 1993 increase in the EITC and the 90 cent increase in the minimum wage in 1996 and 1997, a comparably situated family in 1998 was above the poverty level—making \$13,268—a 26 percent inflation-adjusted increase in their standard of living.

This report examines the role that the minimum wage plays in increasing the reward to work and boosting incomes for workers at the bottom of the earnings distribution. The report also examines the recent evidence about the effect of the minimum wage on employment.

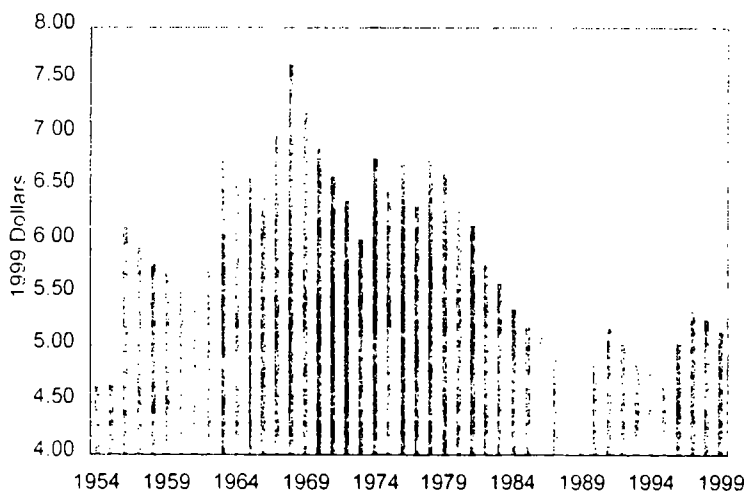
2. BACKGROUND ON THE MINIMUM WAGE

A federal minimum wage of 25 cents was first established as a part of the Fair Labor Standards Act of 1938 (FLSA). Since its inception, the federal minimum wage has been increased 19 times, and the FLSA has been amended numerous times to expand the workers covered by the minimum wage provision. In recent years, about two thirds of wage and salary workers have been covered by the FLSA minimum wage. (Workers who are exempt most often are in executive, administrative, and professional occupations.)

The federal minimum wage reached its highest value in real terms in 1968, at \$7.67 in 1999 dollars (see Chart 2). With five increases during the 1970s, the minimum wage held its value at approximately \$6.60. The last increase of the 1970s left the inflation-adjusted value at \$6.66. From January 1981 through March 1990, the minimum wage was unchanged, while at the same time prices rose by nearly 50 percent. This eroded the real value of the minimum wage at the end of the 1980s to \$4.50. The dollar level of the minimum wage was increased from \$3.35 to \$3.80 in 1990 and to \$4.25 in 1991. In real terms the value of the minimum wage was still well below the 1968 peak.

Even with the modest inflation of the 1990s, the minimum wage lost value, falling to \$4.65 in 1995. By 1996, the minimum wage adjusted for inflation was approaching a 40-year low. Inflation had largely wiped out the last increase in the minimum wage in 1990. In August 1996, Congress passed and President Clinton signed into law a two-step increase, lifting the minimum wage from \$4.25 to \$5.15. The first step of that increase went into effect October 1, 1996 and the second step on September 1, 1997. More recently, President Clinton proposed to increase the minimum wage by \$1 over two years, raising it to \$6.15. If the full increase were implemented in 2001, this would restore the real value of the minimum wage to its 1982 level, about 75 percent of the 1968 peak value.

Chart 2: Real Level of the Minimum Wage



Source: Department of Labor (Bureau of Labor Statistics)

3. THE 1996-97 MINIMUM WAGE INCREASE

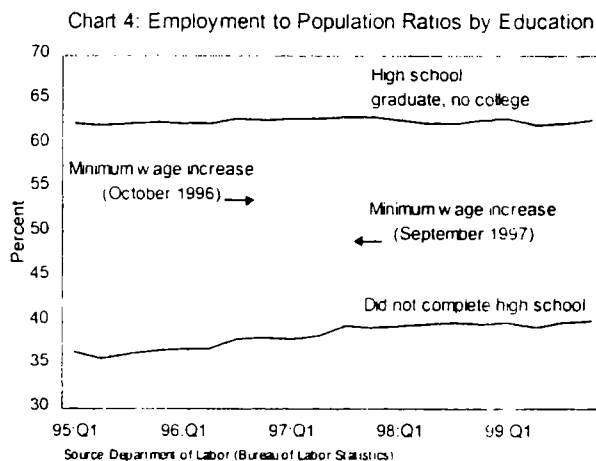
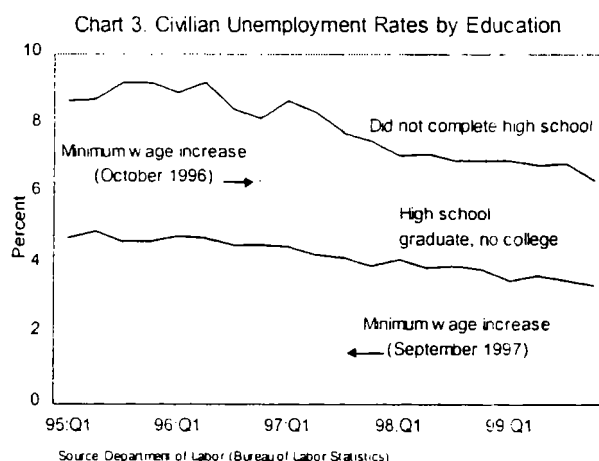
The \$0.90 increase in the minimum wage in 1996 and 1997 is estimated to have benefited almost 10 million American workers.¹ This section examines the impact of this increase on employment and the distribution of wages.

Effect on Employment

Since the 1996-97 increase in the minimum wage, the American economy—and labor markets in particular—have continued to perform very strongly. Between September 1996 and February 2000, 10.2 million jobs were created—an average of 248,000 per month, even stronger job growth than in the previous 2 years. In retail trade, which has a large concentration of minimum wage workers, there were 1.4 million new jobs. Over this same period the overall unemployment rate fell from 5.2 percent to 4.1 percent.

In addition, welfare rolls have declined 44 percent since welfare reform was enacted in August 1996. A report by the Council of Economic Advisers (1999) suggests that 10 to 16 percent of the welfare caseload decline from 1996 to 1998 was attributable to the increases in federal and state minimum wages. Other important factors were changes in welfare policy and the decline in unemployment.

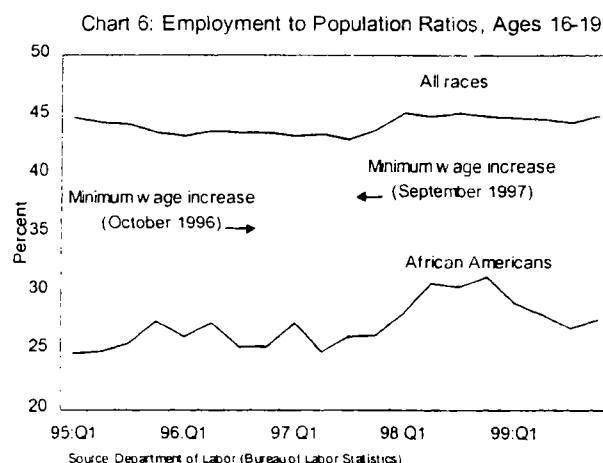
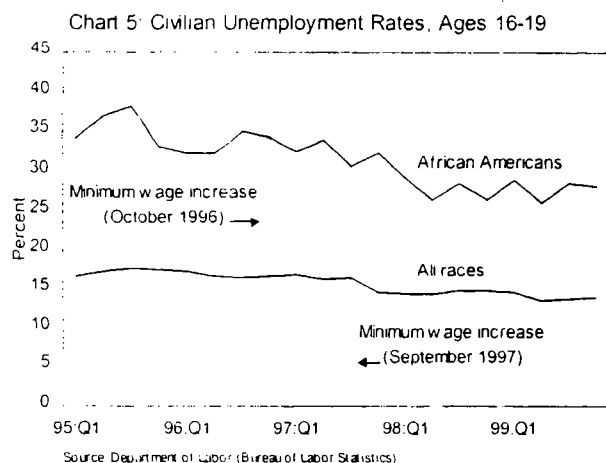
The strong labor market of the last four years, however, is not definitive proof that the minimum wage has no adverse effects on employment. Numerous other factors affect the job market, and workers paid at or near the minimum wage are a relatively small fraction of the overall workforce. A better test of the impact of minimum wage increases is the experience of workers most likely to be affected by the increases. An examination of data for these workers also shows no discernable negative effect of the last minimum wage increase. For example, adults (age 25 and above) with lower levels of education generally have relatively low wages. As Chart 3 indicates, though, quarterly unemployment rates have generally declined for both high school graduates with no college and those with less than a high school education. Chart 4 shows, similarly, that over the past five years the employment to population ratio generally held steady or increased for both groups of adults. No visible disruptions to these trends are apparent following either the 1996 or 1997 minimum wage increases. Comparable



¹ See Bernstein and Schmitt (1998).

observations pertain for teenage workers in general, and for African American teens specifically (Charts 5 and 6).²

These data provide evidence that the minimum wage increase did not have a major negative effect on employment. Still, as suggestive as this evidence is, it does not provide rigorous statistical tests that control for the myriad of factors that affect employment. Section 5 reviews the evidence from recent economic studies.



Effect on Wages for Low-income Workers

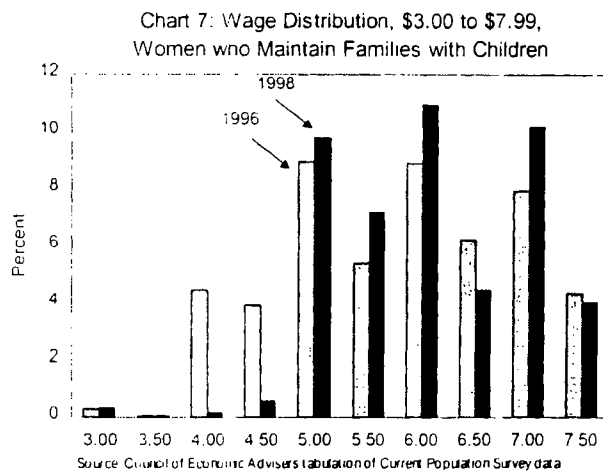
Recent increases in the minimum wage in the U.S. have improved the distribution of wages at the low end of the distribution. Fortin and Lemieux (1997) demonstrate the importance of the minimum wage in boosting wages at the low end, and reducing wage inequality. They show that the decline in the real value of the minimum wage from 1979 to 1988 was responsible for approximately 24 percent of the increase in wage inequality experienced by men and about 32 percent of the increase in wage inequality for women. Card and Krueger (1995) conclude that the 1990-91 minimum wage increase reversed about 30 percent of the increase in wage inequality that occurred during the previous decade.

The effect of the recent minimum wage increase—in October 1996 and September 1997—on the wage distribution is clearly evident in wage data. Statistics tabulated from the Current Population Survey (CPS), show that in the first two quarters of 1996, when the federal minimum wage was \$4.25, about 10 percent of all hourly wage workers earned less than \$5.00.³ The minimum wage increase (to \$5.15) clearly increased wages in the low end of the distribution; by the first two quarters of 1998, the fraction of workers earning less than \$5.00 declined to 2 percent.

² One careful statistical analysis (Neumark, 1999) shows that the 1996-97 minimum wage increases had no effect on the general employment of 16-19 year olds.

³ The analysis presented in this paper excludes salaried and other non-hourly workers. Research has shown, however, that a relatively smaller number and share of salaried workers and others not paid by the hour have earnings that, when translated into hourly rates, are at or below the minimum wage. BLS does not routinely estimate hourly earnings for nonhourly workers because of data concerns that arise in producing these estimates. See Haughen and Mellor (1990) for further information.

Chart 7 illustrates the effect of the 1996-97 minimum wage increases on the low end of the wage distribution (\$3.00 to \$7.99) for just one demographic group of interest, women who maintain



families and have at least one child present in the household.⁴ For 1996, the distribution of wages shows that a relatively small share of workers with hourly wages earn between \$3.00 and \$3.99.⁵ In contrast, a substantial fraction earned between \$4.00 and \$4.49. (The chart shows the distribution by 50-cent increments.) This jump, of course, reflects the clustering of workers whose wages were at or near the minimum wage. The comparable distribution for 1998 indicates a shift that was clearly due to the change in minimum wage policy. In the first two quarters of 1996, about 9 percent of these women earned less

than \$5.00. By the first two quarters of 1998, this fraction declined to 2 percent.

At the same time, an increasing share of workers earned wages above \$6 and \$7, suggesting that the increase in the minimum wage had spillover benefits for workers above the minimum wage. Such spillover effects have been documented more formally in research by Grossman (1983), Katz and Krueger (1992), and Card and Krueger (1994).

4. RAISING THE MINIMUM WAGE TO \$6.15: WHO IS DIRECTLY AFFECTED?

Raising the minimum wage from \$5.15 to \$6.15 would raise the annual earnings of a full-time worker by about \$2,000 a year. A study of spending by low-income families found that they spend on average about \$300 per month on groceries and about \$400 per month on rent. Thus, for a full-time worker, the minimum wage increase would translate into enough money to pay for nearly 7 months of groceries or 5 months of rent. This section provides a detailed examination of the workers that would benefit from a further increase in the minimum wage.

Characteristics of Minimum Wage Workers in 1999

Evidence about workers who currently earn the minimum wage is available from unpublished tabulations provided by the Bureau of Labor Statistics (BLS) based on data from the CPS. In 1999, 72.3 million workers were paid at hourly rates, representing about 61 percent of wage and salary workers. It is estimated that 3.3 million workers—4.6 percent of all workers who are paid an hourly rate—earn a wage at or below the current \$5.15 Federal minimum. Of these 3.3 million workers, about 1.1 million reported a wage at exactly \$5.15, while the remainder, 2.2

⁴ A family maintained by a woman is one in which the householder (person in whose name the housing unit is rented or owned) is female, and no spouse is present. Here we examine such households when a child under 18 is present.

⁵ The presence of workers with reported wages below the minimum wage does not necessarily indicate violations of the Fair Labor Standards Act. There are several reasons why the reported wage for a worker may be below the Federal minimum. First, certain workers are exempt from the minimum wage provisions of the law, including workers for whom tips might serve to supplement the hourly wages received. Second, there may be a misreporting or rounding in the survey responses. When the minimum wage is \$5.15, for example, a large number of workers report a wage of exactly \$5.00.

million, earned a wage less than \$5.15. A study by Bernstein and Schmitt (1998) indicated that in 1997 the earnings of average minimum wage workers accounted for 54 percent of their family's total earnings.

Selected demographic and economic characteristics for these workers are presented in Table 1. The statistics indicate that about 70 percent of workers earning \$5.15 or less were age 20 or older. 64 percent of these workers are women.

How Many Workers would be Affected by an Increase in the Minimum Wage?

Using the CPS data described above, it is possible to examine the number and characteristics of workers who would potentially receive a pay raise from a \$1.00 increase in the federal minimum wage. Table 2 presents the number of individuals who currently have an hourly wage between \$5.15 and \$6.14. This table indicates that:

- There are approximately 10.1 million workers within this wage range—about 14 percent of all workers paid an hourly rate.
- 69 percent of the affected workers are adults age 20 or older.
- About 60 percent of these workers are women.
- 16 percent are African American and 20 percent are Hispanic.
- 37 percent are the household head or a spouse who contributes to family income.

Other respected studies have looked at the question of who would potentially benefit from an increase in the minimum wage, focusing on family and income characteristics. Some highlights from these studies are:

- Parents with children under 18 years old comprise almost 33 percent of those potentially affected. (Bernstein, Hartmann, and Schmitt, 1999).
- Over 50 percent of the proposed gains would go to households with incomes less than \$25,000 per year. (Bernstein, Hartmann, and Schmitt, 1999).
- 45 percent of the gains go to families with incomes below 200 percent of the poverty level, and an additional 19 percent to families with income below 300 percent of the poverty level. (Burkhauser, 1999).

There are other workers who would also likely benefit from a \$1.00 minimum wage increase in addition to those workers that report hourly wages between \$5.15 and \$6.14. As noted above, a number of the over 900,000 workers who report a \$5.00 per hour wage are also likely to be workers currently at the minimum wage, but mis-reporting their earnings. There is also evidence, as discussed earlier, that workers who earn wages just above the new minimum can see their pay rise as a result of the minimum wage increase. To help gauge the size of this group in the event of a minimum wage increase to \$6.15, Table 2 also presents the number of workers with hourly wages between \$6.15 and \$7.14. In 1999 there were approximately 8.4 million such workers, many of whom could indirectly benefit from a minimum wage increase.

Appendix A presents a breakdown of the number of workers that would benefit by state. While the most populous states would have the greatest number of workers in these wage categories (California, for example, has almost 1.5 million workers with wages between \$5.15 and \$6.14) the evidence suggests that thousands of workers in every state would potentially benefit from a \$1.00 increase in the minimum wage.

Table 1. Employed Wage and Salary Workers Paid Hourly Rates with Earnings At or Below Minimum Wage, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demogra phic group who earn \$5.15 or less
	Total paid hourly rates	Paid \$5.15 or less	Total paid hourly rates	Paid \$5.15 or less	
Total, 16 years and over	72,306	3,340	100.0	100.0	4.6
AGE					
16 to 19 years	6,600	1,006	9.1	30.1	15.2
20 and over	65,706	2,334	90.9	69.9	3.6
SEX					
Men, 16 years and over	36,073	1,214	49.9	36.3	3.4
Women, 16 years and over	36,233	2,126	50.1	63.7	5.9
RACE AND HISPANIC ORIGIN					
White	58,999	2,698	81.6	80.8	4.6
African American	10,126	515	14.0	15.4	5.1
Hispanic	9,402	513	13.0	15.4	5.5
FULL- AND PART-TIME STATUS					
Full-time workers	54,931	1,320	76.0	39.5	2.4
Part-time workers	17,227	2,010	23.8	60.2	11.7
FAMILY RELATIONSHIP					
Husbands	17,609	242	24.4	7.2	1.4
Wives	16,996	622	23.5	18.6	3.7
Women who maintain families	5,395	288	7.5	8.6	5.3
Men who maintain families	1,815	50	2.5	1.5	2.8
Other persons	30,491	2,082	42	62	28

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

Table 2. Distribution of Wage and Salary Workers Paid Hourly Rates, 1999

Characteristic	Number of workers (in thousands)		Percent distribution		Percent of workers in demographic group who fall in wage category	
	\$5.15 - \$6.14	\$6.15 - \$7.14	\$5.15 - \$6.14	\$6.15 - \$7.14	\$5.15 - \$6.14	\$6.15 - \$7.14
Total, 16 years and over	10,093	8,370	100.0	100.0	14.0	11.6
AGE						
16 to 19 years	3,133	1,482	31.0	17.7	47.5	22.5
20 and over	6,960	6,888	69.0	82.3	10.6	10.5
SEX						
Men, 16 years and over	4,076	3,405	40.4	40.7	11.3	9.4
Women, 16 years and over	6,018	4,965	59.6	59.3	16.6	13.7
RACE AND HISPANIC ORIGIN						
White	8,027	6,668	79.5	79.7	13.6	11.3
African American	1,602	1,336	15.9	16.0	15.8	13.2
Hispanic	1,989	1,447	19.7	17.3	21.2	15.4
FULL- AND PART-TIME STATUS						
Full-time workers	4,563	5,301	45.2	63.3	8.3	9.7
Part-time workers	5,512	3,048	54.6	36.4	32.0	17.7
FAMILY RELATIONSHIP						
Husbands	851	990	8.4	11.8	4.8	5.6
Wives	1,821	1,962	18.0	23.4	10.7	11.5
Women who maintain families	855	807	8.5	9.6	15.8	15.0
Men who maintain families	171	167	1.7	2.0	9.4	9.2
Other persons	6,396	4,445	63	53	84	58

Note: Data exclude the incorporated self-employed. Detail for the above race and Hispanic-origin groups will not sum to totals because data for the "other races" group are not presented and Hispanics are included in both the white and black population groups. Also note that the distinction between full- and part-time workers is based on hours usually worked. These data will not sum to totals because full- or part-time status on the principal job is not identifiable for a small number of multiple jobholders.

Source: U.S. Department of Labor (Bureau of Labor Statistics), unpublished tabulations from the Current Population Survey, 1999 annual averages.

5. ECONOMIC RESEARCH ON THE EFFECT OF THE MINIMUM WAGE ON EMPLOYMENT

The impact of a moderate increase in the minimum wage on employment is a key question for policymakers. Clearly, while an increase in the minimum wage benefits those workers who receive it, some have raised concerns that these direct gains may be partially or fully offset if the minimum wage increase leads to greater unemployment among lower income workers. Section 3 discussed some of the aggregate evidence from the 1996-97 experience. This section discusses the economic theory and empirical evidence behind the effects of the minimum wage on employment.

Recent Economic Theory on the Impact of the Minimum Wage on Employment

The traditional economic theory of supply and demand predicts that an increase in the minimum wage above the market rate would increase the cost faced by employers, causing them to reduce employment. Recent theoretical analyses, however, have challenged this conventional wisdom, examining reasons why some employers may respond to a moderately higher minimum wage by expanding employment. Specifically, higher wages can help firms attract better workers, motivate them to work harder, and retain them for longer periods. (While firms always have the option of increasing their pay rate, some managers leave wages unchanged because of reluctance to increase average labor costs.) At least five papers—recently published in peer-reviewed economics journals—rigorously study this logic.⁶ These papers show that a moderate minimum wage can have a positive effect on employment. In general, then, an increase in the minimum wage has an ambiguous effect on employment. The only way to determine the effect in practice is to look at the empirical evidence.

Recent Empirical Evidence on Employment Effects

In an important book, economists David Card and Alan Krueger (1995) provide a critical analysis of previous research, and present their own extensive exploration of the wide variation in minimum wages across states found in the late 1980s and early 1990s. Their work shows that there were no negative employment effects even for teenagers, the group for whom any disemployment effects should be most apparent. Similarly, their detailed analysis fails to find disemployment effects of a minimum wage in the retail trade or in employment of fast food restaurants. More recent studies confirm these results.

Employment in Fast Food Restaurants. To determine the impact of minimum wages on employment, one would like to gather data from firms prior to a minimum wage increase and see how firms adjust employment relative to other similar firms for which the minimum wage does not increase. New work by Card and Krueger (forthcoming) comes closest to doing this. In 1992, New Jersey imposed a higher minimum wage, and yet the neighboring state of Pennsylvania did not. And then in 1996 an increase in the federal minimum wage affected Pennsylvania but not New Jersey. These two episodes provide an experiment that can be used to infer the effects of a minimum wage increase on employment. Card and Krueger use the BLS's employer-reported payroll files from 1991 through 1997 to evaluate employment growth of fast

⁶ See Bhaskar and To (1999), Dickens, Machin, and Manning (1999), Lang and Kahn (1998), Manning (1995), and Rebitzer and Taylor (1995). Additional discussion of these models are found in Chapter 11 of Card and Krueger (1995).

food restaurants in New Jersey and nearby counties in Pennsylvania. They conclude that the minimum wage changes had very little (and possibly slightly positive) effect on employment.⁷

The British Experience. Dickens, Machin, and Manning (1999) studied the British experience with minimum wages. They found "...strong evidence that [minimum wages] compressed the distribution of earnings and no evidence that they have reduced employment."

6. CONCLUSION

The evidence is convincing that moderate increases in the minimum wage have provided meaningful additional earnings for many of America's most hard-pressed working families with no discernible negative employment effects. Increasing the minimum wage is one of the ways that government can help ensure that everyone continues to share in the benefits of growth. When the minimum wage was fixed from 1981 to 1990, the wages and incomes of poorer workers fell in real terms. Thanks to the 1996-97 minimum wage increase, today the minimum wage is helping to ensure that a single parent with two children does not have to raise his or her children in poverty.

The minimum wage is just one component of an overall strategy for insuring that all families benefit from the nation's economic growth. The President's proposed expansion in the Earned Income Tax Credit—to increase benefits for families with three or more children, reduce the marriage penalty, and reduce the phaseout rate—would enhance the value of a higher minimum wage, especially for families with more children and thus greater needs. At the same time, the President is committed to continuing to make important investments in people. Since 1993, the budget for education and training programs has nearly doubled and the President is proposing record increases for a number of key education programs, including Head Start, in his FY 2001 budget. Together, these policies are an investment in continued strong and shared economic growth.

⁷ While some critics of Card and Krueger expressed concern about their data collection, the most recent research uses BLS employment records and finds basically the same results.

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Appendix: Distribution of Wage and Salary Workers Paid Hourly Rates by State, 1999

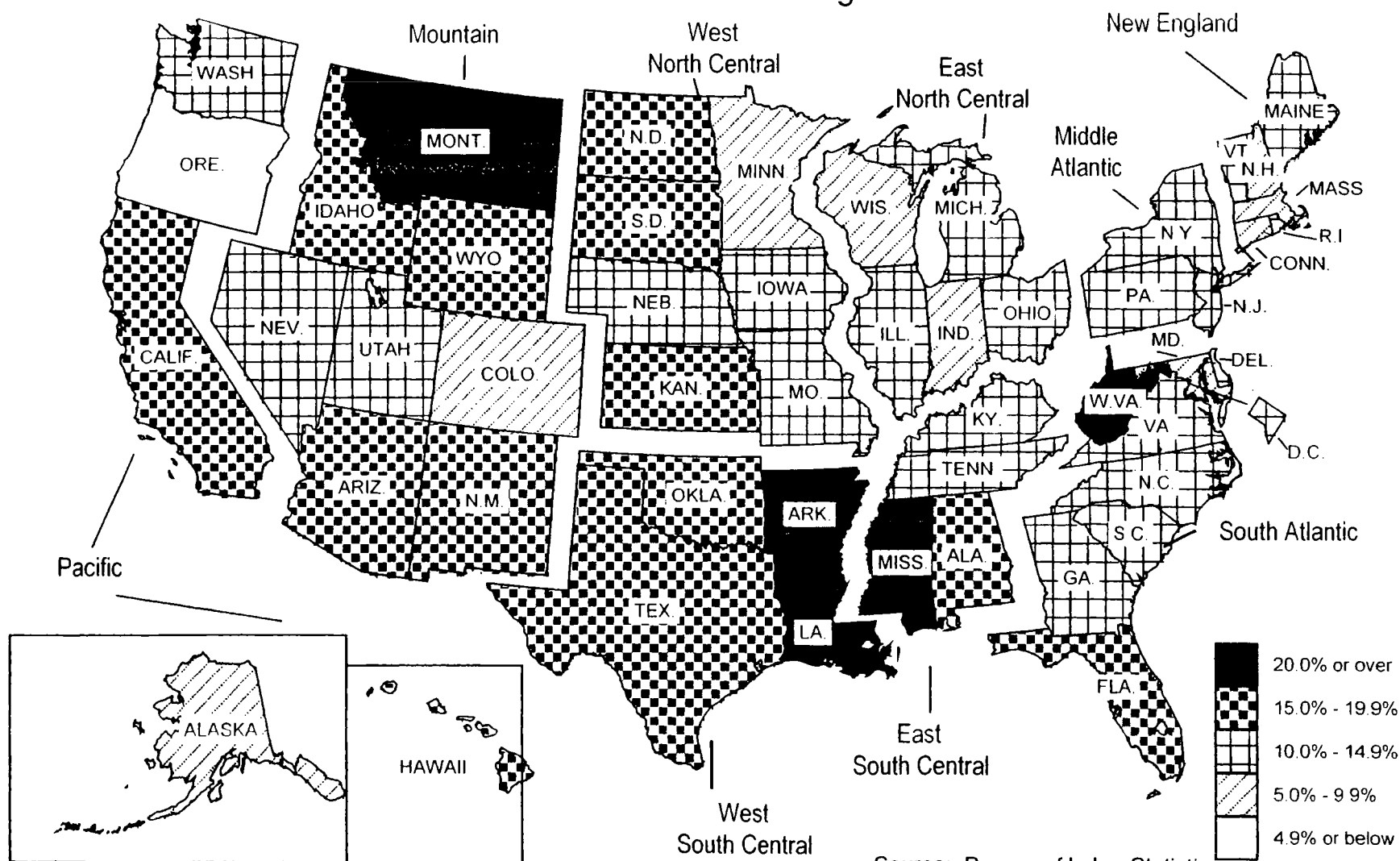
	Number (in thousands)		Percent of All Wage and Salary Workers	
	\$5.15 to \$6.14	\$6.15 to \$7.14	\$5.15 to \$6.14	\$6.15 to \$7.14
Total	10,093	8,370	13.9	11.6
Alabama	202	146	18.1	13.1
Alaska	9	13	5.5	7.6
Arizona	200	157	15.2	11.9
Arkansas	130	101	20.9	16.2
California	1,463	1,023	17.4	12.1
Colorado	79	92	7.3	8.4
Connecticut	62	70	7.5	8.6
Delaware	22	21	10.8	10.0
DC	12	12	10.0	10.7
Florida	597	530	15.5	13.8
Georgia	267	248	13.1	12.3
Hawaii	47	29	15.0	9.4
Idaho	58	45	15.6	12.3
Illinois	428	354	13.2	10.8
Indiana	180	209	9.8	11.4
Iowa	103	91	11.2	9.9
Kansas	123	96	15.6	12.3
Kentucky	157	161	14.2	14.7
Louisiana	297	123	25.9	10.7
Maine	45	39	11.8	10.4
Maryland	125	137	9.5	10.5
Massachusetts	161	162	9.6	9.7
Michigan	341	312	11.3	10.3
Minnesota	115	121	8.0	8.4
Mississippi	146	74	22.7	11.5
Missouri	172	169	11.9	11.8
Montana	54	32	21.5	12.7
Nebraska	67	68	13.2	13.6
Nevada	60	60	11.2	11.3
New Hampshire	29	31	8.2	8.5
New Jersey	205	187	10.6	9.8
New Mexico	75	39	18.0	9.1
New York	566	395	14.8	10.3
North Carolina	247	223	12.4	11.2
North Dakota	34	29	18.3	15.9
Ohio	427	356	12.7	10.6
Oklahoma	170	126	19.6	14.5
Oregon	35	184	3.7	19.7
Pennsylvania	454	338	13.8	10.3
Rhode Island	37	25	13.4	9.3
South Carolina	153	116	14.9	11.3
South Dakota	33	29	15.2	13.7
Tennessee	208	216	13.6	14.2
Texas	929	653	18.5	13.1
Utah	61	84	10.1	14.0
Vermont	21	20	12.4	11.5
Virginia	218	207	13.6	12.8
Washington	180	158	10.9	9.6
West Virginia	106	60	22.2	12.8
Wisconsin	157	177	8.9	10.0
Wyoming	25	19	17.8	13.8

Note: Workers in the \$5.15 to \$6.14 category would be directly affected by a \$1.00 increase in the minimum wage. Those in the \$6.15 to \$7.14 category could be affected by spillovers.

Source: U.S. Department of Labor, Bureau of Labor Statistics, unpublished tabulations from the Current Population Survey, 1999.

Percentage of workers paid hourly rates earning between \$5.15 and \$6.14 per hour, by State (U.S. percentage = 14.0 percent)

1999 annual averages



Source: Bureau of Labor Statistics

REPUBLICAN LEADER MAKES CONCESSION ON MINIMUM WAGE

CONTINGENT ON TAX CUTS

House Speaker Seeks Relief for Small Businesses to Offset \$1 Hourly Rise by '02

By ERIC SCHMITT
with LOUIS UCHITELLE

WASHINGTON, Aug. 28 — Speaker J. Dennis Hastert today offered significant concessions to Democrats on a plan to raise the federal minimum wage, moving to end months of stalemate on a popular bill that Republicans feared could damage them at the polls.

The House and Senate earlier this year approved an increase in the minimum wage by \$1 to \$6.15 an hour, with the increase coming in 50-cent increments over two years, in the House version and smaller annual amounts over three years in the Senate bill. The conflicting bills then stalled in the conference committee that was supposed to reconcile them, raising fears among some Republicans that they they were handing Democrats a potent campaign issue.

In a letter to President Clinton today, Mr. Hastert sought to take that threat off the table. He agreed to the Democrats' demands to spread the \$1 increase over two years, but insisted on \$76 billion in tax cuts for small business over 10 years to help these companies pay "the costs of this wage increase."

In another concession, Mr. Hastert proposed dropping pension provisions and a repeal of the estate tax that were attached to the minimum wage bill by House Republicans and that Democrats had criticized as a giveaway to wealthy Americans. Both of these provisions, however, have moved through the Congress on separate tracks and now must be dealt with on their own.

"It is very clear that a vast majority of congressional Democrats and Republicans would like to see a balanced approach before we adjourn," Mr. Hastert said.

Mr. Hastert's proposal makes the minimum wage, in effect, the opening issue among Democrats and Republicans in Congress when they return next week from their late-summer recess.

White House officials and Democratic leaders in Congress expressed cautious optimism that both parties would agree in the next month to raise the minimum wage for the first time since 1996. Officials signaled that a compromise could be reached

on the Republican insistence on the small-business tax cuts.

"If at long last the Republicans are serious about dropping many of their roadblocks to a \$1 increase over two years, then that's good news," Gene Sperling, head of the White House's National Economic Council, said in an interview. "There still remain some obstacles, but the president stands ready to work in good faith with Congress to get a bill he can sign."

Mr. Hastert's letter reflects his desire to turn a political liability into a virtue in time for the fall elections.

The initiative for the minimum wage offer came from Mr. Hastert and reflects how House Republicans feel more politically vulnerable on the issue than their Senate counterparts. Mr. Hastert said that Senator Trent Lott, the majority leader, shared his views, but only the speaker signed the letter.

A spokesman for Senator Lott, John Czwartacki, said he had not seen Mr. Hastert's letter but added, "Senator Lott supports moving the minimum wage increase as long as it's tied to small-business tax relief."

In another sign that Mr. Hastert is seeking to secure his legislative gains for the bruising fall elections, the speaker is also paring back on the tax-cut proposals that he will press for, cuts for married couples and retirement savings.

Mr. Hastert's offer comes just days after Governor George W. Bush found himself defending his proposed tax cut, and admitting that he needed to do a better job of promoting it.

Scott McClellan, a spokesman for the Bush campaign, said the Texas governor supported a \$1-an-hour increase in the minimum wage although he did not know if Mr. Bush supported the specific details in the compromises being discussed by Mr. Hastert and the Democrats.

Congressional Democrats greeted Mr. Hastert's offer cautiously, and seemed tempted to milk even more political mileage out of his political predicament.

"The proposal that the speaker made was in the right direction," said Representative David E. Bonior of Michigan, the second-ranking House Democrat and a sponsor with Senator Edward M. Kennedy of Massachusetts of the Democrats' original \$1-over-two-years bill.

The Republicans "are high on the tax relief side and low on the benefit to minimum-wage workers," Mr. Bonior added, "but it is my view that we can work this out and we can get

a bill by sometime next month."

Mr. Bonior noted that the current minimum wage, \$5.15 an hour, has lost purchasing power in the more than two years since he and Mr. Kennedy first asked Congress for the additional \$1 increase.

The \$5.15 would have to rise by 24 cents to restore its 1998 purchasing power, according to an estimate furnished by Jared Bernstein, a labor economist at the Economic Policy Institute. The minimum wage reached its greatest purchasing power in 1968 when it was worth the equivalent of \$7.49 in 1999 dollars.

Before Mr. Hastert beat them to the punch, going public with the Republican proposal, the Democrats had been discussing a revision of their original bill, one that would increase the minimum wage by more than \$1. The aim was partly to restore the lost purchasing power and partly to answer the Republican insistence on raising the wage over three years instead of over two.

Mr. Hastert's proposal of a \$76 billion tax cut for small business drew criticism from Mr. Bonior, who said that it was almost four times greater than the \$20 billion in tax relief that the Republicans had sought in 1996, the last time Congress

approved a minimum wage increase.

The Republican proposal would also remove from minimum wage coverage some workers now covered by the law.

"After three years of foot-dragging, Republicans appear ready to sign on to a wage increase for the lowest paid workers," Senator Kennedy said. "But their proposal is loaded with poison pills and oversized tax breaks for the wealthy."

Some House Republicans, however, criticized Mr. Hastert for compromising at all. "I've never been in favor of bargaining on the minimum wage," said Representative John Shadegg, an Arizona Republican who voted against the wage increase in March. "The package does not give businesses anywhere near the relief they're going to need."

In his weekly radio address on July 29, just before the Republican National Convention, Mr. Clinton appealed to Republicans to break the wage impasse.

"If Republican leaders really want to make their compassion count, they ought to join me in getting back to business and raising the minimum wage," Mr. Clinton said.

An increase in the minimum wage, to \$6.15 an hour, would affect 10.1 million workers who now earn between \$5.15 an hour and \$6.14, and millions more who earn up to \$6.70 an hour and would enjoy raises to maintain their margin over the new minimum wage, economists say.

Two-thirds of the 10.1 million directly affected workers are over age 20, often a family's principal earners, while one-third are teenagers. When Congress voted in 1996 to raise the minimum in two annual steps, to \$5.15 an hour on Sept. 1, 1997, from \$4.25, there was much concern that millions of low wage workers would lose their jobs because they lacked enough skills to justify higher pay.

But the 1996 increases came just as the economy began to boom, and the unemployment rate, instead of rising, fell steadily. Now, the concern over job loss is muted, the argument being that the strong economy is raising the pay of low-skilled workers anyway.

"The modest proposal people are talking about — \$1 over two years — is pretty close to what would happen anyway in the marketplace," said Kevin Murphy, a labor economist at the University of Chicago, who had argued in 1996 that the proposed increase in the minimum wage, to \$5.15 an hour, would cost jobs.

MINIMUM WAGE RISE OF \$1 IS APPROVED

In Adding Tax Cut Plan, House Draws Clinton Veto Threat

A1 By ERIC SCHMITT

WASHINGTON, March 9 — The House agreed today to increase the federal minimum wage by \$1 to \$6.15 an hour but coupled the measure to a \$123 billion tax-cut package sponsored by the Republicans and subject of a threatened veto by President Clinton, imperiling the raise.

Republicans staged separate votes on the two measures, seeking to defuse a politically potent Democratic issue in the November election by promoting one of their own, tax cuts, and then merged the two measures into one bill.

The political effect, however, is that the measures negate each other.

"I will veto the bill Republicans in the House passed tonight if it comes to my desk," Mr. Clinton said in a statement tonight.

The final vote on the wage increase was 282 to 143. But the crucial vote, taken earlier on a Democratic amendment to spread the raise over two years instead of three, passed by a narrower margin, 246 to 179.

On that measure, which gives more money sooner to more than 10 million Americans toiling at the bottom of the economic ladder, 42 Republicans joined 203 Democrats and 1 independent in favor, while 173 Republicans, 5 Democrats and 1 independent opposed. When it became clear this would be the bill's final version, 36 Republicans switched their votes on final passage.

Proponents of the tax cuts said they would ease the impact of the wage increase on employers, pensioners and poor rural and urban

communities. But Democrats denounced the cuts as largely benefiting the rich.

Two-thirds of the tax bill's 10-year cost comes from a gradual reduction in the estate tax, \$78.6 billion over the decade, with Democrats calling the measure a giveaway to people with annual incomes over \$319,000.

That tax measure passed, 257 to 169, with 41 Democrats joining 215 Republicans and 1 independent in favor, and 167 Democrats, 1 Republican and 1 independent voting against.

Last month, the Senate approved an overhaul of bankruptcy laws that included a \$1 increase in the minimum wage over three years and \$76 billion in tax breaks over 10 years. House and Senate negotiators must now reconcile the competing versions.

Looming over those talks was Mr. Clinton's threat to veto the overall bill because it repeals key overtime protections and provides tax breaks that gobble up too much of the projected budget surplus that could be used to shore up Medicare and Social Security.

"Congress should send me a bill I can sign: a clean straightforward bill that raises the minimum wage by a dollar over two years," Mr. Clinton said in the statement. Combined with the House's passage last month of a bill to cut taxes for married couples by \$182 billion over the next decade, Republicans have now approved two pillars of their \$792 billion, 10-year tax plan that Mr. Clinton vetoed last year.

This year, Republicans have adopted the strategy of breaking out important parts of that bill and ramming them through the House, knowing that the measure's prospects in the Senate are uncertain and that it is doomed at the White House.

But in an election year, House Republicans are willing to pocket the floor votes as legislative triumphs and portray the White House as out of step with public opinion.

"Once again, Democrats are fighting tax relief, all tax relief," said Representative Bill Archer, the Texas Republican who heads the House Ways and Means Committee.

The tax package would gradually increase the 401(k) contribution limit and make other pension changes. It would make health insurance premiums fully tax deductible for self-employed people sooner than under

current law. As well, it would increase the amount of business meals that could be deducted and repeal accounting rules that require small business owners to pay capital gains immediately on the sale of their businesses, even if paid by the buyer in installments.

Republicans staged the dual votes tonight on the minimum wage and tax breaks to prevent Democrats from pushing through their own pay raise, which has support from moderate Republicans from the Northeast.

But instead of waging a contentious battle as they did in 1996, the last time Congress increased the minimum wage, Republican leaders acknowledged that a pay raise was an election-year inevitability. The only questions centered on when the increases would take effect and how large the tax cuts would be.

About 10 million full-time workers paid the minimum wage now earn about \$10,700 a year. Raising their wages to \$6.15 an hour would increase their annual earnings by \$2,000, enough, supporters say, for a low-income family of four to buy groceries for seven months or pay rent for five months. Spreading the increase over three years would have cost workers \$900.

Nearly 70 percent of workers earning the minimum wage are adults, and about 60 percent of them are women, according to a report by the White House's National Economic Council.

"In this era of prosperity, we should ensure that no workers are left behind," said Representative Sherwood L. Boehlert, a New York Republican who supported the increase over two years.

Critics of the wage increase said that the raise would kill jobs, particularly for younger workers. "We're cutting off the bottom rung," said Representative Roscoe G. Bartlett, a Maryland Republican.

Today's floor debate came after two days of negotiations between House Republicans leaders and a group of conservative Republicans, led by Representative Jim DeMint of South Carolina, who threatened to delay the overall bill unless it included their provision to allow states to choose whether to carry out the wage increases.

But the conservatives backed down after Speaker J. Dennis Hastert urged them to stick with their Republican colleagues and not hand Democrats a political coup by blocking the popular wage increase.

Increase in Minimum Wage May Be Kept Lower for Some

By RICHARD PÉREZ-PEÑA

ALBANY, March 28 — On Friday, the minimum wage will rise for New York's lowest-paid workers, but lawmakers plan to prevent the absolute lowest wage earners, restaurant and bar employees who earn tips, from collecting the entire increase.

Under a combination of federal and state laws, restaurants and bars in New York can pay their workers as little as \$2.90 an hour if they also earn tips, a wage that has not changed in nine years. On Friday, the minimum for some groups of workers will rise to \$5.15 an hour from \$4.25, and the minimum for those who make tips is slated to increase to \$3.52 from \$2.90.

But the Democrats who control the Assembly, including Speaker Sheldon Silver, want to set a new minimum for restaurant and bar workers who earn tips at \$3.30, not \$3.52. Until last week, they proposed freezing the wage at \$2.90.

The Assembly is expected to pass the bill Wednesday or Thursday, said Patricia Lynch, spokeswoman for Mr. Silver. The speaker's office declined to discuss the rationale for the bill. The Republican-controlled State Senate has approved a bill freezing the minimum for tipped workers at \$2.90. Michael McKeon, spokesman for Gov. George E. Pataki, said that the governor supports the idea of setting the wage below \$3.52, but that he objects to some technical provisions of the Assembly bill.

The debate pits some of the Democrats' traditional constituencies, low-wage workers and unions, against powerful small-business lobbying groups. It also strikes a dissonant note at a time when the economic talk is of stock options, dot-coms and full employment — a reminder that in the service economy, low wages persist even in rosy times.

"I make \$200, \$250 a week, with tips," said Fernando, a Colombian immigrant who buses tables in a downtown Manhattan restaurant, and asked that his surname not be used for fear he would lose his job. "I have a wife and two children. It's not enough."

Ed Donnelly, legislative director of the state A.F.L.-C.I.O., said, "To take the lowest-paid worker, a waitress in a greasy spoon, and convene the best minds in the Capitol to rob her of a

quarter, to me is immoral."

But restaurant owners insist that workers have done well in the booming economy, their income rising fast through tips. "We don't think those people need a statutorily authorized 62-cent-an-hour increase in pay," said Scott Wexler, executive director of the Empire State Restaurant and Tavern Association, which represents 5,000 small businesses. "For our average member, that would cost \$15,000 a year."

He said that among his group's members, employees who are paid \$2.90 an hour actually earn, on average, \$10 an hour with tips. But a 1997 survey by the State Department of Labor found that the average income for waiters and waitresses was \$6.34 an hour, with tips. That survey found more than 150,000 people working in what are typically tip-earning restaurant and bar jobs, but the department could not say today how many earn the \$2.90 minimum.

The "tipped wage" varies enormously from state to state, and New York's ranks 17th. The highest minimum is \$6.50 in Washington State, which does not differentiate between tip earners and others. The low is \$2.13, in several states, including New Jersey. Connecticut's is \$4.73.

Federal law sets the minimum wage for most workers at \$5.15, but it allows states to set lower minimums for a few categories of workers, like farm laborers and restaurant employees. (A handful of states actually have higher minimums than the federal standard.) New York State's minimum wage has stood at \$4.25 an hour since 1991.

Federal law also allows states to set even lower minimums for workers who make tips. When New York raised its state minimum to \$4.25, the State Department of Labor set a \$2.90 wage for people like waiters, bartenders and busboys. Legally, the worker must earn at least \$4.25 an hour with tips, but employees' groups say that rule is often flouted.

In December, state lawmakers raised the minimum to \$5.15 from \$4.25, effective March 31. Under a 1991 ruling by the State Department of Labor, that would automatically raise the wage for workers who make tips, by the same percentage, to \$3.52 from \$2.90. The current bills would overturn that rule.

THE NEW YORK TIMES,

• WEDNESDAY, MARCH 29, 2000

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Business Week

December 6, 1999

SECTION: ECONOMIC TRENDS; Number 3658; Pg. 23

LENGTH: 244 words

HEADLINE: INCENTIVE FOR WELFARE MOMS

BYLINE: BY GENE KORETZ

HIGHLIGHT: How minimum-wage hikes can help

BODY:

With unemployment at a 30-year low and Americans enjoying the fruits of a buoyant economy, it's hard to argue against the proposed increase in the minimum wage from \$5.15 to \$6.15 an hour. Indeed, the only issue dividing Democrats and Republicans is whether to do it over two years or three.

Still, many economists and businesspeople continue to oppose the move and warn of its possible impact on the success of welfare reform. Standard economic theory indicates that a higher minimum acts to reduce employment among low-skilled workers. Thus, critics claim that it will actually tend to increase welfare rolls.

Others argue that the lure of higher wages will lead welfare moms to get off the dole. Even if employment opportunities decline a bit, they say, more welfare mothers will compete for -- and get -- the jobs that are still available.

A recent study by economist Mark Turner of the Urban Institute supports the latter view. The study analyzed the reactions of welfare recipients to minimum-wage hikes by the federal government and several states in the early 1990s, a period when unemployment was still relatively high.

Turner's analysis indicates that a 50 cents rise in the minimum wage induces about 2.5% of recipients to quit the dole. By that measure, the proposed \$1 hike could cut welfare rolls by as much as 5%. In sum, fears that planned hikes in the minimum will impede welfare moms' transition to work seem exaggerated.

URL: <http://www.businessweek.com/index.html>

LANGUAGE: ENGLISH

LOAD-DATE: December 02, 1999

f: min wage
~~concept~~
~~idea~~

Kan -
pls find this
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site
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~~impactful~~

HA

833-7200

Analysis

1989



● Brooke B. Livingston

03/09/2000 09:37:20 AM

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: FOR CLEARANCE: FLOOR SAP ON MIN WAGE TAX BILL -- 10:45AM DEADLINE

The following FLOOR SAP was discussed at the 8:30am Podesta meeting (changes have been made to reflect the rule reported last night). Please clear NO LATER THAN 10:45AM so this SAP may be ready for floor consideration.

THANK YOU, Brooke 5-4790



HR3832& HR3833.w

March 9, 2000
(House)

HR 3846, a Bill to Increase the Minimum Wage
(Shimkus (R) Illinois)

H.R. 3081, the Wage and Employment Growth Act of 1999
(Lazio (R) New York and 9 cosponsors)

If Congress presents the President with legislation that either unacceptably delays a minimum wage increase or contains fiscally irresponsible tax cuts, the President will veto the legislation.

H.R. 3846 - a Bill to Increase the Minimum Wage

Congress should pass a straightforward bill to raise the minimum wage by \$1 in two equal steps, as proposed by the President. H.R. 3846, which would extend a minimum wage increase over ~~a three-year period~~ **an additional year**, would unacceptably delay the American worker's much-needed pay raise, costing a full-time, year-round worker more than \$900 over two years. **The Administration strongly supports the Martinez amendment which would provide for the two-step increase proposed by the President. The Administration also strongly supports the Castle Amendment which would strike the language allowing states**

to opt out of the minimum wage increase. The Administration strongly urges Congress to enact a minimum wage bill as proposed by the President, unencumbered by measures that repeal important overtime protections for workers or regressive, fiscally irresponsible tax cuts that threaten Social Security, Medicare, and debt reduction.

A modest increase in the minimum wage of \$1 would merely restore the real value of the minimum wage to the 1982 level. Recent history has shown that those who argue that even a reasonable increase in the minimum wage would harm the economy are wrong. Since the last minimum wage increase of 90 cents over two years, enacted in 1996, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- around the lowest in 30 years -- and more than 10 million new jobs have been created. That last minimum wage increase provided a significant incentive to work, contributing to the 44 percent decline in the welfare caseload, and bringing the welfare rolls down to their lowest level in three decades. It also has been a crucial factor in contributing to rising incomes for even the poorest groups, reversing their income declines of the previous decade.

Minimum wage legislation should not be used as a vehicle to repeal important overtime protections for American workers, and the Administration would oppose adding such provisions. For example, the Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.

H.R. 3081, the Wage and Employment Growth Act of 1999

By spending a substantial fraction of the non-Social Security surplus without a balanced framework, the House tax package would threaten the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013. Absent an agreement on a balanced framework, a bill composed of these provisions would not meet the pay-as-you-go requirements of the Budget Act, which have helped provide the discipline necessary to bring us from an era of large and growing budget deficits to the potential for substantial surpluses. The bill in its present form contains tax cuts of such magnitude that they would require an unacceptably large automatic sequester of mandatory programs, including Medicare.

The bulk of the tax provisions in H.R. 3081 are directed away from working families, and, whatever their stated intent, would do little to help most small businesses or family farms. For example, the estate tax relief is expensive, provides no benefit to average working Americans, and is poorly targeted to its purported purpose of providing relief for small business owners and family farms, because its three major provisions -- conversion of the unified credit to an exemption, repeal of the surtax, and reduction in top marginal rates -- would provide a disproportionate benefit to the very wealthiest estates.

H.R. 3081 also contains pension provisions that would raise the maximum retirement plan contribution and considered compensation limits for business owners and executives. This

provision would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. These provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to cuts in retirement benefits for moderate- and lower-income workers while benefits for highly paid executives are maintained or even increased.

Conclusion

The Administration urges the Congress to refrain from passing either a minimum wage increase that would be delayed unacceptably or fiscally irresponsible tax cuts that would threaten Social Security, Medicare, and debt reduction, and are not targeted at the needs of working families. The Congress should pass clean legislation that would raise the minimum wage ~~by \$1 over two years~~ **in two equal steps** and that would increase the rewards for work in a manner that would be good for the country and good for working families who are struggling to make ends meet. The legislation should not be encumbered by provisions ~~that are unrelated to this increase or~~ that would undermine **the minimum wage increase or** existing labor protections. And any tax bill passed by the Congress should be fiscally responsible and adhere to a framework that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013, such as the Democratic alternative does.

* * * * *

(Do Not Distribute Outside Executive Office of the President)

This Statement of Administration Policy was developed by the Legislative Reference Division (Jones/Rogers) in consultation with the: Departments of the Treasury (Dorsey), Labor (Green), Justice (Taylor), HHS (Nelson), and Education (Riddle); the Office of Personnel Management (Wolf); the Small Business Administration (Cupp); and the National Economic Council (Tseng and Rosen Wartell). Within OMB it was reviewed by Economic Policy (Rodriguez), VAPD (Fairhall), BASD (Barth), and EIMLD (Matlack, Bond, and Menchik).

The Departments of Commerce, HUD, and Agriculture, the Pension Benefit Guaranty Corporation; the Environmental Protection Agency; the White House Office of the Chief of Staff; the Domestic Policy Council; the Council of Economic Advisers; White House Legislative Affairs, and the OMB offices of GC, HTFD, and BRCD did not respond to our request for comments on the draft SAP.

~~H.R. 3832 and H.R. 3833 were introduced on March 6, 2000. The two bills are very similar to provisions contained in H.R. 3081, the "Wage and Employment Growth Act of 1999," which was introduced on October 14, 1999 and was reported, amended, by the House Ways and Means Committee on November 11, 1999.~~

H.R. 3081, the "Wage and Employment Growth Act of 1999," was introduced on October 14, 1999 and was reported, amended, by the House Ways and Means Committee on November 11, 1999. On March 8, 2000, the House Rules Committee issued a rule substituting the text of H.R. 3832, the "Small Business Tax Fairness Act of 2000", for the text of H.R. 3081 during floor consideration.

HR 3081, "a Bill to Increase the Minimum Wage," was introduced on March 8, 2000. The bill is similar to provisions contained in the version of H.R. 3081 reported by the Ways and Means Committee.

OMB LA Clearance: Jack Lew, Sylvia Mathews, Barbara Chow, Joe Minarik, Chuck Kieffer, Elizabeth Gore, Ted Zegers (OMB); Chuck Brain, Broderick Johnson (WHLA); Gene Sperling, Jason Furman (NEC); Andrea Kane (DPC); John Williams (CEA); John Podesta, Karen Tramontano (CoS).

Administration Position to Date

On March 7, 2000, in a letter to the Senate and House leadership, the President stated he would "veto any legislation that holds this minimum wage increase [\$1 dollar over two years] hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations."

On November 4, 1999, in a letter to the Majority Leader, the President stated he would veto H.R. 3081.

On November 1, 1999, the Departments of the Treasury and Labor sent a letter to the House Ways and Means Committee stating that the President's senior advisors would recommend that he veto H.R. 3081.

Major Provisions of H.R. 3846 and H.R. 3081

H.R. 3846, a Bill to Increase the Minimum Wage. H.R. 3846 would amend the Fair Labor Standards Act (FLSA) to increase the minimum wage by a total of \$1.00 (from \$5.15 per hour to \$6.15 per hour) in one-third increments effective on April 1, 2000, April 1, 2001, and April 1, 2002. The bill would permit, however, a State to preempt the Federal minimum wage if the State: (1) sets a minimum wage rate of at least \$5.15 per hour; and (2) applies that rate to as many workers in the State as would otherwise be covered by the Federal minimum wage rate.

In addition, H.R. 3846 would add a categorical exemption from the FLSA's minimum wage and overtime compensation requirements for: (1) licensed funeral directors and embalmers; and (2) certain employees in sales positions performing "inside sales" tasks (excluding route sales drivers). It also would modify an existing FLSA categorical exemption for computer professionals to include computer designers, developers, and network and database analysts.

H.R. 3081, the Wage and Employment Growth Act. H.R. 3081 includes numerous provisions that would amend the Internal Revenue Code. The most significant of these provisions would:

- eliminate the five percent surtax on large estates; reduce the maximum rate of estate, gift, and generation-skipping transfer taxes from 55 percent to 53 beginning in 2001; and change the current unified credit against estate and gift taxes to a true exemption;
- accelerate the effective date of the 100-percent deduction of health insurance costs for the self-employed from 2003 to 2001;
- increase from \$19,000 to \$30,000, effective in 2001, the amount of expenditures for tangible personal property that a small business can expense;
- increase, for all businesses, the deduction for business meals from the current 50 percent to 60 percent beginning in 2001;
- increase from \$1.25 per capita to \$1.65 per capita the State cap on low-income housing tax credits and accelerate the scheduled increase in state bond volume caps (both phased in beginning in 2001);
- increase, over four years, contribution limits on pre-tax salary (i.e., 401k)

contributions from \$10,000 to \$14,000, and beginning in 2001, authorize "catch-up" provisions for workers 50 and older, increase pension portability by permitting rollovers among plans, and establish faster vesting schedules for employer matching contributions;

- create 15 new renewal communities (at least three of which must be in rural areas) with tax initiatives intended to create jobs, encourage personal savings, foster home ownership, and clean up neighborhoods on former industrial sites (effective date: 2001); and
- reinstate the installment method of accounting for accrual basis taxpayers, effective for sales or other dispositions on or after December 17, 1999.

Rule Regarding Amendments and Engrossment.

The rule governing the consideration of H.R. 3081 and H.R. 3081 made two amendments in order for H.R. 3081: the Castle amendment, which would strike the section of H.R. 3081 that would permit States to preempt the Federal minimum wage under certain conditions; and the Trafficant-Martinez amendment that would increase the Federal minimum wage by \$1.00 one year earlier (April 1, 2001) than would H.R. 3081. No amendments were permitted for H.R. 3081.

The rule also provides that in the engrossment of H.R. 3081, the text of H.R. 3081, as passed by the House, shall be added at the end of H.R. 3081, and H.R. 3081 laid on the table.

Pay-As-You-Go Scoring

Per BASD (Barth), H.R. 3081 would affect receipts; therefore, it is subject to the requirements of the Omnibus Budget Reconciliation Act. The Administration's estimates of the budget effect of this bill are under development. The Joint Tax Committee estimates that H.R. 3081 would have a net budget cost of \$2.4 billion in FY 2001 and \$ 45.8 billion over FYs 2001-2005.

LEGISLATIVE REFERENCE DIVISION

March 9, 2000 - 8:23 AM

Message Sent To: _____

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film in wage

● Brooke B. Livingston

03/08/2000 11:51:34 AM

Record Type: Record

To: See the distribution list at the bottom of this message
cc: Rebecca Hunter/WHO/EOP@EOP, Taneesha J. Johnson/WHO/EOP@EOP, Joanna E. Slaney/WHO/EOP@EOP, Anna Richter/OPD/EOP@EOP
Subject: URGENT FOR CLEARANCE: SAP on H.R. 3833, Minimum Wage Increase and H.R. 3832, Small Business Tax Fairness Act



Attached for clearance is the most recent version of the SAP on H.R. 3833, Minimum Wage Increase and H.R. 3832, Small Business Tax Fairness Act. The SAP states **"the President will veto legislation that unacceptably delays a minimum wage increase or contains fiscally irresponsible tax cuts."** I have attached yesterday's POTUS letter on these bills after the SAP.

The SAP includes new oppose language about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals. ("The Administration is concerned about these provisions" was the language negotiated in the Fall of 1999.) The new language is highlighted in red. The old language is indicated by strike-out.

Joe Minarik, Barbara Chow, Chuck Kieffer, Ted Zegers, and Elizabeth Gore have cleared thus far. SYLVIA AND JACK HAVE NOT CLEARED, BUT HAVE ASKED THAT I SEND IT TO THE WEST WING TO GIVE EVERYONE AS MUCH TIME AS POSSIBLE.

So this SAP may be ready for TODAY'S 2:30 meeting of the House Rules Committee, **please provide clearance NO LATER than 1:30PM so the SAP can be on the Hill for the Rules Committee meeting.** THANK YOU, Brooke 5-4790

DRAFT -- DO NOT RELEASE

March 8, 2000
(House Rules)

H.R. 3833 - Minimum Wage Increase
(Shimkus (R) Illinois)

H.R. 3832 - Small Business Tax Fairness Act
(Archer (R) Texas)

If Congress presents the President with legislation that either unacceptably delays a minimum wage increase or contains fiscally irresponsible tax cuts, the President will veto the legislation.

H.R. 3833 - Minimum Wage Increase

Congress should pass a straightforward bill to raise the minimum wage by \$1 in two equal steps, as proposed by the President. H.R. 3833, which would extend a minimum wage increase over a three-year period, would unacceptably delay the American worker's much-needed pay raise, costing a full-time, year-round worker more than \$900 over two years. The Administration strongly urges Congress to enact a minimum wage bill as proposed by the President, unencumbered by measures to repeal important overtime protections for workers or regressive, fiscally irresponsible tax cuts that threaten Social Security, Medicare, and debt reduction.

A modest increase in the minimum wage of \$1 would merely restore the real value of the minimum wage to the 1982 level. Recent history has shown that those who argue that even a reasonable increase in the minimum wage would harm the economy are wrong. Since the last minimum wage increase of 90 cents over two years, enacted in 1996, the unemployment rate has fallen from 5.2 percent to 4.1 percent -- around the lowest in 30 years -- and more than 10 million new jobs have been created. That last minimum wage increase provided a significant incentive to work, contributing to the 49 percent decline in the welfare caseload, and bringing the welfare rolls down to their lowest level in three decades. It also has been a crucial factor in contributing to rising incomes for even the poorest groups, reversing their income declines of the previous decade. (44)

~~[Minimum wage legislation should not be used as a vehicle to repeal important overtime protections for certain categories of American workers. The Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.]~~ [Minimum wage legislation should not be used as a vehicle to repeal important overtime protections

for American workers, and the Administration would oppose adding such provisions. For example, the Administration is concerned about provisions in the bill that would repeal overtime protections for 1.5 million American sales employees, funeral workers, and computer professionals.]

H.R. 3832 - Small Business Tax Fairness Act

By spending a substantial fraction of the non-Social Security surplus without a balanced framework, the House tax package would threaten the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013. Furthermore, a bill composed of these provisions would not meet the pay-as-you-go requirements of the Budget Act, which have helped provide the discipline necessary to bring us from an era of large and growing budget deficits to the potential for substantial surpluses. The bill would therefore require an automatic sequester of mandatory programs, including Medicare.

The bulk of the tax provisions in H.R. 3832 are directed away from working families, and, whatever their stated intent, would do little to help most small businesses or family farms. For example, the estate tax relief is expensive, provides no benefit to average working Americans, and is poorly targeted to its purported purpose of providing relief for small business owners and family farms, because its three major provisions – conversion of the unified credit to an exemption, repeal of the surtax, and reduction in top marginal rates – would provide a disproportionate benefit to the very wealthiest estates.

H.R. 3832 also contains pension provisions that would raise the maximum retirement plan contribution and considered compensation limits for business owners and executives. This provision would weaken the pension anti-discrimination and top-heavy protections for moderate- and lower-income workers. These provisions are regressive, would not significantly increase plan coverage or national savings, and could lead to cuts in retirement benefits for moderate- and lower-income workers while benefits for highly paid executives are maintained or even increased.

Conclusion

The Administration urges the Congress to refrain from passing either a minimum wage increase that would be delayed unacceptably or fiscally irresponsible tax cuts that would threaten Social Security, Medicare, and debt reduction, and are not targeted at the needs of working families. The Congress should pass clean legislation that would raise the minimum wage by \$1 over two years and that would increase the rewards for work in a manner that would be good for the country and good for working families who are struggling to make ends meet. The legislation should not be encumbered by provisions that are unrelated to this increase or that would undermine existing labor protections. And any tax bill passed by the Congress should be fiscally responsible and adhere to a framework that protects the Federal Government's ability to extend the life of Medicare and Social Security and pay down the debt by 2013, such as the Democratic alternative does.

* * * * *

(Do Not Distribute Outside Executive Office of the President)

This Statement of Administration Policy was developed by the Legislative Reference Division (Jones/Rogers) in consultation with the: Departments of the Treasury (Dorsey), Labor (Green), Justice (Taylor), HHS (Nelson), and Education (Riddle); the Office of Personnel Management (Wolf); the Small Business Administration (Cupp); and the National Economic Council (Tseng and Rosen Wartell). Within OMB it was reviewed by Economic Policy (Rodriguez), VAPD (Fairhall), BASD (Barth), and EIMLD (Matlack, Bond, and Menchik).

The Departments of Commerce, HUD, and Agriculture, the Pension Benefit Guaranty Corporation; the Environmental Protection Agency; the White House Office of the Chief of Staff; the Domestic Policy Council; the Council of Economic Advisers; White House Legislative Affairs, and the OMB offices of GC, HTFD, and BRCD did not respond to our request for comments on the draft SAP.

H.R. 3832 and H.R. 3833 were introduced on March 6, 2000. The two bills are very similar to provisions contained in H.R. 3081, the "Wage and Employment Growth Act of 1999," which was introduced on October 14, 1999 and was reported, amended, by the House Ways and Means Committee on November 11, 1999.

OMB/LA Clearance:

Administration Position to Date

On March 7, 2000, in a letter to the Senate and House leadership, the President stated he would "veto any legislation that holds this minimum wage increase [\$1 dollar over two years] hostage to provisions that delay this overdue pay raise or jeopardize our ability to strengthen Social Security and Medicare and pay down the debt by 2013 for future generations."

On November 4, 1999, in a letter to the Majority Leader, the President stated he would veto H.R. 3081.

On November 1, 1999, the Departments of the Treasury and Labor sent a letter to the House Ways and Means Committee stating that the President's senior advisors would recommend that he veto H.R. 3081.

Major Provisions of H.R. 3832 and H.R. 3833

H.R. 3833, Minimum Wage Increase. H.R. 3833 would amend the Fair Labor Standards Act (FLSA) to increase the minimum wage by a total of \$1.00 (from \$5.15 per hour to \$6.15 per hour) in one-third increments effective on April 1, 2000, April 1, 2001, and April 1, 2002.

H.R. 3883 would add a categorical exemption from the FLSA's minimum wage and

overtime compensation requirements for: (1) licensed funeral directors and embalmers; and (2) certain employees in sales positions performing "inside sales" tasks (excluding route sales drivers). It also would modify an existing FLSA categorical exemption for computer professionals to include computer designers, developers, and network and database analysts.

H.R. 3832, the Small Business Tax Fairness Act. H.R. 3832 includes numerous provisions that would amend the Internal Revenue Code. The most significant of these provisions would:

- eliminate the five percent surtax on large estates; reduce the maximum rate of estate, gift, and generation-skipping transfer taxes from 55 percent to 53 beginning in 2001; and change the current unified credit against estate and gift taxes to a true exemption;
- accelerate the effective date of the 100-percent deduction of health insurance costs for the self-employed from 2003 to 2001;
- increase from \$19,000 to \$30,000, effective in 2001, the amount of expenditures for tangible personal property that a small business can expense;
- increase, for all businesses, the deduction for business meals from the current 50 percent to 60 percent beginning in 2001;
- increase from \$1.25 per capita to \$1.65 per capita the State cap on low-income housing tax credits and accelerate the scheduled increase in state bond volume caps (both phased in beginning in 2001);
- increase, over four years, contribution limits on pre-tax salary (i.e., 401k) contributions from \$10,000 to \$14,000, and beginning in 2001, authorize "catch-up" provisions for workers 50 and older, increase pension portability by permitting rollovers among plans, and establish faster vesting schedules for employer matching contributions;
- create 15 new renewal communities (at least three of which must be in rural areas) with tax initiatives intended to create jobs, encourage personal savings, foster home ownership, and clean up neighborhoods on former industrial sites (effective date: 2001); and
- reinstate the installment method of accounting for accrual basis taxpayers, effective for sales or other dispositions on or after December 17, 1999.

Pay-As-You-Go Scoring

Per BASD (Barth), H.R. 3832 would affect receipts; therefore, it is subject to the requirements of the Omnibus Budget Reconciliation Act. The Administration's estimates of the budget effect of this bill are under development.

LEGISLATIVE REFERENCE DIVISION

March 7, 2000 - 6:30 PM

'Living wage' is guarantee for only a few

Living wage

ities' laws, designed
to aid working poor,
are limited in effect

by Abe Estimada
USA TODAY

Adolfo Camberos struggles to say in English what Los Angeles' living-wage law has meant for him and his family. With the help of his daughter, the 57-year-old from Mexico eventually makes his point by referring to the modest, two-bedroom home he rents in the Los Angeles community of South Gate.

It's a castle compared with the cramped apartment he, his wife and their five children once shared in a dirty neighborhood in nearby Lynwood.

They were able to move thanks to the city's living-wage law, which requires businesses that win public contracts or subsidies to pay a wage that keeps workers and their families above the poverty level. The federal government says that level is \$16,600 for a family of four.

For Camberos, the Los Angeles law means he now earns \$12 an hour as a janitor under contract with the city — about \$25,000 a year.

"We have more food, more presents, we have more big tree," he said proudly just before Christmas. "The more important thing is, I'm happy."

Camberos and thousands of other working poor are part of a growing nationwide debate over the effectiveness of living-wage laws. Advocates say the laws are a market-oriented method for improving the lives of the working poor, but opponents say they force low-skilled workers into unemployment.

Since Baltimore became the nation's first city to pass a living-wage law in 1994, 41 other cities have adopted similar measures.

Half were adopted in the past two years. Typically covered are janitors, security guards, construction workers and clerical and service workers.

Living-wage advocates say their campaigns started after Congress failed to raise the federal minimum wage of 5.15 an hour. The campaigns picked up steam in individual cities as the roaring economy still left hundreds of thou-



By Bob Rine Jr., USA TODAY

'It inspires me': Adolfo Camberos says Los Angeles' living-wage law has made a difference for his family. He, his wife and their five children had been living in a cramped apartment; now, they can rent a house. Such laws, however, are not without critics.

sands of working poor behind, advocates say.

"You ask why businesses that receive some form of public subsidy don't pay their workers a living wage? On the public dime, we can do better than minimum-wage jobs," says Jen Kern, an advocate with the Living Wage Resource Center in Washington, D.C.

► In Baltimore, construction and service businesses under contract with the city must pay their employees at least \$8.03 an hour.

► In Chicago, contractors or subcontractors with 25 or more employees must pay their workers at least \$7.60 an hour.

► In Los Angeles, companies that have service contracts worth \$25,000 or more, lease city land or receive \$1 million or more in subsidies must pay their employees at least \$7.51 an hour with benefits or \$8.76 without benefits.

But business groups say living-wage

laws actually take jobs away from the people they're supposed to help.

To offset increased labor costs, jobs that pay a living wage typically go to more highly skilled teens, college graduates or second- and third-income workers rather than the working poor, says John Doyle of the Washington, D.C.-based Employment Policies Institute. The working poor, he says, are left with private-sector jobs that still pay minimum wage.

"There is not a free lunch on this issue," agrees Ezunial Burtis, president of the Los Angeles Area Chamber of Commerce, which represents 1,400 businesses. "Somebody pays."

Critics also say that living-wage laws will drive some business away from cities that desperately need the economic boost. And supporters haven't been able to show that a significant number of working poor have been lifted from poverty, either.

► As many as 600,000 people live at or below the poverty level in Chicago, according to one estimate. No more than 5,000 employees who work in health-care, security, custodial and other blue-collar jobs in the city are covered by the living-wage law.

► In the Los Angeles area, an estimated 2.2 million people live at or below the poverty level. Out of that number, perhaps 5,000 people are covered by the living-wage law, says Madeline Janis-Aparicio, director of the Los Angeles Living Wage Coalition.

Those relatively minuscule numbers have living-wage supporters working to make sure cities enforce the laws, most of which have become merely "paper ordinances," Janis-Aparicio concedes.

Penalties range from fines to contracts being yanked.

Los Angeles has six inspectors who monitor businesses to make sure they're complying with the law. Baltimore has two such inspectors, and Chicago relies on one city department for enforcement.

Janis-Aparicio says labor and community groups must report violations and make sure workers know their rights.

Meanwhile, supporters hope to extend coverage of living-wage laws to more workers.

In Chicago, proponents are working on amending city law to cover security guards, day laborers and employees of non-profit groups, says Keith Kelleher, head organizer of the Service Employees International Union Local 880, which represents health-care workers in that city.

And in Los Angeles, as many as 5,000 more workers can come under the living-wage law once their employers' contracts come up for renewal, Janis-Aparicio says.

Camberos, who moved to Los Angeles from Mexico in 1980 in search of a better life for his family, worries about what would have happened to him without the living wage law.

Before the law, Camberos says he struggled to pay bills and put enough food on the table.

"I make more money, I do my job better and I get benefits," he says. "It inspires me."

The Associated Press State & Local Wire

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August 14, 1999, Saturday, AM cycle

SECTION: State and Regional

LENGTH: 753 words

HEADLINE: Few Bay State workers making minimum wage

BYLINE: By JEAN McMILLAN, Associated Press Writer

DATELINE: BOSTON

BODY:

Each workday she rises with the dawn and walks to her job ironing clothes. She punches in by 7 a.m. and gets no pay for time at lunch or rest periods.

Candida Lopez, a native of Puerto Rico and single mother of two, is one of a small contingent of workers in the state who still make \$5.25 an hour, the state's minimum wage - and one of those who will benefit from a recently enacted increase.

"It will be a better situation to pay for the bills, for food for children, and the rent," Lopez, who works in a Worcester factory, said through a translator.

Gov. Paul Cellucci signed the new minimum wage law on Wednesday, which will raise the wage to \$6 an hour on Jan. 1 - 85 cents above the federal minimum - and then to \$6.75 on Jan. 1, 2001. And he hailed it as a way to help more people share in the state's vibrant economy.

If other states don't raise theirs, Massachusetts could have the highest minimum wage in the country by January 2001. Currently, Oregon has the highest minimum at \$6.50 an hour.

But with the state's booming economy - unemployment is hovering around 3 percent - minimum wage workers like Lopez can be hard to find. Even at the Statehouse ceremony to sign the bill, no minimum wage workers could be found among the dozens of workers gathered on the Grand Staircase.

According to those who work with low-wage workers, they tend to be teen-agers just starting out in their first job or low-skilled immigrant workers with limited English.

Many are like Lopez, or 17-year-old Nicole Santos, who works in a drugstore in Ludlow.

"I definitely would like to see it go up. I work too hard for \$5.25 an hour, definitely," Santos said, as she restocked hair colorings.

In Norwood, Kendall DeBassio, a manager at a McDonald's, said some entry-level workers - teen-agers or non-English-speaking workers - start there at the minimum wage, but quickly move up the salary ladder.

And in Boston, Quang Nguyen, coordinator of employment services at the International Institute of Boston, an immigrant-aid organization, reported that less than 5 percent of his clients are hired at the minimum wage.

They included immigrants coming from Bosnia, Kosovo, Vietnam, Sudan, Congo and the former Soviet republics.

- Min wage
- MIA
- CEA

The official statistics suggest, and even proponents of a minimum wage increase agree, that only a fraction of the state's workers make the minimum wage.

The state Department of Employment and Training estimated that 170,000 of the state's approximately 3 million workers are making between \$5.25 and \$6 an hour. That, however, may include waitresses and waiters who make that as a base pay, but earn more in tips.

A report done in May by two University of Massachusetts professors for the state AFL-CIO said 97,500, or 3.5 percent Bay State workers, would have their wages directly affected by having the wage increased to \$6.75.

But union officials say it's fine if only a fraction of workers get a direct boost from the minimum wage increase. They argue that the impact of the increase goes beyond that, lifting the wage floor and bumping up wages for many low-paid workers.

House Speaker Thomas Finneran, D-Boston, who recently dropped his opposition to the minimum wage, described the increase as "a combination of important symbolism and an attempt to establish a floor below which exploitation would not occur."

Even with the increase, workers can't make a living if they only get the minimum wage, experts said.

"Nobody can live at this kind of income unless they don't count on this income as the only source of income," said Nguyen.

Lopez herself can't make ends meet on her minimum wage pay alone. She also receives a monthly welfare check, which will likely be reduced when her paycheck increases.

A study done for the Women's Educational and Industrial Union estimated that a single adult with one preschooler must earn at least \$15.28 an hour in Boston and \$11.68 an hour in the rural Berkshires to meet the family's needs.

But businesses have argued that the minimum wage shouldn't be set by what people need to live on, but what the market can afford to pay for what is often part-time work.

Businesses and antipoverty advocates both say they would like to see greater earned income tax credits to lessen the burden on low-income workers.

"We think it's a more efficient and more effective way to put the cash in the pockets of people trying to raise a family," said Bill Vernon, state director of the National Federation of Independent Business.

LANGUAGE: ENGLISH

LOAD-DATE: August 14, 1999

This time, GOP likely to concede on raising wages

By Owen Ullmann
USA TODAY

WASHINGTON — Boosting the minimum wage is the kind of issue that violates the core conservative principles of Republican leaders in Congress.

So surely they'll block a Democratic push this fall to raise the pay of America's 4.4 million lowest-paid workers, right?

Not likely. Despite philosophical opposition to government med-

News analysis

dling in the marketplace, the GOP leadership is clearing the way for passage next month of a bill that would increase the \$5.15-an-hour minimum wage by at least \$1 over the next two to four years.

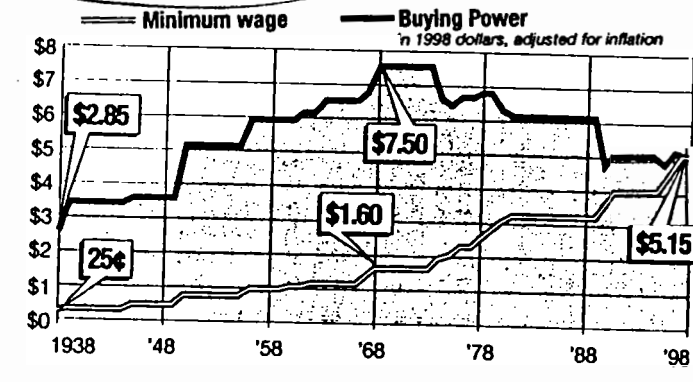
The reason: With the nation enjoying good economic times, most Republicans and Democrats in Congress believe the working poor deserve to share the bounty as a matter of fairness. And with polls showing strong public support for a pay increase, the GOP doesn't want to go into the critical 2000 elections looking like Scrooge.

"This is popular with voters," says Rep. Jack Quinn, R-N.Y., a leading backer of a wage boost. "They want to see everyone participate in the prosperity." As the outlook for passage improves, "the leadership is bending over backward to help us," Quinn adds.

Opponents of a minimum-wage

Minimum wage history, buying power

The federal minimum wage has been increased at least once each decade since the 1930s. The buying power of the minimum wage peaked in 1968.



Source: Labor Department

By Alejandro Gonzalez, USA TODAY

increase essentially surrendered Sept. 16, when the Senate joined the House in voting to raise lawmakers' annual salary by \$4,600, to \$141,300, effective next year.

President Clinton signed the pay raise into law Wednesday.

Business lobbyists figure that Republicans facing tough re-election campaigns next year wouldn't want to open themselves to attack for boosting their own pay but not the wages of struggling families.

Democrats keep making the same point, too.

"If I'm not mistaken, we have voted to raise the congressional wage, haven't we?" first lady Hillary Rodham Clinton asked coyly

this week at a Democratic news conference on Capitol Hill to promote a minimum-wage increase.

To make a wage increase less painful to small businesses, which would bear much of the additional cost, House GOP leaders plan to pair a pay increase with some business-friendly tax breaks.

Under consideration:

► Credits for hiring entry-level workers.

► An increase in the business-meal deduction from 50% to 80%.

► A full deduction for health insurance premiums paid by the self-employed.

Small-business lobbyists, conceding they can't block a wage in-

crease, are focusing on getting the tax cuts.

"When you hear the dentist's drill turned on, you want some Novocaine," says Nelson Litterst, chief lobbyist for the National Federation of Independent Business.

The size of the tax breaks is likely to depend on how much the minimum wage is raised. Democrats want a \$1 boost over two years; a bipartisan alternative in the House calls for a \$1.30 increase over four years. The estimated cost to employers: up to \$3 billion a year.

"It's all still in flux right now," says Rep. Gary Condit, D-Calif., who is seeking a compromise bill. "We want this to be a win-win for both sides."

Those who would benefit from a minimum-wage increase make up about 3% of the workforce. Half are under 25, nearly two-thirds are women and three-fifths work only part time.

Congress last raised the minimum wage in 1996, from \$4.25 to \$5.15. Even with the increase, the pay floor buys less than it did 20 years ago because of inflation, according to the Labor Department.

By contrast, the average hourly wage for all privately employed workers is about \$13. When adjusted for inflation, that wage also is worth less than in 1979.

A key argument by advocates of a minimum-wage increase is that a full-time worker with two dependents earns about \$3,000 below the \$13,880 annual income level that

the government uses to define poverty for a family of three.

"We do not believe that anyone who wants to work 40 hours a week, 52 weeks a year should have to live in poverty," Sen. Edward Kennedy, D-Mass., says.

Some economists contend that a minimum-wage increase reduces job opportunities for the least skilled workers because employers absorb the higher payrolls by cutting back on new hires.

But those lost openings would likely be more than offset by all the new jobs the robust U.S. economy keeps creating, economists note.

With unemployment near 4%, many employers have to raise wages on their own to attract increasingly scarce workers.

"If you are going to raise the minimum wage, this is a good time to do it," Harvard economics professor Benjamin Friedman says.

With a minimum-wage boost gaining momentum in Congress, House Republican leaders are talking about adding some provisions from the \$792 billion, 10-year tax-cut bill vetoed by President Clinton last Thursday. But Quinn warns his GOP colleagues that if the tax cuts attached to the wage bill become too expensive, the Democrats and at least a dozen Republicans might simply pass a wage increase without any tax relief at all.

"We need to be careful not to get too cute with the tax provisions," Quinn says.

Contributing: Kathy Kiely

A Higher Minimum Wage

With the economy strong and the unemployment rate at its lowest in more than 25 years, Democrats in Congress are right to push for an increase in the minimum wage. An increase now will boost income for the poorest workers without the danger of creating more unemployment. But Republicans resist the idea, even though the minimum wage, now \$5.15 an hour, has declined in purchasing power over the past three decades.

Senator Edward Kennedy has drafted a bill to raise that wage by 50 cents this year, and by another 50 cents in 2000. The \$1 increase would restore the actual buying power of the minimum wage to what it was in 1980, and would raise the pay of nearly 12 million Americans who now earn less than \$6.15 an hour. Currently, a minimum-wage employee working full time earns about \$10,700 a year, which is roughly \$3,000 below the poverty line for a family of three. A boost to \$6.15 would increase annual pay by about \$2,000 a year, an amount that can make a significant difference in reducing poverty. Nearly three-quarters of the workers who would benefit are adults, 60 percent are women, and nearly half work full time.

Opponents argue that an increase would result in lost jobs. But a modest hike is not likely to cause higher unemployment, even among low-skilled workers. Indeed, jobless rates fell after the 90-cent minimum-wage hike of 1996-97. The unemployment rate, 5.2 percent in 1996, dropped to 4.2 percent this year.

Senator Kennedy is expected to offer the minimum-wage bill as an amendment to the bankruptcy reform bill when it comes to the Senate floor. Moderate House Republicans are also getting the message from voters that they want the wage increase, but they may be tempted to add tax cuts that might make an increase less painful for the business lobbies. The wage hike should be approved without such tax breaks. For millions of workers, a higher minimum wage means a better shot at self-sufficiency.

END

Albany's Lobbying

With the tobacco industry under siege in recent years, New York State has offered cigarette manufacturers a legislative safe harbor. There have been no extra taxes on cigarettes since 1993, and no extra burdens on tobacco companies that have faced tariffs and controls elsewhere on their hazardous products.

Such a smoke-friendly atmosphere does not appear by accident. In fact, the tobacco industry, particularly Philip Morris, has been plying the state's lawmakers with gifts and goodies including dinners and tickets to sports events like the Indianapolis 500. Philip Morris has now been forced to acknowledge that it violated New York State's lobbying law by underreporting the extent of its gift-giving in Albany.

The company's admission might never have been made except that records of New York spending became available in documents released in anti-smoking lawsuits elsewhere in the country. Surprisingly, the state lobbying commission, a fairly toothless operation under the present law, appears ready to subpoena records from the tobacco giant. If the records prove that the company's revised submissions are still not correct, the commission could take the extremely rare step of imposing fines on the company.

There is certainly a better way to do the people's business. The State Legislature earlier this summer wisely avoided rubber-stamping an extension of the weak lobbying law. Now the lawmakers need to consider a stronger version before the present law expires in December. The Integrity in Government bill under consideration offers a good alternative by modernizing the law, giving real clout to the commission, broadening the definition of lobbying to include state agencies and local governments and banning gifts from lobbyists as well as campaign funds during the legislative session. Gov. George Pataki, who proposed a reasonable start on campaign finance reform at the end of the last session, could give his reform credentials more polish by pushing for a decent lobbying system to rival those in Connecticut and Minnesota.

END

... campaign ended just over five months after it was
... launched in his old hometown of Huntington, Ind.
Although widely admired in conservative circles, the former vice
president was never able to overcome a reputation for bumbling and
questions about his electability, even among those sympathetic to
his calls for dramatic tax cuts and policies promoting "traditional
family values."

But it was the money or rather a lack of it that did him in,
Quayle insisted. "You can have a strong message," he said, "but
you also have to have the resources to get it out."

Although Quayle has arguably been the most pilloried and
parodied politician of the past generation, he indicated he is not
ready to walk away from public life.

He concluded his remarks in Phoenix by telling reporters, "I don't
think this will be my last press conference" a conscious paraphrase,
he acknowledged in a later interview, of Richard M. Nixon's
remarks after losing the 1962 California governor's race.

At that time, the former vice president told reporters they were
attending his last news conference. He, of course, went on to win
the White House.

McCain Announces Bid for GOP Presidential Nomination **By Ronald Brownstein** **Los Angeles Times**

NASHUA, N.H. Pledging to "renew pride in public service" and
reduce the "corrupting influence" of money in politics, Arizona
Sen. John McCain Monday formally announced his candidacy for the
Republican presidential nomination.

In a 25-minute speech marked by a pointed jab at the limited
foreign policy experience of Republican front-runner George W.
Bush, McCain called for tax cuts, a nationwide test of school
vouchers, and an increase in defense spending. But on a warm
cloudy afternoon here, McCain above all invoked broad themes of
service, sacrifice and the need to rebuild public trust in government,
largely by reforming the campaign finance system.

America, McCain declared, faces a "new patriotic challenge ...
a fight to take our government back from the power-brokers and
special interests, and return it to the people."

Subdued at first, the 63-year-old McCain spoke with increasing
passion before a crowd of at least 500 supporters who spilled out
across Greeley Park here. At times, he offered distant echoes of
John F. Kennedy's lyrical 1961 inaugural address which urged
Americans to "ask what you can do for your country" as he called
on his audience to embrace "the sense of pride and purpose of
serving a cause greater than themselves."

"I run for president ... so that Americans can believe once again
that public service is a summons to duty and not a lifetime of
privilege," said McCain.

Known as a maverick in Washington, McCain is serving his third
term in the Senate. The son and grandson of Navy admirals, he flew
23 combat missions as a Navy pilot in Vietnam, before being shot
down over Hanoi in October 1967. McCain spent the next 5½/2
years as
a captive in a North Vietnamese prison camp a harrowing
experience he has recounted in a best-selling new memoir of his
family, "Faith of My Fathers."

McCain alluded to those experiences in the most barbed passage
of his speech Monday. In what aides acknowledged was a reference
to Texas Gov. Bush who has undergone a highly publicized series
of briefings and tutorials with foreign policy experts in preparation
for the race McCain insisted that the next president "must be
prepared for (the) challenge" of serving as commander-in-chief.

"When it comes time to make the decision to send our young men
and women into harm's way, that decision should be made by a
leader who knows that such decisions have profound
consequences," he said. "There comes a time when our nation's
leader can no longer rely on briefing books and talking points."

Bush's only experience in public office has been his nearly six
years as Texas governor.

In 1982, McCain was elected to the House of Representatives
from Arizona, serving two terms before winning his Senate seat in
1986.

In Washington, McCain has amassed a generally conservative
voting record, but with a maverick streak. Last year, he led the
effort ultimately killed by Republican senators to raise tobacco
taxes to combat youth smoking; and he co-authored a bill with
Democratic Sen. Russell Feingold of Wisconsin to regulate soft-
money contributions which also was opposed by most Republicans.

McCain is counting on that independent image to help him break
through in the steadily shrinking Republican presidential field,

which lost another candidate Monday when former Vice President
Dan Quayle dropped out of the race.

He also has adopted a characteristically contrarian political
strategy by virtually ignoring Iowa site of the first caucus next
January to focus on New Hampshire, South Carolina (which he
will visit Tuesday), Arizona and California.

Though Bush holds a large lead in New Hampshire, as almost
everywhere, several recent polls have shown McCain running
second there. McCain began his day Monday by addressing 4,000
midshipmen at the Naval Academy in Annapolis, Md.

In his New Hampshire speech, McCain laid out a campaign
agenda that refracted traditional Republican priorities through a
reformist clean-government message. On issue after issue, he tried
to portray special interest influence in Washington usually stressed
more by liberals as an obstacle to policies prized by conservatives.

On defense, McCain accused Clinton of "weakening our
defenses" and promised to spend more on training, anti-missile
systems, weapons modernization and counter-terrorism. But he put
a distinctive twist on that common Republican argument by linking
the problem to the influence wielded by defense contractors in
Washington.

On education, McCain called for a nationwide test of school
vouchers which would help parents in the most poorly performing
public schools send their children to private schools. That's a
common position among Republicans; but McCain is scheduled to
give it a unique twist Tuesday with a proposal to fund the voucher
test by cutting subsidies for sugar growers, ethanol producers, and
oil and gas drillers all powerful constituencies in the GOP.

He offered a similarly iconoclastic take on taxes. McCain, who
has criticized the GOP congressional tax bill as overly tilted toward
"special interests," repeated his call Monday for an alternative plan
focused on "working families" that would end the marriage penalty,
eliminate the inheritance tax, and tax all family income up to
\$70,000 at the lowest rate of 15 percent.

Campaign for Higher Minimum Wage Appears Headed for Success

By Peter G. Gosselin and Stuart Silverstein
Los Angeles Times

WASHINGTON A drive to raise the wages of America's most
poorly paid workers appears headed for success because prosperity
has convinced many people that the nation can afford to pay more
and because economic growth has undercut opponents' traditional
arguments.

Congress, which has been hamstrung by partisan division on
almost every other subject, seems likely to raise the national \$5.15-
an-hour minimum wage later this year or next, according to
Republicans and Democrats on Capitol Hill.

If Congress does take such action, it would be following the lead
of several states. In the last year alone, four Massachusetts,
Delaware, Rhode Island and Vermont have adopted minimum
wages above the federal level. California, whose hourly minimum
wage already is 60 cents above the federal floor, is expected to
consider a further boost shortly.

In addition, close to 50 communities across the country have
active campaigns under way for so-called living-wage laws. Thirty-
eight more communities have passed living-wage statutes in recent
years.

These laws normally apply only to employees of companies doing
business with the municipalities, and they establish pay levels well
above federal and state minimums.

More than any other, the argument that is advancing the cause is
one of fairness. Under the current federal minimum, "a mother with
two children who works 40 hours a week still lives \$3,200 below
the poverty line," Rep. David E. Bonior, D-Mich., said at a rally
Thursday at the Capitol. "At the peak of our prosperity, Americans
ought to be doing better than that."

Moreover, economic expansion and low unemployment have
taken the sting out of the traditional case against minimum wage
hikes: namely, that they cost jobs.

"To say you're going to lose a lot of jobs if you raise the
minimum wage doesn't hold any water when you've got
unemployment at
a 30-year low," said Rep. Jack Quinn, a moderate New York
Republican.

Out of a U.S. work force of 138 million, about 4.4 million earn
minimum wage or less (some employers break the law). Seven
million make between today's \$5.15 and the proposed new level of
\$6.15.

An increase would be a substantial accomplishment for advocates. Under most of the timetables being considered, it would come 2½ years after the last increase or less than half the time it took Congress to enact that boost.

Much of the reason for that long interval was fear of job loss. The two sides—basically liberals vs. conservatives—battled the issue in a series of increasingly elaborate studies during the 1990s that focused on whether employers such as fast food restaurants cut back their hiring in the face of minimum-wage increases.

The conclusion, according to economists on both sides of the issue: not much.

"The unemployment effect of the minimum wage is very, very small almost to the point of being a red herring," said David Card, an economist at the University of California, Berkeley.

Card is the co-author of an influential study concluding that New Jersey fast-food restaurants boosted hiring after a 1992 increase in the state minimum wage and that similar restaurants in neighboring Pennsylvania did not hire any more people despite the fact that the state held its minimum wage at a lower level.

Congressional Democrats propose to raise the federal minimum wage 50 cents an hour to \$5.65 on Jan. 1 and another 50 cents to \$6.15 in January 2001. Moderate Republicans such as Quinn are considering an even bigger increase, but it would be phased in over a longer period. Congressional leaders want to link any proposal to business tax breaks that would partly offset employers' higher wage bills.

Although opponents of a higher minimum have given ground, they have not given up. Instead, they have shifted the focus of their argument from job loss to the probable effect on welfare reform.

In essence, they argue that any effort to raise the federal minimum wage would make it harder for states to comply with the 1996 welfare overhaul law, which requires them to move a substantial fraction of welfare recipients from government assistance into jobs.

"We're getting down to the time when we've told a lot of people, 'You've got to get a job,' said Rep. Charles W. Stenholm, D-Texas. I mean, how are we going to create more jobs at \$6.15 an hour than we have at \$5.15?"

Advocates reply that the 1996 and 1997 increases in the minimum wage did not slow the steady stream of people moving from welfare to work. Stenholm and others counter that the task of employing the remaining pool of recipients will grow ever more difficult as the skill level of those still receiving welfare declines.

Even with a \$1 increase, the value of the minimum wage after inflation would be no higher than it was in the early 1980s. The federal increase approved in 1996 appears to have substantially helped low-wage workers. Jared Bernstein, an economist with the union-backed Economic Policy Institute, cited gains among workers in the bottom fifth of the hourly wage scale.

He noted that workers at the midpoint of that group have seen their hourly wages, adjusted for inflation, rise by 10.5 percent, to \$5.89, since the increase in the minimum wage.

By comparison, the same workers suffered a 4.8 percent decline in inflation-adjusted terms in hourly wages over the four years preceding the minimum-wage increase.

"The minimum wage increase unquestionably played a key role in reversing the wage trends for low-wage workers. I would assign about half of the reversal to a persistently tight labor market and the other half to the increase in the federal minimum wage," Bernstein said.

Court Conservatives to Continue 'Back to the Future' Agenda By David G. Savage Los Angeles Times

WASHINGTON Backed by four fellow conservatives, Chief Justice William H. Rehnquist will resume leading a quiet constitutional revolution-in-the-making as the Supreme Court begins its new term next week.

In a series of rulings since 1995, he has revived the once-discredited doctrine of states' rights and reined in the power of the national government. No one at the high court rhapsodizes about "building a bridge to the 21st century" or marvels at how computers are creating a global economy.

On the contrary, Rehnquist and his conservative colleagues Justices Antonin Scalia, Clarence Thomas, Anthony M. Kennedy and Sandra Day O'Connor are looking back to the 18th century and seeking to adhere faithfully to the original vision of the U.S. Constitution of 1787. The individual states came together then to form a national government with limited powers, such as regulating commerce among the states.

The conservative majority will have new chances to further its agenda in the new term, taking up cases in which they could shield states from their employees' discrimination claims, free big donors from campaign-funding limits and allow public aid to flow to religious schools.

The justices also will decide whether to permit the Food and Drug Administration to regulate tobacco as a drug.

These cases are among 35 disputes set to come before the high court this fall, and they reflect again the conservative agenda set by Rehnquist. Unlike judges in other courts, the justices of the Supreme Court choose the cases they decide and Rehnquist has shrewdly used this power to reshape the law.

Arguments at the Supreme Court sometimes have a jarring "back to the future" quality.

In its last session, for example, the justices cited the states' "sovereign immunity" and handed down two rulings: one that barred state probation officers in Maine from suing the state to collect unpaid overtime wages required by federal law and another that shielded state institutions, including universities, from being sued for violating patents or trademarks.

In the Maine case, the justices apparently did not consider whether or why the state as an employer refused to follow the law. Instead, the conservative justices concentrated on what the delegates from the original states were thinking in 1787 when they drafted the Constitution, and ruled that states have a "sovereign immunity" shielding them from private lawsuits.

Maine's lawyer, picking up on that reasoning, argued that permitting itself to be sued for violating federal law was not part of "what we had agreed to."

One liberal justice found that claim "bizarre"; Maine, after all, did not become a state until 1820. But conservative justices were not convinced.

"I can't conceive the Constitution would have been ratified if the states knew they could be sued as states in their own courts," Kennedy said.

Next week, the justices pick up where they left off in its last session.

They will consider whether state employees—and possibly the tens of millions of local government workers—are still protected by federal anti-discrimination laws.

That question arose when a Florida State University physics professor, J. Daniel Kimel, and several colleagues claimed that the school's salary structure was biased in favor of younger faculty members. They sued their employer for damages under the federal Age Discrimination in Employment Act.

Rather than dispute the professors' claim, the state maintained that it was immune from such suits, and it won before the U.S. Court of Appeals in Atlanta. The case (Kimel vs. Florida Board of Regents), to be heard Oct. 13, will decide whether state agencies are shielded from age bias claims. If the answer is yes, the court's decision will cast doubt on whether any public employees are protected by other federal civil rights laws.

Two other states' rights cases are also pending.

Congress in 1994 barred states from disclosing personal data from drivers' records, such as names and addresses. The law was passed partly in response to the murder in Los Angeles of actress Rebecca Schaeffer. A stalker had obtained her address from motor vehicle records.

But Charlie Condon, South Carolina's attorney general, challenged the federal privacy mandate and won a ruling striking down the federal law as a states' rights violation. The appeal (Reno vs. Condon) will be heard Nov. 10.

The third case tests the federal False Claims Act. A lawyer who works for a Vermont agency claimed that the state was mispending federal environmental funds and sued the state for fraud. The case (Vermont vs. United States), to be heard in late November, will test whether the state is shielded from such claims. The chief justice also has been reshaping the law on religion. Rehnquist believes in giving the states more freedom to aid parochial schools, and a case from Louisiana could help make a big step in that direction.

During the 1960s, the then-liberal-leaning court interpreted the Constitution as requiring strict separation between church and state. In several later rulings, the justices struck down state laws that gave direct aid, such as maps and equipment, to religious schools.

Now the issue is back, but it will be decided by a more conservative court.

Federal education funds flow to states and public school districts, and the law says that an "equitable" share should go to children in private and parochial schools. But last year a U.S. appeals court struck down such an arrangement in a Louisiana district on grounds

Subpanel Moves Against Animal Cruelty On Videotape

JUDICIARY

VIDEOTAPES WITH an offbeat plot line about foot fetishists who like to watch women crushing bugs — featured in episodes of “The Practice” and “NYPD Blue” — could be illegal under legislation approved by a House subcommittee Thursday, *National Journal News Service* reported.

The bill, which would outlaw sales of bizarre animal cruelty videos catering to people with macabre “foot fetishes” was approved by the House Judiciary Crime Subcommittee on an 8-2 vote.

The measure would impose criminal fines and prison terms up to five years on purveyors of so-called crush videos or any film, record or photo of living animals intentionally maimed or killed.

Sponsored by **Rep. Elton Gallegly**, R-Calif., the bill would make it a federal crime to create or sell in interstate commerce depictions of animal cruelty.

During an earlier hearing, Gallegly described tales of brutality committed against insects, dogs, cats and monkeys, which were crushed by women in high-heeled shoes.

The videos were sold to people who became “sexually aroused” by the actions, according to **Subcommittee Chairman Bill McCollum**, R-Fla.

Gallegly said criminals are taking advantage of loopholes in local animal cruelty laws and a lack of federal laws on animal cruelty videos.

During the markup session, an amendment was adopted by voice vote to exempt videos or other depictions

if they had journalistic, religious, political, educational, historic or artistic value.

“These exceptions would ensure that an entertainment program on Spain depicting bullfighting or a news documentary on elephant poachers, to state two examples, would not violate the new statute,” McCollum said.

Rep. Bob Barr, R-Ga., who voted against the measure, said that he did not condone the activities the bill seeks to outlaw — but added that he believes federal prosecutors would be burdened by adding such cases to their workload.

Rep. Robert Scott, D-Va., also voted against the measure on First Amendment grounds, a subcommittee staff member said.

— BY MICHAEL POSNER

Panel Debates Min. Wage Hike's Work-To-Welfare Impact

EMPLOYMENT

CONGRESS SHOULD consider the effect of a minimum wage increase on the ability of welfare recipients to find jobs, a panel of academics and business owners told the House Education and the Workforce Committee Thursday.

But they were divided on whether a wage hike would mean fewer available jobs.

The hearing came as congressional Democrats have begun pushing for a \$1 increase over the current minimum \$5.15 hourly rate and a bipartisan group unveiled another proposal to raise the wage (*see related story beginning on page 1*.)

On Thursday, **Education and the Workforce Chairman Goodling** raised the question of whether a raise in the minimum wage would cause employers to cut more low-wage jobs. Goodling said that if states are to cut welfare rolls, it is important to consider how to move people toward self-sufficiency.

“The question is, will that more often be achieved by increasing the ‘price’ of those jobs, by increasing the minimum wage, or by letting the market operate so that as job skills improve and work

history is built, wages and income will increase,” Goodling said. “I think that experience shows that it is the latter.”

Education and the Workforce ranking member William Clay, D-Mo, argued that a wage increase during such times of economic prosperity would not hurt the economy and would benefit 12 million workers.

“One of the few things this Congress has done is given itself a pay raise,” Clay observed. “Certainly this Congress has the time to give America a pay raise.”

Joanne Spetz, a research fellow at the Public Policy Institute of California, testified that a study she conducted with state data collected from 1981-86 showed that a 10 percent raise in the minimum wage resulted in a 2 percent increase in welfare rolls.

The jury is still out within the academic world on the actual effect on job creation, Spetz said, adding, “Most economists agree that any decrease [in jobs] is going to be very small.”

Spetz said Congress should consider that a wage increase could lead to more competition for jobs between welfare recipients and teenage and college workers.

She suggested that Congress consider opening work opportunities for low-income families through the tax code, as it has with the Earned Income Tax Credit.

Ed Lazere, a policy analyst at the Center on Budget and Policy Priorities, pointed to a recent Urban Institute report in Oregon which showed that “the relatively low level of the current minimum wage contributes to the low earnings of former welfare recipients.”

Said Lazere, “There are better ways to help address the problems of welfare recipients with serious employment barriers than letting the minimum wage of all workers remain at a level that makes it extremely difficult to achieve self-sufficiency.”

Rep. Jim DeMint, R-S.C., used the hearing as an opportunity to present a bill he has sponsored with **Rep. Charles Stenholm**, D-Texas, that would leave the federal minimum wage at \$5.15.

DeMint would allow states to set a higher hourly rate, or choose to raise wages in local areas where the economy could support the increase.

— BY MARK WEGNER

Conferees Reach Agreement On VA-HUD Approps Bill

APPROPRIATIONS AFTER STRIKING A deal with the OMB earlier in the day, House and Senate conferees agreed Thursday night on the broad terms of a \$69.6 billion FY2000 VA-HUD spending bill. Most significant, said conferees, is that the bill includes \$1.7 billion above the administration's request for veterans' medical care and \$2.5 billion in emergency aid for destruction caused by Hurricane Floyd — while restoring deep cuts in the House bill for HUD, the EPA, the National Science Foundation and NASA.

Most conferees lauded the bipartisan efforts of **Senate VA-HUD Appropriations Subcommittee Chairman Christopher (Kit) Bond**, R-Mo., and **ranking member Barbara Mikulski**, D-Md., to craft a compromise measure President Clinton now appears poised to sign.

Just last Friday, the administration issued a strong veto threat against the bill.

Mikulski called the funding package "an outstanding framework we can be proud of ... and absolutely report on a bipartisan, bicameral basis with the concurrence of the White House."

House VA-HUD Appropriations Subcommittee Chairman James Walsh, R-N.Y., acknowledged the complaints of some that the conference was proceeding too quickly, but said members had no choice given that the new fiscal year is already under way.

The strength of the conference vehicle, he said, is that it contains real offsets to balance spending increases while staying within prescribed budget caps.

But **House Appropriations ranking member David Obey**, D-Wis., said while the measure contains more adequate funding for a number of initiatives, it does so in part because it includes \$4.2 billion in delayed appropriations for Section 8 housing.

"Washington is the weirdest place

in the world when it comes to the truth about numbers ... we've reached new heights this fiscal year," Obey added.

Bond countered that the White House had agreed to the Section 8 deferral and said it would be impossible to pass the measure without it.

By Thursday evening, some policy issues in the spending bill remained unresolved, according to committee staff. Most notable among those were riders prohibiting the use of funds by non-profit organizations and other grantees to lobby or sue the federal government.

Half a dozen Senate Democrats — including **Sen. Patrick Leahy** of Vermont, who was a conferee — Thursday sent a letter to Bond urging those riders be stripped from the bill because of the "extremely dangerous precedent" they would set and because of the many unintended consequences they might have.

— BY MARY LEHMAN

Kerrey Calls For Coordinated Effort On Biotech Issues

TRADE **SEN. BOB KERREY**, D-Neb., told Clinton administration officials Thursday that the issues of biotechnology and genetically modified organisms have moved beyond regulatory and trade issues to the consumer and political level — and that they need to organize a new multi-agency effort to deal with growing public concern.

Kerrey made the statement at a Senate Finance International Trade Subcommittee hearing on preparations for the upcoming Seattle round of trade talks.

His comments came after Commerce Undersecretary for International Trade David Aaron had testified that the United States would oppose reopening the Uruguay Round sanitary and phytosanitary agreement — which says decisions on approval of biotech products must be based on science.

Aaron said the Europeans want to open the agreement to include "their infamous precautionary principle" —

which would allow countries to ban products because they had not been proven safe rather than banning them because they are proven unsafe.

Kerrey said the administration GMO initiative should involve the National Institutes of Health and the FDA as well as HHS and the surgeon general.

Kerrey told Aaron that he may not want to open the sanitary and phytosanitary agreement — but that the issue may no longer be in his "bailiwick."

Kerrey said that as a consumer he makes many decisions that are not based on science, adding, "If you tell me to make a science-based decision, I may tell you to go to hell."

At the hearing Aaron vigorously defended the safety of GMOs, saying that "not one rash, one sore throat or one cough is attributable" to biotechnology.

Pressed by reporters after the hearing, a visibly annoyed Aaron said he believes environmental groups are

leading the charge against GMOs and added, "All of this is hysteria."

Asked whether farmers should plant GMO crops, Aaron said, "Each farmer has to make his own decision."

At a separate Senate Agriculture Committee hearing Thursday on biotech, the Consumers Union testified that FDA guidelines are not strict enough to detect whether foods could be altered to expose people unknowingly to allergens — and that genetic transfers could result in increased toxicity and may reduce the levels of nutrients in foods.

At the Finance hearing, Kerrey also told Aaron, USDA and USTR officials that he thinks they will have a hard time selling the "glories" of the U.S. farm program's decoupling of government payments from farm production — because U.S. farmers are so unhappy with it.

Kerrey told the officials that he "fears for the worst" for them at the Seattle meeting.

— BY JERRY HAGSTROM



U.S. Department of Labor

Statement For The Record Alexis M. Herman Secretary of Labor

COMMITTEE ON EDUCATION AND THE WORKFORCE HOUSE OF REPRESENTATIVES

OCTOBER 7, 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 an hour over two years is neither a political issue nor an economic debate. Many of these workers, roughly 7 million, are women who are working hard to make ends meet - and 1 million of them are single and caring for their families. This increase is about providing decent housing, food, and other necessities for them and their families on just \$10,712 a year in pay. Mr. Chairman, these hard-working Americans 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 to move off welfare and raise their families with dignity. This Administration has sought to build a nation that rewards responsibility and work. But we must make certain that the progress made by these Americans is not eroded, and that there is continued progress towards ensuring that all working families are lifted out of poverty. That is why we must increase the minimum wage.

In 1996, the passage of welfare reform sent a clear message to America's workers, "Work pays." America's workers have kept their end of the bargain. They are working hard, building stronger families and helping to revitalize their local communities. Now we need to continue to do our part. Low earnings continue to plague many women who have left the welfare rolls and entered the workforce. The median wage of former welfare recipients in the labor market is about \$6.60 per hour, indicating that a large portion would benefit from a minimum wage increase up to \$6.15 per hour.

With a minimum wage increase, the employment of welfare recipients might well rise, as higher wages induce more of them to enter the labor market. Indeed, policies to make work pay, such as the earned income tax credit, have raised the employment rates of single mothers over the 1990's, and recent studies have found that higher minimum wages reduce welfare participation and raise the earnings of parents leaving welfare for work. Many minimum wage workers are still making the transition from welfare to work. For them, any obstacle on the road to work - a sick child, a car that won't start, or a baby-sitter who does not show up - can be a detour. With a few more dollars, they can stay off welfare and on the path of progress.

The minimum wage increase would help, not hurt, poor families. Studies show that minimum wage increases disproportionately benefit workers in families with below-average incomes. An increase in the minimum wage would, therefore, help a wide range of families with low-wage workers who need a raise.

Opponents of an increase in the minimum wage overlook the benefits to families and communities, and claim an increase will hurt those it is 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 wrong. Unemployment and inflation are the lowest they have been in roughly 30 years. Since the last increase signed into law by President Clinton became effective, nearly 9

million net new jobs have been created. More than 1.2 million new retail jobs have been added, and restaurant jobs have grown by over 400,000.

Unemployment has also declined significantly over the same period, achieving many record lows since August 1996 - including record lows among Hispanics, blacks, black teens and high school dropouts. Employment has increased dramatically as well, including employment for welfare recipients and single women taking care of their families. Making work pay has had a positive impact on the lives of our least paid workers.

Mr. Chairman, raising the minimum wage is about honoring the values that make this country great. Most importantly, it is about making sure that the people who clean offices, serve coffee and care for our children are compensated fairly and are not left behind. Our Nation's extraordinary prosperity rests on the efforts of all its workers. And this Administration believes they deserve to be treated with dignity and they deserve a fair share of our prosperity. Three years ago we worked together to raise the minimum wage. We need to do so again today.

[DOL Home Page](#) |[Top of Document](#)[Top of List](#)



May 29, 1998

New Findings from Oregon Suggest Minimum Wage Increases Can Boost Wages for Welfare Recipients Moving to Work

by Ed Lazere

Introduction and Summary

Debates over raising the minimum wage often focus on the issue of who will benefit from lifting the wage floor. Some claim that increasing the minimum wage does little for low-income families, because minimum wage earners frequently are teenagers or secondary workers in middle-class families. While the benefits of minimum wage increases are not targeted solely on low-income families, many of the workers whose earnings rise as a result of such increases are in low-income families. In addition, the large majority of minimum wage workers are adults, and many are the primary breadwinner in their family.

Table of Contents
• <u>The Wages of Oregon Families Who Found Work Before and After the State's Minimum Wage Increase</u>
• <u>Assessing the Employment Effects</u>
• <u>Implications for a Federal Minimum Wage</u>

New evidence from Oregon suggests that minimum wage increases can have a significant effect on parents who leave welfare for work. As a result of a successful state ballot initiative, the Oregon minimum wage rose from \$4.75 an hour to \$5.50 an hour in January 1997 and then to \$6.00 an hour in January 1998.⁽¹⁾ Data from Oregon's welfare agency show that the earnings of parents who moved from welfare to work were boosted as a result of these increases.

- The average starting wage of Oregon parents leaving welfare fell five percent, adjusting for inflation, during the three years *prior* to the January 1997 increase in the state minimum wage.
- This trend reversed itself immediately after the increase. The average starting wage jumped from \$6.15 an hour in the last quarter before the 1997 minimum wage increase took effect to \$6.43 an hour in the first quarter following the increase. By the fourth quarter of 1997, the average starting wage had reached \$6.65 an hour, an increase of more than five percent, adjusting for inflation, over the same quarter of the prior year.

These wage increases are unlikely to have occurred simply as a result of the state's strong economy. Economic growth in Oregon was solid prior to the state's minimum wage increase in 1997, but real wages for welfare recipients still declined during that period.

- The average starting wage for welfare recipients rose again following the second increase in the minimum wage. In the first quarter of 1998, welfare recipients who found work earned an average of \$6.91 an hour, up substantially from the end of 1997. Overall, the average wage for these

workers is now 76 cents an hour higher than before the state minimum wage increase took effect.

The minimum wage increase in Oregon boosted the earnings both of welfare recipients who found jobs at the minimum wage and of many who found jobs paying slightly above the minimum wage. For example, among welfare recipients who found full-time jobs, the proportion earning more than \$6 an hour rose from roughly half in 1996 to two-thirds in 1997.

This analysis also examines whether the increase in Oregon's minimum wage had a negative overall effect on employment opportunities of welfare recipients. While no systematic study of this issue has been conducted, the available evidence does not suggest a negative change in employment opportunities. The share of welfare recipients finding work rose modestly in 1997 following the increase in the minimum wage. In addition, employment growth in retail trade, the industry most likely to be affected by a minimum wage increase, was positive in 1997 and followed the same pattern as overall employment growth in Oregon. Both overall employment and retail employment rose in 1997, although at a somewhat slower rate than in 1996. The change in employment growth between 1996 and 1997 reflects a modest general slowdown in the state's rate of economic growth, not the increase in the minimum wage. If the minimum wage increase had reduced job growth significantly, it is likely that the trend in retail trade employment would have been significantly worse than the trend in overall employment.

The Oregon findings have implications for the debate over raising the federal minimum wage. The Oregon minimum wage hikes have raised the state's minimum wage from a level equal to the federal minimum wage to a level somewhat above the current federal minimum wage. (In late 1996, the federal minimum wage rose to \$4.75 an hour, which made it equal to the 1996 Oregon minimum wage. The federal minimum wage then rose to \$5.15 an hour in September 1997, below the 1997 Oregon minimum wage of \$5.50 an hour at that time.)

In addition, academic studies and recent findings from state welfare-to-work efforts indicate that adults who leave welfare for work typically have very low earnings, often at the minimum wage or just slightly above it. As a result of these low earnings, many families in which parents leave welfare for work continue to live in poverty. Thus, the Oregon experience suggests that an increase in the national minimum wage to a level modestly above \$5.15 an hour would be likely to have positive effects nationwide on the wages of adults leaving welfare for work. For the same reasons, the Oregon findings also suggest that increases in state minimum wages could boost the earnings of welfare recipients when they find work.

The Wages of Oregon Welfare Recipients Who Found Work Before and After the State's Minimum Wage Increase

The Adult and Family Services Division of the Oregon Department of Human Resources is the agency responsible for the state's welfare to work programs. The agency regularly collects information on the earnings of welfare recipients who move into the labor force.⁽²⁾ The Oregon data show a distinct change in the wage trend among welfare recipients who found work in 1997, following the increase in the state's minimum wage. Between 1993 and 1996 the state's minimum wage remained at \$4.75 an hour. During that period:

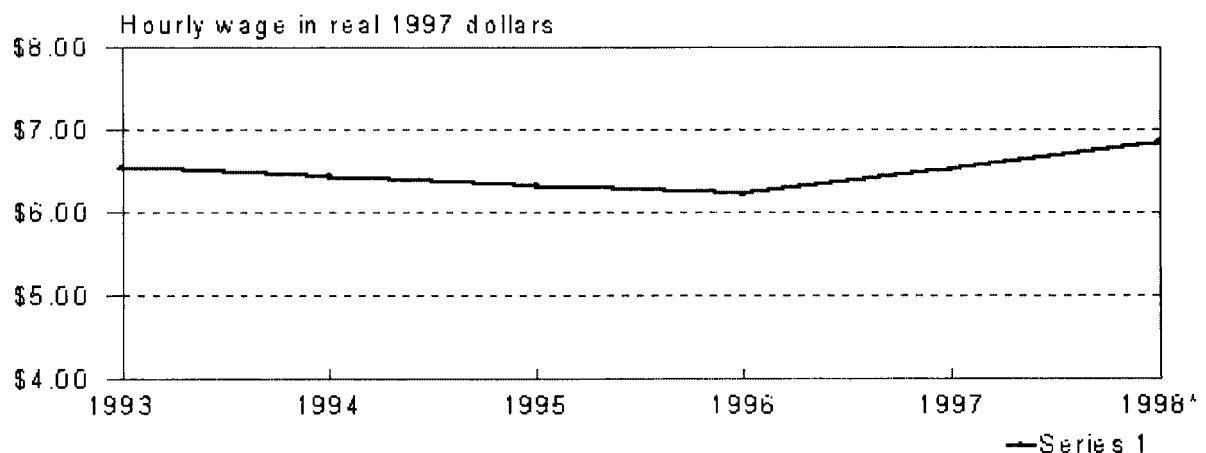
- The average hourly starting wage of welfare recipients who found jobs — including both part-time and full-time jobs — went from just under six dollars

an hour in 1993 to just above that level in 1996.

- When adjusted for inflation, the average starting wage of welfare recipients who found work was five percent *lower* in 1996 than the average in 1993. (See figure and table.)

These trends changed markedly immediately following the increase in Oregon's minimum wage on January 1, 1997. The average wage of Oregon's welfare recipients moving to work began to rise noticeably after the first boost in the state's minimum wage, and again after the second boost.

Average Starting Wages for Oregon Welfare Recipients Who Found Work, 1993 to Early 1998



Center on Budget and Policy Priorities
Source: Oregon Adult and Family Services Division
^{*} 1st Quarter only

- Between the last quarter of 1996 and the first quarter of 1997, the average wage for this group rose 28 cents an hour. This was the largest quarter-to-quarter change in the entire period from 1993 through 1997.
- By the last quarter of 1997, the average wage stood at \$6.65 an hour, or 50 cents higher than in the similar period of 1996. Adjusting for inflation, this represented a one-year wage increase of 5.4 percent.
- The Oregon minimum wage rose to \$6.00 an hour in January 1, 1998. Early data following this increase suggest that it also has had a significant positive impact on the wages of welfare recipients who find work. The average wage for newly employed welfare recipients reached \$6.91 in the first quarter of 1998.

The minimum wage increase appears to have affected a substantial proportion of Oregon's welfare recipients who found work in 1997. In the last quarter of 1997, for example, nearly one-third of the welfare recipients who found work — including half of those who found part-time work — earned the state's new minimum wage of \$5.50 an hour. This substantial clustering of wages at the new minimum wage level strongly suggests that many of these workers would have earned less than \$5.50 without the increase in the state's wage floor.⁽³⁾

In addition to raising the earnings of minimum wage workers directly, the Oregon minimum wage increase also appears to have raised the wages of

workers with earnings modestly above the new minimum wage level. During Oregon's 1996 fiscal year (from July 1995 to June 1996), roughly half — 48 percent — of the welfare recipients who found full-time work earned more than six dollars an hour. By the last quarter of calendar year 1997, more than two-thirds — 68 percent — of welfare recipients who found full-time work had earnings this high. Most of this increase occurred in the share of workers earning between six dollars and eight dollars an hour, or somewhat above the new minimum wage level of \$5.50 an hour. Minimum wage increases typically have such a "ripple effect," which may reflect attempts by employers to maintain pay differences between minimum wage workers and those with slightly higher earnings when minimum wages rise.

The Oregon minimum wage increase thus affected both welfare recipients who found work at the minimum wage and those who found jobs paying slightly above the minimum wage, which together represent a sizable share of Oregon welfare recipients who move into jobs. As a result of the broad effect, the average increase in the wages of all welfare recipients who moved into the workforce — 50 cents an hour from the end of 1996 to the end of 1997 — equaled a substantial fraction of the 75 cent increase in the state's hourly minimum wage.

It should be noted that the wage increases revealed by the Oregon data could reflect in part the state's growing economy and its impact on wages. For three reasons, however, the economy appears unlikely to be the primary cause. First, Oregon experienced solid economic growth prior to the 1997 minimum wage hike. Per capita income of Oregon residents rose seven percent between 1993 and 1996, adjusting for inflation. This was greater than the five percent growth in inflation-adjusted per capita income for the nation as a whole during this period. Yet despite this strong growth, the starting wages of Oregon welfare recipients who found work *fell* in inflation-adjusted terms during this period.

Table I: Average Starting Wages for Oregon Welfare Recipients who Found Work 1993 to Early 1998		
	Average Starting Wage	
Before Minimum Wage Hike*	In Nominal Dollars	In 1997 Dollars
1993	\$5.89	\$6.54
1994	5.95	6.44
1995	6.01	6.33
1996	6.08	6.22
4th Quarter, 1996	6.15	6.27
After 1997 Minimum Wage Hike		
Average	6.52	6.52
1st Quarter	6.43	6.47
2nd Quarter	6.47	6.48
3rd Quarter	6.55	6.54
4th Quarter	6.65	6.61
After 1998 Minimum Wage Hike		
1st Quarter	6.91	6.85
* Annual figures reflect averages of quarterly figures for the relevant year. Source: Oregon Adult and Family Services Division, Department of Human Resources		

Second, while the state's continued economic expansion could have resulted in a growing shortage of available workers, which would have placed upward pressure on wages, this does not appear to be the case. The state's unemployment rate fell from 7.3 percent in 1993 to 4.8 percent in 1995, but then rose to 5.9 percent in 1996. The rate then remained steady at 5.8 percent in 1997. If the state were experiencing a significant shortage of workers, it would be reflected in a declining unemployment rate in recent years.

Third, the 1997 wage increases among Oregon welfare recipients stand out when compared with wage data for the nation as a whole. While national-level data on the wages of adults who move from welfare to work are not available, the Oregon findings can be compared with the wage trend nationally for a similar group of low-wage working women.⁽⁴⁾ The comparison shows that prior to the Oregon minimum wage increase, the wage trend was worse among Oregon welfare recipients who found work than among low-wage working women nationally. Following the 1997 state minimum wage increase, however, wage growth for Oregon welfare recipients was greater than among low-wage women nationwide.

- Between 1993 and 1996, the average wage among welfare recipients in Oregon fell nearly five percent, adjusting for inflation, compared with a one percent decline in the real wages of the typical low-wage female worker nationally.
- In 1997, the average hourly wage for Oregon welfare recipients moving into jobs rose 5.4 percent, also adjusting for inflation, while the typical low-wage female worker experienced a one percent increase in real wages.⁽⁵⁾

Assessing the Employment Effects

One of the major concerns raised about raising the minimum wage is that it can reduce employment prospects for low-skilled workers, under the assumption that some employers reduce the number of employees or the hours they work to offset the increase in wage costs per employee. In recent years, some have argued that the employment prospects of welfare recipients in particular would be adversely affected by an increase in the minimum wage. At the state level, some also argue that an increase in the state minimum wage would result in the migration of jobs to neighboring states.

While these concerns are important and must be considered, the weight of recent research findings on the minimum wage suggests that moderate increases from current minimum wage levels would not have adverse employment effects. No systematic studies of the employment impact of the Oregon minimum wage increase have been conducted to date. Two available measures, however — the proportion of welfare recipients moving to work and employment growth in retail trade, the industry most affected by the minimum wage — do not suggest that the state's minimum wage increase had a significant adverse effect on employment opportunities.

Employment Trends Among Welfare Recipients

The Oregon Adult and Family Services Division reports that the share of welfare recipients who found work in 1997 — 7.3 percent in an average quarter — was slightly higher than in 1996 before the state's minimum wage was increased. In 1996, an average of 6.4 percent of welfare recipients found work in an average

quarter. At the same time, the *number* of welfare recipients who found jobs declined during this period, from an average of 5,850 a quarter in 1996 to an average of 4,875 per quarter in 1997. Because the state's total welfare caseload fell by a greater magnitude during this period, the *percentage* of all recipients who found work rose modestly.

These findings support an interpretation that job opportunities for Oregon welfare recipients did not worsen in 1997. It is reasonable to expect that as the total number of welfare recipients declines, the number finding jobs would also decline, simply because the number of welfare recipients who potentially could find work would be smaller. If job opportunities for welfare recipients had worsened significantly, both the number and proportion of welfare recipients finding work would likely drop, as more welfare recipients stayed on the rolls without a job.

At the same time, welfare caseloads may fall for a variety of reasons, including welfare policy changes. If caseloads decline significantly among groups of families that would not have been likely to find work had they remained on welfare, the number of welfare recipients finding jobs would not necessarily drop significantly. This could occur, for example, if changes in welfare programs made assistance less attractive or more difficult to obtain or if some families chose to leave welfare or not to begin receiving welfare to avoid using up time-limited assistance. (Such families may be able to get support from friends or relatives.) It is important to note that welfare caseloads have declined faster in Oregon in recent years than in almost every other state. While the state's caseload decline is partly the result of a strong economy, it clearly reflects policy changes as well.

Because welfare caseloads in Oregon have declined dramatically, and because the characteristics of the state's welfare recipients may have changed significantly, it is difficult to use the data on the proportion of welfare recipients finding work to assess with certainty whether job opportunities for welfare recipients have changed significantly. Nevertheless, the data do not indicate that finding a job became harder for welfare recipients in 1997.

Retail Trade Employment

Retail trade is the industry with the largest proportion of employees earning at or near the minimum wage. It is likely that employment growth in retail trade would be weaker than employment trends in other industries if an increase in the minimum wage had led businesses to reduce the number of employees. This did not happen in Oregon in 1997 following the increase in the state's minimum wage.

Table II shows the growth rate in retail trade employment and in all other industries in Oregon since 1995. There are two things to note about this table. First, each year during this period, retail trade employment rose at a slower pace than the rest of the labor force. Because employment in retail trade was growing more slowly than employment in other industries before the state's minimum wage was raised, the lower growth rate of retail employment in 1997 reflects a continuation of a trend and does not appear, at first blush, to be related to the minimum wage increase.

Second, the table shows that the overall growth rate in Oregon employment was lower in 1997 than in 1996, a reflection that the state's strong economic growth had slowed somewhat. The data also show that the slowdown in the rate

Table II Oregon Employment Growth Rates, 1995-1997			
	1995	1996	1997
Total non-farm trade	4.1%	4.0%	3.4%
Retail trade	3.4%	3.1%	2.8%
Total less retail trade	4.2%	4.2%	3.5%
Source: U.S. Bureau of Labor Statistics			

of retail trade employment growth — from 3.1 percent in 1996 to 2.8 percent in 1997 — was actually smaller than the decline in the growth rate for employment in all other industries — from 4.2 percent to 3.5 percent.⁽⁶⁾ If the minimum wage increase had adversely affected employment opportunities for low-wage workers, it is likely that the growth rate in retail trade employment would have fallen by a greater margin than the fall in the overall employment growth rate. Because the slowdown in job growth was more modest in retail trade than in other industries these data also suggest that the minimum wage increase was not a leading factor behind the modest slowdown in the state's economic growth rate in 1997.

The Oregon Employment Department did expect some reduced growth in retail trade employment as a result of the minimum wage increase. After factoring in the impact of the state's 1997 minimum wage increase, the department estimated that there would be 282,200 retail jobs in Oregon in 1997. That is one percent lower than the department's estimate of 285,100 retail trade jobs in the absence of the minimum wage increase.⁽⁷⁾ Actual figures for 1997 — which show that Oregon had 284,400 retail jobs, or slightly more than the number projected for the year — support the Employment Department's forecast of modest job losses following the minimum wage increase.⁽⁸⁾

Research on the Minimum Wage's Effect on Employment

These indicators from Oregon are consistent with recent academic research showing that at the current level, moderate increases in the minimum wage would not have adverse employment effects. This includes studies of increases in the federal minimum wage in the early 1990s and in 1996, as well as increases at the state level.

Among the research on state minimum wages are studies of an increase in the California minimum wage in 1988 and in the New Jersey minimum wage in 1992. The New Jersey minimum wage was raised to \$5.05 an hour in 1992. Adjusting for inflation, that equals \$5.90 in 1998 dollars, or roughly the same as the 1998 Oregon minimum wage level. The study of the New Jersey minimum wage increase compared employment growth in fast-food restaurants in the state with employment growth in nearby eastern Pennsylvania, where the minimum wage was not raised. The study found that employment trends were as favorable in New Jersey as in Pennsylvania.⁽⁹⁾ In response to questions about this study's methods, the authors prepared a 1998 re-analysis using new data from the Bureau of Labor Statistics. The new research confirms the initial findings.

Studies of recent increases in the federal minimum wage also have found no adverse effect on employment nationally. A May 1998 study by the Economic Policy Institute used four different tests to measure the employment effects of the 1996-97 increase in the federal minimum wage to \$5.15 an hour. The tests typically showed small changes in employment for most groups — in some cases positive and in other cases negative — with virtually all of the changes being statistically

insignificant. The one test that showed fairly substantial and statistically significant employment effects found that the minimum wage increase boosted the employment of low-wage workers. The authors concluded that the tests "fail to find any systematic, significant job loss associated with the 1996-97 increases."⁽¹⁰⁾

Implications for a Federal Minimum Wage

The Oregon findings have significant implications for the federal minimum wage debate. Just as in Oregon, parents who leave welfare for work throughout the nation tend to earn at or near the minimum wage. Nationwide, half of the single mothers who received welfare assistance for at least part of the year but also worked at least part of the year earned less than \$5.15 an hour in 1996 — the most recent year for which data are available — while 63 percent earned less than \$6.15 an hour. (The federal minimum wage, which stood at \$4.25 an hour at the beginning of 1996 was raised to \$4.75 an hour in October 1996 and to \$5.15 an hour in September 1997. The leading proposal to raise the federal minimum wage would lift the wage floor to \$6.15 an hour by 2000.)

In addition, the Oregon data are consistent with research showing that the recent increase in the federal minimum wage boosted the earnings of low-income families generally. A study by the Economic Policy Institute on the two-step increase in the minimum wage from \$4.25 an hour in 1996 to \$5.15 an hour in 1997 found that minimum-wage workers frequently reside in low-income working families and that low-income families benefited the most from the increase. The EPI study found that among working families with a working adult, those in the bottom fifth of the income distribution received five percent of total family income nationally, but they received 35 percent of the benefit from the minimum wage increase. The study also found that 58 percent of the earnings gains from the minimum wage increase went to the bottom two-fifths of families in terms of income. The EPI study also looked at the impact on wages for adults with less than a high school education and for teenagers; it found that there were substantial wage increases among these groups, particularly among minorities.⁽¹¹⁾

Together, these findings suggest that the recent increases in the federal minimum wage are likely to have raised the incomes of a substantial share of the parents who left welfare for work. It further suggests that additional increases in the federal minimum wage would lift the earnings of these families even more, helping families make a successful transition to work and remain off welfare.

End Notes

1. The ballot initiative called for a three-step increase in the state's minimum wage. The third step will be an increase to \$6.50 an hour in January 1999.
2. The wage data reflect hourly wage information provided by welfare recipients to the welfare department. The large majority of recipients reporting wage information are participants in the state's welfare-to-work program. The remainder are recipients who find work outside of the state's JOBS program and report their wage information to caseworkers for benefit re-determination purposes. It is likely that the state data do not include all recipients who find work; for example, some recipients may choose to leave the welfare program when they find a job and thus would not need to report other wage information. Nevertheless, these data were collected in a consistent manner throughout the period covered in this report and thus are likely to accurately reflect changes over time. In addition, these data are used by the state as a performance measure for its welfare reform efforts.
3. Data from Oregon's Adult and Family Services division on the distribution of wages prior to the minimum wage increase are limited. They reflect only those welfare recipients who found full-time

work, and the only figures on welfare recipients with earnings below the new minimum are for those earning less than \$5.00 an hour. The available figures show that 17 percent of welfare recipients who found full-time work in the 1996 fiscal year earned less than \$5.00 an hour. Since the vast majority of workers are covered by minimum wage laws, most of the workers earning less than five dollars an hour would have benefited from the state's minimum wage increase.

4. The national comparison group was selected to match as closely as possible the profile of Oregon welfare recipients who moved into work. The comparison group was limited to working women because most adult welfare recipients are women. The *low-wage* level is the 20th percentile wage level among all female workers, as calculated by the Economic Policy Institute. Some 80 percent of women earned more than this level and 20 percent earned less. Between 1993 and 1996, the 20th percentile wage level among women was slightly more than \$6 an hour, or roughly equal to the average wage of Oregon welfare recipients who moved into jobs in that period.

5. The hourly wage for the typical low-wage female nationwide — i.e., the 20th percentile wage among women — equaled \$6.13 an hour in 1993, \$6.08 an hour in 1996, and \$6.15 an hour in 1997, with all figures measured in 1997 dollars. It is worth noting that the increase between 1996 and 1997 may in part reflect the increase in the federal minimum wage from \$4.75 an hour to \$5.15 an hour in September 1997. In other words, the wage growth at this level may have been less than one percent if the federal minimum wage had not been increased.

6. When the change is measured in percentage terms, the 1997 growth rate in retail trade employment was 10 percent lower than the 1996 growth rate. The 1997 employment growth rate for all other industries was 15 percent lower than the 1996 growth rate.

7. Oregon Employment Department, unpublished data, March 1997. The simulation also estimated that when the minimum wage increase enacted in 1996 was fully implemented, i.e., when the state's minimum wage reaches \$6.50 an hour in 1999, retail employment will be about three percent lower than it would have been if the minimum wage had not been increased. The simulation also estimated that the number of non-health service jobs will be about one percent lower in 1999 than it otherwise would have been as a result of the minimum wage increases. Overall, the department estimated that there would be 12,600 fewer jobs in the state in 1999 as a result of the minimum wage increase, a reduction of less than one percent.

8. As part of its standard measurement of employment, the Oregon Employment Department will revise all 1997 employment figures early in 1999. The revised figure for the number of retail trade jobs thus may differ slightly from the figure noted in this report.

9. David Card and Alan Krueger, "Minimum Wages and Employment: a Case Study of the Fast Food Industry in New Jersey and Pennsylvania," *American Economics Review*, September 1984, and "A Reanalysis of the Effect of the New Jersey Minimum Wage Increase on the Fast-Food Industry with Representative Payroll Data," Princeton University, January 1998.

10. Jared Bernstein and John Schmitt, *Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase*, Economic Policy Institute, Washington, D.C., May 1998, page 1.

11. Bernstein and Schmitt, *op cit*. The study shows, for example, that 30 percent of working women aged 20 to 54 with less than a high school degree earned \$5.15 an hour or less in the six months prior to the first step of the recent federal minimum wage increase in October 1996. During the six months following the second step of the increase, to \$5.15 an hour, the share of teens with earnings below this level dropped to 13 percent. (According to EPI, some workers continued to earn below \$5.15 despite the increase in the federal minimum wage because not all workers are covered by the minimum wage law, because some employers may not have been complying with the law, and because some workers may have inaccurately reported their earnings in the Census Bureau survey from which these data were drawn.)

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"Start Healthy, Stay Healthy" Child Health Insurance Outreach

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Daniel I. Werfel

10/05/99 05:21:15 PM

.....

Record Type: Record

To: Andrea Kane/OPD/EOP@EOP
cc: maureen h. walsh/omb/eop@eop, anil kakani/omb/eop@eop
bcc:
Subject: Re: WtW data reporting 

I think the chart moves us along because we know have from DOL a specific proposal of what data collection would look like: (a) in the absence of reauth or technical amend; or (b) with reauth or technical amendment.

Three issues:

(1) The chart does not indicate DOL's commitment to go with a reduced set of elements "option" for competitive grantees. I asked them if they are willing to do that, and they gave me the same speech about confusion for PICs who are both formula and competitive grantee. I'm ready to put my head through the wall if we have to keep debating this. I told Dennis we will go with the option in the event of no reauth, and he continued to hem and haw.

(2) The chart does not indicate whether DOL's strategy for phasing out the participant data out of the WTW financials. I did not bring this up with Dennis. We can raise this when they resubmit.

(3) When should DOL resubmit the package to OMB? This is important because when DOL resubmits they publish a notice in the Fed Reg announcing to the world their intention to collect and details about the collection. Do we tell the world we are considering two strategies, plan A or plan B? Or do we simply wait until late Nov/early Dec when all of our reauth questions are answered and have them submit what we know they will collect. Recall that Ray agreed to Dec 31 as date certain that they will begin collection.

Any thoughts?

Andrea Kane

Andrea Kane 

Record Type: Record

To: Daniel I. Werfel/OMB/EOP@EOP, Maureen H. Walsh/OMB/EOP@EOP, Anil Kakani/OMB/EOP@EOP
cc:
Subject: WtW data reporting

I'm not sure if you guys have given DOL any feedback on the chart they sent over - I generally thought it looked fine. Had a few minor issues. What's the latest status?

Minimum Wage Balancing Act

OPPONENTS ARE trying to exact too high a price for a minimum wage increase. Republican leaders determined earlier in the year that they lacked the votes to block an increase. They decided instead to try to trade it for a tax cut, as has happened in the past. The notion was that the cut would compensate small businessmen for the cost of the higher wages.

But the tax cuts now in contemplation have ballooned far beyond that narrow purpose. A new estimate says the tax cuts in the leading House bill would cost almost \$100 billion over 10 years. Because the bill is backloaded, even that understates the full effect; by the 10th year the estimated annual cost of what is being presented as little more than incidental tax reduction would be about \$15 billion. The provisions are such that almost three-fourths of the benefit would go to the highest-income one percent of the population and almost 90 percent to the highest-income 5 percent.

Nor do the data suggest that most of this would go to owners of small businesses, the supposed beneficiaries. More than half the cost of the bill would come from cuts in the estate tax, which already applies to only the wealthiest 2 percent of the population. A recent study found that individually or family owned small businesses made up less than 3 percent of the assets subject to the estate tax. Most of the people whom these estate tax cuts

would help aren't paying the minimum wage.

The bill would also significantly ease tax law regarding pensions, so that individuals could make much larger tax-free contributions to pension funds as well as withdraw larger amounts per year on retirement. Almost all the benefit of raising these ceilings would go to higher-income people, because they are the only ones who bump up against them now.

The small-business, minimum-wage connection again is tenuous, in that most small employers don't have pension plans; most of the people with private pension coverage in the country work for large corporations. Some provisions in the bill could even lead small-business owners to reduce pension coverage; they'd no longer have to contribute as much for their employees in order to be eligible to set aside significant sums for themselves.

There ought to be an increase in the minimum wage this year, if only to restore the purchasing power it has lost since the last increase in 1997. The politics may be such that there is no way to pass an increase without some kind of offset. But the offset ought not be exorbitant. The president, who rightly supports an increase, needs to make clear that there is a limit to the price he'll countenance. It would be more than ironic if a bill to help the lowest-paid people in the society became a buffet for the better-off.

**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.

*f: minimum wage***Resolution No.14****Submitted By:**

The Honorable Thomas M. Menino
Mayor of Boston

FEDERAL MINIMUM HOURLY WAGE RATE ADJUSTMENT

1. **WHEREAS**, the current federal minimum hourly wage rate is inadequate to raise families out of poverty; and
2. **WHEREAS**, the real value of the minimum wage continues to fall short since its highest level in 1968; and
3. **WHEREAS**, the purchasing power of the minimum wage continues to fall short and fails to allow families to make ends meet; and
4. **WHEREAS**, millions of workers paid by the hour earn at or below minimum wage and the majority of minimum wage workers are adults; and
5. **WHEREAS**, the poverty line for a family of four leaves many minimum wage earners unable to survive and they are the sole breadwinners for their households; and
6. **WHEREAS**, the majority of the average share of household income is earned by a minimum wage worker; and
7. **WHEREAS**, the income disparities between the races have been widening, not narrowing; and
8. **WHEREAS**, the minimum wage is one factor in these wide income disparities, as minorities work disproportionately in minimum wage jobs; and
9. **WHEREAS**, these minimum wage jobs often lack medical, sick or vacation leave, other benefits and job security; and
10. **WHEREAS**, these minimum wage jobs are a major factor in the decision of millions of workers who would likely drop out of the labor force because they see no future in such employment, but there are no other alternatives to raise a family; and
11. **WHEREAS**, many citizens who cannot survive on minimum wage seek alternatives outside the traditional job market that

may, at time, be destructive to them, their families, and the total society; and

12. WHEREAS, studies have shown that raising the minimum wage does not result in job losses,
13. NOW, THEREFORE, BE IT RESOLVED, that the federal minimum hourly wage rate should be increased to encourage significantly greater labor force participation and enable minimum wage job holders to support themselves and their families at income levels above the nationally defined poverty level.

Projected Cost: Unknown

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LEVY INSTITUTE

Policy Notes

1999/6

file: minimum wage

The Minimum Wage Can Be Raised: Lessons from the 1999 Levy Institute Survey of Small Business

Oren M. Levin-Waldman

In a 1999 Levy Institute survey of small businesses, more than three-quarters of the firms surveyed said their employment practices would not be affected by an increase in the minimum wage to \$6.00. Their response makes it clear that the minimum can be raised to at least that level. The question now becomes how high can it be raised before serious employment consequences occur.

It is not uncommon for those opposed to increases in the minimum wage to allege that small businesses are likely to be hurt because the increase reduces their already relatively low profit margins and then they are forced to lay off workers. However, in a survey of small business conducted in 1998 at the Levy Institute, most of the respondents said that their hiring and employment practices were not affected by the most recent minimum wage increase (to \$5.15 per hour in September 1997) and would not be affected if the minimum wage were increased to \$6.00 (Levin-Waldman and McCarthy 1998). Although there is a vast literature that details adverse employment consequences (for example, Kusters and Welch 1972; Welch 1974, 1978; Meyer and Wise 1983; Neumark and Wascher 1992), the findings of the 1998 survey are consistent with studies that show that minimum wage increases have not had such consequences (most notably, Card and Krueger 1995, 1998). Moreover, other studies suggest that, contrary to the common supposition that youth and students are hurt, minimum wage increases actually shift employment toward them, especially in the fast-food industry (Lang and Kahn 1998), and that since 1980 the declining value of the minimum wage has been a contributing factor to increasing wage inequality, especially among women (Fortin and Lemieux 1997).

Oren M. Levin-Waldman is a resident scholar at The Jerome Levy Economics Institute.

BRUCE BARTLETT

Minimum wage bypass

Press reports indicate that Republican leaders in Congress have all but conceded there will be an increase in the minimum wage this year, probably raising it from \$5.15 to \$6.15 over three years. The only thing left is for them to decide is what sort of face-saving amendments can be added to the legislation in order to minimize the impact on small businesses.

Republican leaders are said to be considering a variety of tax breaks and labor law changes.

It is too bad Republicans have chosen to forgo any real debate on the efficacy of raising the minimum wage. The fact is that the vast bulk of economic research continues to show that the minimum wage has extremely harmful effects on the very people it is designed to aid; i.e., the poor. Following are highlights from the latest academic studies.

The minimum wage unambiguously reduces employment. The September 1998 issue of the *Journal of Economic Literature*, an official publication of the American Economic Association, contains a survey of labor economists on the employment effects of the minimum wage. When asked to estimate the impact of raising the minimum wage, the average effect was estimated at minus .21 percent, meaning that a 10 percent rise in the minimum wage will reduce youth employment by 2.1 percent. This would seem to put to rest any notion that economists have changed their view that in general higher minimum wages reduce employment.

The impact on teen-agers and the poor is disproportionate. The minus 2.1 percent figure is an overall impact. For those currently earning less than the new minimum wage, the impact is much greater. For example, before the last increase in the minimum wage in 1996, from \$4.25 to \$5.15, 74.4 percent of workers between the ages of 16 and 24 already earned more than \$5.15, and 4.3 percent were legally exempt from the minimum wage law. Thus the employment losses were concentrated among the 21.3 percent of workers making the minimum wage or slightly more. When one attributes total employment losses entirely to this group, it turns out that the employment loss figure is not

minus .21 percent, but minus 1.0 percent, according to economists David Neumark, Mark Schweitzer and William Wascher. This means a 10 percent rise in the minimum wage reduces employment by 10 percent.

Increases in the minimum wage add almost nothing to the incomes of poor families. There are two reasons for this. First, employment losses reduce the incomes of some workers more than the higher minimum wage increases the incomes of others. Second, the vast bulk of those affected by the minimum wage, especially teen-agers, live in families that are not poor. Thus a study by economists Richard Burkhauser and Martha Harrison found that 80 percent of the net benefits of the last minimum wage increase went to families well above the poverty level. Almost half the benefits went to those with incomes more than 3 times the poverty level. (The poverty level is about \$17,000 for a family of four.)

The minimum wage reduces education and training and increases long-term unemployment for low-skilled adults. Mr. Neumark and Mr. Wascher found that higher minimum wages cause employers to reduce on-the-job training. They also found that they encourage more teen-agers to drop out of school, lured into the labor force by wages that seem high to them. These teen-agers often displace low-skilled adults, who frequently become semi-permanently unemployed. Lacking skills and education, these teen-agers pay a price for the minimum wage in the form of lower incomes over their entire lifetime.

Whatever the political realities may be, raising the minimum wage is still a bad idea. Republicans should at least say so before conceding the inevitable.

Bruce Bartlett is a fellow with the National Center for Policy Analysis and a nationally syndicated columnist.

The Washington Times

WEDNESDAY, MAY 5, 1999

Keep pressure on banks to invest in poor areas

By DeWayne Wickham

A spitting match between Sen. Phil Gramm and supporters of a federal law requiring banks to reinvest some of their deposits in low-income neighborhoods has some saliva glands working overtime.

Gramm, who chairs the Senate's banking committee, pushed a bill onto the Senate floor this week that would sharply reduce the power of community activists to pressure banks into complying with the 22-year-old Community Reinvestment Act (CRA). The Texas Republican says the law is a federally granted license to extort money.

Relaxing compliance

Buried inside a bill the White House and a congressional majority want enacted into law, Gramm's rewrite of the CRA would relax its compliance requirements. Central to his effort is a provision in the act that allows activists to challenge bank mergers by complaining about the institutions' lending practices in poor and minority neighborhoods. Gramm claims some organizations file such protests simply to "shake down" banks for money — payments he says often are disguised as compensation for help in finding and counseling needy loan applicants.

"What is at issue is an unsavory practice in which protesters file official complaints ... and pursue them until they are paid by the banks to stop protesting," Gramm wrote President Clinton, who has threatened to veto his bill.

Advocates of the law say Gramm's attempt to water down the CRA is a misguided effort to repay financial institutions for the money they have poured into his political coffers over the years. Since 1993, Gramm has received \$1.78 million in contributions from the financial services industry, more than anyone else on the banking committee.

Whatever the case, the clash between Gramm and the CRA's backers is coming to a head.

A coalition of groups led by the Leadership Conference on Civil Rights held a news conference on Capitol Hill Tuesday to defend the current CRA law. Their opposition

to Gramm's bill got a big boost last week, when the United States Conference of Mayors issued a letter, signed by 162 Democratic and Republican mayors, that urges opposition to the measure.

Among those signing the letter were the mayors of Fort Worth, Houston and Dallas. But so far Gramm seems to be more interested in bankers' concerns than his home-state mayors' worries. His rewrite would exempt 37% of banks from CRA's coverage.

That's a bad idea. Left to their own devices, banks have shown an unwillingness to reinvest a reasonable share of their deposits in poor urban and rural communities. More than a few have compiled lending records that raise serious questions about the nondiscrimination policies they tout.

But it would be unfair not to acknowledge the points Gramm makes about the relationship between some community organizations and the banks they monitor. Extortion is a strong word, but Gramm says the relationships often add up to just that. If so, groups guilty of such behavior should suffer administrative, if not criminal, sanctions. But Gramm must show proof of the "extortion" he claims.

Claims need support

One of Gramm's points strikes me as reasonable: Groups that want to challenge the lending practices of banks regulators repeatedly have rated "satisfactory" should have to provide verifiable proof that the banks haven't met the law.

The CRA has caused banks to reinvest more than a trillion dollars into some of the nation's poorest communities. Gramm says he just wants to fine-tune the law. But the opposite will happen if he insists on winning passage of the bill he muscled onto the Senate floor.

Both Gramm and those who oppose him must give ground.

Reasonable safeguards against even the appearance of "extortion" make sense. But to marry them to a bill that exempts many banks from the CRA's coverage is a cynical act deserving of a veto.

DeWayne Wickham writes weekly for USA TODAY.

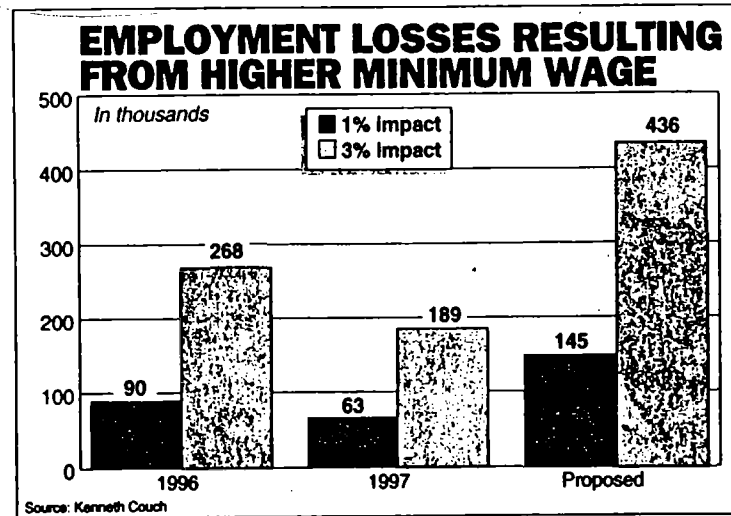
BRUCE BARTLETT

Acute minimum wage myopia

Press reports indicate Republican congressional leaders are sympathetic to increasing the minimum wage again this year. Democrats are pressing for a \$1 increase from \$5.15 to \$6.15, arguing that the last increase from \$4.25 to \$5.15 had a negligible impact on unemployment. However, while the national unemployment rate has indeed declined, that for black teenage males remains unacceptably high. The latest economic research continues to blame the minimum wage for much of this unemployment.

In 1948, before the minimum wage was widely effective, the unemployment rate for black teenage males was just 9.4 percent — actually lower than that for white teenage males. Last month, the unemployment rate for black teenage males was 32.9 percent. The rate for white teenage males was about one-third that rate. A Wall Street Journal article noted that the unemployment rate for black teenage males would be even worse except for the large number of them in prison or otherwise out of the labor force.

Before 1995, it was conventional wisdom among economists that



increases in the level and coverage of the minimum wage had contributed heavily to minority unemployment. A standard rule of thumb was that each 10 percent rise in the minimum wage caused teen-age employment to fall by between 1 percent and 3 percent. But this conclusion was challenged by two economists, David Card and Alan Krueger, who argued that small increases in the minimum wage

had no effect on unemployment and could actually raise employment. The Clinton administration cited the Card-Krueger study heavily in pushing a higher minimum wage through a Republican Congress in 1996.

In a new study, economists Richard Burkhauser, Kenneth Couch and David Wittenburg review the evidence from the latest minimum wage increase and find

that the old conventional wisdom still holds. The Card-Krueger results, it seems, do not stand up under rigorous statistical tests. Messrs. Burkhauser, Couch and Wittenburg found that the 1996-97 minimum wage rise led to a decline in teen-age employment in the range of the earlier consensus. "The preponderance of the evidence suggests that minimum wage increases are associated with significant but modest employment losses for teen-agers," they conclude.

In a study published by the Federal Reserve Bank of San Francisco, Kenneth Couch translated these conclusions into raw numbers. At the low end of the range, at least 90,000 teen-age jobs were lost in 1996, and another 63,000 jobs were lost in 1997. At the higher end, job losses may have equaled 268,000 in 1996 and 189,000 in 1997. He estimates that a \$1 rise in the minimum wage will further reduce teen-age employment by between 145,000 and 436,000 jobs. Even in a growing economy, this is a high cost to pay.

Bruce Bartlett is a fellow with the National Center for Policy Analysis and a nationally syndicated columnist.

CongressDaily

March 24, 1999/pg-6 of 6

House Education and the Workforce Chairman Goodling today announced his committee will hold hearings next month on raising the minimum wage, focusing on its effects on low-income workers and welfare-to-work programs. In a letter to **ranking member William Clay, D-Mo.**, Goodling wrote that the hearings "will provide a thorough discussion of the status of lower-income workers who are heads of households, and the most effective ways to assist them in raising their standard of living." Because there have been no hearings on the minimum wage issue since 1989, Goodling and the House leadership are trying to get ahead of the issue in an apparent effort to head off the drive by Democrats and some Republicans to pass a minimum wage hike this year. "The ability of lower-skilled, unemployed individuals to gain entry to the workforce is critically important," Goodling wrote, foreshadowing one of the arguments Republicans will make at the hearing against raising the minimum wage.

UPDATE: THE KOSOVO CRISIS

Declaring that "only firmness now can prevent greater catastrophe later," President Clinton this afternoon announced that a NATO bombing campaign against the Serbs has begun. In brief remarks at the White House, Clinton said he will address the nation in more detail tonight and emphasized the action is not risk-free. But he indicated greater peril lay in not moving now. Clinton said he had consulted with the congressional leadership today — and would continue to do so — and that he appreciated the expressions of support received from Congress.

White House Press Secretary Joe Lockhart outlined "overall" objectives of the campaign — although he would not say if bombing might end before the objectives were achieved. The goals include stopping the killing and achieving a lasting peace; demonstrating NATO's "seriousness" of resolve; deterring Belgrade from launching an all-out offensive; and damaging Serb capability to take oppressive actions against the Kosovars. But Lockhart would not directly address the concerns of members of Congress that there is no plan if the bombing fails to achieve the goals, saying only that "the price of inaction is higher than" that of action.

Amid reports that Clinton is calling congressional leaders, Lockhart would say only that the "consultative process with Congress is continuing." Clinton today held a previously scheduled "get-to-know-you" lunch with **Speaker Hastert**, and Lockhart indicated that Kosovo likely consumed much of the discussion. — *by Keith Koffler*

THE FINAL WORD

"I've got so much work to do. I've got so many issues I want to raise. I've got so many battles left to fight ... I simply believe that I can most effectively advance that work, those issues and these battles outside the context of a presidential campaign."

— *The Rev. Jesse Jackson — in a statement posted today on the campaign Web site of his son, Rep. Jesse Jackson Jr., D-Ill. — confirming that he will not be a candidate for the Democratic presidential nomination next year. The elder Jackson sought the party's presidential nod in 1984 and 1988.*

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Cynthia A. Rice

03/25/99 02:38:31 PM

Record Type: Record

To: Charles R. Marr/OPD/EOP

cc: Andrea Kane/OPD/EOP, J. Eric Gould/OPD/EOP

Subject: Chuck -- are you working on minimum wage?

Yesterday afternoon's Congress Daily had an item noting that Goodling will hold hearings next month on the effect of raising the minimum wage on low income workers and welfare to work programs. I'm sure we'd have lots of countervailing evidence we'd want to get out. Could you keep us in this loop?

**BRUCE
BARTLETT**

Scrambled living wage numbers

Although it continues to fly under the radar screen in Washington, the living wage movement has become a major political force in almost every major American city. So-called living wage ordinances require contractors doing business with a city to pay their workers a minimum wage well above those required by state or federal law. Typical of these ordinances is the one approved by Detroit's voters on Nov. 3, which requires city contractors, including non-profits, and businesses receiving city tax breaks to pay at least \$7.70 per hour plus health benefits. If no health benefits are provided, the minimum wage rises to \$9.63 per hour.

The first living wage ordinance was enacted in Baltimore in 1994 and it has been a model for other

An honest study of the most prominent living wage ordinance finds that it did indeed raise the cost of city contracts.

cities. Baltimore has also been the subject of the most detailed study of the economic impact of living wage ordinances. Conducted by a group called the Preamble Center for Public Policy, its report was published in October 1996 and is available on the internet. Its most controversial finding is that the real cost of city contracts actually fell following enactment of the living wage ordinance.

The Preamble finding is important because the major argument against living wage ordinances is that they increase costs for city governments. With labor being by far

the greatest cost for any business, any mandated increase in that cost must be passed on to the purchaser of the firm's services or products if they are to stay in business. So the finding that city contracting costs fell is strongly contrary to expectations and economic theory.

It turns out, however, that economic theory wasn't wrong after all; the data were. Recently, the Employment Policies Institute (EPI) in Washington reviewed the contracting data upon which the Preamble study was based. It found that many of the figures do not match those in Baltimore's official records. In the most significant instance, the Preamble study was so far off that the data appear to have been fabricated.

The core of the Preamble study is a review of some two dozen city contracts before and after the living wage took effect. The largest of them is one for meals for the elderly with the contracting code BP-94025. This was apparently a two-year contract that the Preamble study's authors arbitrarily separated into two parts. The second year of the contract, an extension of the first, was for a slightly lower amount. And since it fell after implementation of the living wage ordinance, it appeared to support the study's conclusions.

Where the Preamble study's authors used trickery was in implying that the two-year contract was actually two separate contracts. They even made up a nonexistent contract code (BP-95025) that appears nowhere in city records. This single case is significant because it was the largest individual contract in the study. Removing it changes the overall data and reverses the conclusions.

According to the EPI study, there were numerous other errors in the Preamble report, including misstating the number of bids on contracts, improper comparisons of contracts not covered by the living wage ordinance, and excluded data that would have contradicted its conclusions. In short, an honest study of the most prominent living wage ordinance finds that it did indeed raise the cost of city contracts, as one would expect. The counterintuitive conclusions of the Preamble study to the contrary simply do not stand up to close scrutiny.

It is doubtful that refutation of the Preamble study will have any impact on supporters of the living wage. But it should give pause to those who think it is some kind of free lunch.

Bruce Bartlett is a fellow with the National Center for Policy Analysis and a nationally syndicated columnist.

Panel can't link implants to disease

Finding may hurt women's suits

By Jay Reeves
ASSOCIATED PRESS

Al

BIRMINGHAM, Ala. — A court-appointed scientific panel said yesterday it saw no proven links between silicone breast implants and disease, a finding that could hurt the claims of thousands of women suing implant makers.

Testimony by the independent, four-member committee will be videotaped for use nationwide in courts where women have filed suit contending implants made them sick.

"This adds to the trend of the past couple of years of courts rejecting the hypothesis that breast implants cause disease," said Doug Schoettinger, an attorney for Dow Corning Corp., once the largest implant maker.

But Ralph Knowles, an attorney for women suing the implant makers, predicted the scientists' conclusions would not hold up under cross-examination and wouldn't affect lawsuits.

It was not clear what role the panel's work would have in the cases of thousands of women who sued Dow Corning, which last month proposed a \$3.2 billion settlement to resolve the claims and help it emerge from bankruptcy court.

Under the plan, women could either take what the company offered — payments ranging from \$12,000 to \$300,000 — or continue their lawsuits.

Appointed by U.S. District Judge Sam Pointer of Birmingham to review conflicting scientific claims about implants, the scientists found no definite links between implants and systemic disease in four major areas: tox-

icology, immunology, epidemiology and rheumatology. The latter is the study of diseases of connective tissue, such as rheumatoid arthritis.

Sjogren's syndrome, marked by unusual dryness of the mouth, may be linked to implants, the panel said. But its symptoms "are non-specific and relatively common in any population group," members reported.

Never before has a panel been appointed to provide expert testimony in so many cases, Judge Pointer said in an interview.

Sybil Goldrich, an implant recipient and activist, faulted the panel for not reviewing the medical records of women who have filed suit over their implants.

"Nobody looks at those until they get to a courtroom," she said.

The panel evaluated published studies about systemic diseases and their possible links to implants. Members did not consider "local" problems, such as risks posed by ruptured implants.

Manufacturers deny their products are dangerous and point to other studies that found no links between implants and health problems.

A researcher trained in epidemiology aligned with the women's side said that the panel failed to sort out the conflicting scientific opinions.

"It would be misleading to say this report shows there are no problems. What it says is, 'We don't know,'" said Diana Zuckerman of the Institute for Women's Policy Research in Washington.

The Washington Times

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The San Francisco Examiner

Minimum wage

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HEADLINE: Supes OK living-wage study;
Task force must report in 4 months

SOURCE: OF THE EXAMINER STAFF

BYLINE: RACHEL GORDON

BODY:

Following in the footsteps of their counterparts in Oakland and San Jose, San Francisco supervisors are taking up the "living wage" issue, a plan that is gaining support in communities across the nation to boost pay for low-income workers.

The San Francisco Board of Supervisors unanimously approved legislation Monday to create an advisory living wage task force that will study helping low-wage workers out of poverty in one of the most expensive places to live in the world.

The panel will try to determine what, if anything, will work best for The City and has been charged with making a recommendation to the board in four months.

"I'm hoping to see a very balanced task force," said Board of Supervisors President Barbara Kaufman, who sponsored the legislation. "We urge the task force to reach the widest possible consensus."

A community coalition, led by organized labor and religious organizations, has been working on a living wage proposal for more than a year and was all but ready to move forward.

Under that plan, employers who do business with The City, or who receive city subsidies in the form of certain tax credits and grants, would have to pay their workers a living wage. The proposed rate is \$ 13 an hour with benefits and \$ 14.50 an hour without benefits.

The minimum wage in California is \$ 5.75 an hour.

Backers of a living wage law for San Francisco described Kaufman's proposed task force, which has strong backing from employers groups, as a delaying tactic. Kaufman dismissed the criticism, saying she simply wanted to make sure the issue was given a thorough airing.

Supervisor Tom Ammiano, the board's chief backer of a living wage ordinance, wasn't keen on the task force idea at first, but Monday he said he'd decided to give it his reluctant support.

The San Francisco Examiner, November 24, 1998

He said he was pleased to see that a wide array of perspectives would be included and wanted to make sure that the deliberative process wasn't drawn out too long. In the interim, he may hold public hearings on the living wage plan.

"I'm very optimistic about the living wage ordinance in San Francisco," Ammiano said. "I think we've been remiss" in not doing this earlier.

Organized labor in The City has made adoption of a living wage law one of its top priorities. Supervisor Mark Leno said it was sure to be one of the most important pieces of legislation the board would tackle in 1999.

The debate over it is also certain to be contentious. Backers say they want to give the working poor a leg up out of poverty. Employers want to make sure that it doesn't force them out of business or to scale back operations.

If the community-based coalition's proposal is adopted, San Francisco's living wage pay standard would be the highest in the country.

Earlier this month, the San Jose City Council adopted what is now the highest rate: \$ 9.50 an hour with benefits, \$ 10.75 an hour without. Oakland's is \$ 8 an hour with benefits, \$ 9.25 without.

Hayward is looking into living wage legislation.

In all, 22 jurisdictions in the United States, 19 cities and three counties, have enacted living wage ordinances.

Formation of the task force means the board's debate on the issue will be delayed until spring, at the earliest.

Each of the 11 supervisors will get one appointment to the panel. In addition, the full board will appoint four other members, each representing a particular constituency: organized labor, low-wage workers, business and nonprofit organizations.

Originally, the task force was to meet for six months and to allow the mayor four appointments, but the plan was amended during behind-the-scenes negotiations over the past 11/2 weeks.

Robert O'Malley, who is an active member of the community-based living wage coalition and works for several nonprofit agencies, among them United Way and the Haight Ashbury Food Program, is pushing for San Francisco to adopt the law.

"This is one of the most expensive cities in the United States," he said. "You can't live on the minimum wage here like you can in Arkansas. People working minimum wage jobs just can't make it, and they fall back into welfare."

Mark Mosher, executive director of the Committee on Jobs, an umbrella organization for San Francisco's largest corporations, believes it is inevitable that living wage will become law in San Francisco.

"The challenge is to make sure it's not hurtful," Mosher said. "Will it slow the progress of welfare to work? Will it eliminate entry-level jobs? Will it drive up the cost of city services?"

The San Francisco Examiner, November 24, 1998

The answers to those questions, he said, will depend on the final proposal.

For example, the supervisors will have to decide whether to exempt or include people involved in welfare-to-work programs and nonprofit agencies, whether to have a monetary threshold that will exclude smaller businesses from the law, whether only employers holding city contracts should be covered or also those with other financial ties to The City, and to what extent health benefits and other perks should be taken into consideration.

O'Malley and other supporters of a living wage law say that if the board's version becomes too watered down, they may go before voters with a broader measure more to their liking.

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ARTICLES



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The New York Times August 18, 1998, Tuesday.

Economy Lifts Incomes of Single Black Women Who Head Households By STEVEN A. HOLMES

*Personal Story
Min Wage
Welfare Reform*

Three years ago, Nancy Wright was struggling to hold body and soul and two children together on the \$237 she received in her monthly welfare check, supplemented by \$187 worth of food stamps.

These days, Ms. Wright, 35, is earning almost \$1,400 a month as a supervisor at a fiberglass plant. Though hardly affluent, she can afford to take her children out for a night on the town. She has bought a car, and she just returned with her two sons from a week's vacation in Atlantic City and New York - the first time she had left North Carolina.

"I'm able to buy them clothes and school supplies," she said, rattling off the benefits of her new-found prosperity. "I can take them out to get something to eat or go to the movies. I've accomplished a whole lot since I started working."

Ms. Wright's brightening fortunes are part of a little-noticed phenomenon among single black female heads of households. Long at the bottom of the economic scale, these women have seen their income rise sharply in recent years, pushed by a strong economy, tight labor market, increases in the minimum wage, more stringent welfare eligibility requirements and Government training programs.

In 1996, the latest year for which complete data are available, the median income for this group was \$15,530, a jump of more than 21 percent in inflation-adjusted dollars from the \$12,765 the women brought home in 1993, according to Census Bureau data.

Labor Department figures for single black female heads of families, a slightly different category because it includes only women with children, show a similar increase in income, rising to \$16,256 in 1996 from \$13,489 in 1993.

Incomes for these women are rising faster than nearly any other demographic group in the country, in part because they are starting from such a low base. Median income for white households (including married, living alone, or single parent) is \$47,023. And a median income of \$15,000 still leaves single black female heads of households squarely in the ranks of the working poor. But the increases come after two decades when their income barely increased or even declined. From 1969 to 1993, their medium income fell by more than 4 percent.

The fact that their income is improving is a sign of how much the benefits of the economic recovery are cascading down to groups on lower rungs of the economic ladder.

"They're doing much better than they have in years," said Edward Montgomery, chief economist at the Labor Department.

One reason is the recent increases in the minimum wage, which rose to \$4.75 from \$4.25 in 1996 and rose again to \$5.15 last September. Economists say the bulk of single black mothers are hourly workers, so an increase in the minimum wage helped lift their income.

But even without a federally mandated increase in the hourly minimum wage, these women would still be benefiting from the strong economy, which is especially robust here in Charlotte, where the unemployment is less than 3 percent.

Please contact Larry McSwain if you would like to receive the WR Daily Report by e-mail or if you have questions about articles found in this publication. (lmcswain@acf.dhhs.gov (e-mail) or 202-401-1230(voice)).

With such a strong economy, Labor Department data show that incomes at the bottom of the wage scale have begun to rise even more sharply than those at the top, seemingly reversing decades of rising income inequality.

"It's too early to call it a trend in terms of reversing income inequality," said Secretary of Labor Alexis M. Herman. "But there is no question we are heading in a positive direction."

In addition to being pulled into the job market by rising wages, many of these women are being pushed there by efforts to overhaul the welfare system. In 1995 North Carolina received waivers from the Clinton Administration allowing it to require welfare beneficiaries to undergo job training. A year later, the state received permission to set a two-year time limit for a family to receive cash assistance and to decline to raise welfare payments if a recipient had another child 10 months after going on the rolls.

Since the changes, North Carolina's welfare rolls have dropped to 65,873 families this past June from 113,485 in June 1995. Because about 65 percent of the families on welfare in the state are black, in 1995 and this year, and because about 60,000 people who have left the rolls have gotten jobs, single black mothers have been major beneficiaries of the policy changes.

Ms. Herman also said that new Labor Department studies show that 1.7 million people nationally were working last year who were on welfare in 1996, though she did not say how many of these people were unmarried black females who are heads of households.

For some, like Sherry Thomas, Government training programs made a huge difference. Divorced in 1992, on welfare and living in public housing two years later, Ms. Thomas re-entered the work force through the Job Training Partnership Act. The program paid her tuition at a junior college, covered the day care costs for her three children and paid her rent.

"Definitely that was my bridge to standing on my own and not having to continually depend on the system," she said.

Today, two years after subsisting on \$278 a month from A.F.D.C., Aid to Families with Dependent Children, and an additional \$350 in food stamps, Ms. Thomas is a computer programmer, earning "in the \$30,000 range." She has also started a business designing Web sites and has bought a four-bedroom split-level house.

Rather than worrying about addicts and gunfire outside her door, she now savors the crepe myrtles bursting with pink flowers in her front yard, and the two apple trees, their branches heavy with fruit, growing out back.

"I still have bills and everything, but I'm raising my kids in a better environment, which is something I always wanted to do," Ms. Thomas said.

Beyond the changes in welfare and a strong economy, the improving conditions for many of these women stem from their own grit and determination.

Eleven years ago Cheryl McKnight dropped out of high school in Sumter, S.C., about 120 miles southeast of here, to get married and start a family. But after her first child died of leukemia at the age 2, Ms. McKnight's marriage soured.

After getting a divorce in 1993, Ms. McKnight went on welfare, but soon got a job as a laboratory technician in a plant that made dyes for textiles. The position paid \$6 an hour, but Ms. McKnight considered it a dead-end job.

In 1997 she moved to Charlotte, the first time she had left her hometown, got a job flipping hamburgers at a Hardee's and enrolled in a community college course to earn her high school diploma.

Ms. McKnight worked from 4 A.M. to 11 A.M. at the all-night restaurant while attending classes from 12:30 P.M. to 3:30 P.M. every day and from 6 P.M. to 8:45 P.M. on Tuesdays and Thursdays. "I was determined to get that diploma," Ms. McKnight said.

After receiving the diploma last December, Ms. McKnight got a job as a receptionist and clerk at a drivers training school.

She is still struggling. Her pay of \$7.50 an hour isn't much greater than what she earned as a lab technician or at Hardees. But she is studying college algebra, biology, psychology and chemistry to pass the entrance exam to get into the nursing program at a local community college.

"I can see a future financially for my son and I now," she said. "Moving to Charlotte was a big move for me in a lot of ways. I'm just a better person now."

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The Washington Times, May 21, 1998, Thursday

Minimum-wage hike hurts unskilled workers

It's fitting that Sen. Edward Kennedy alluded to "Pinocchio" in his May 17 commentary, "Wage bill to fatten or flatten labor?" since the piece bore a striking resemblance to a fairy tale. Mr. Kennedy's assertion that the 1996 minimum-wage increase created jobs may lead some to believe his economic advisers are the Brothers Grimm.

In calling for a \$1-an-hour increase in the minimum wage, Mr. Kennedy ignores Labor Department data showing 215,000 jobs for teen-agers were destroyed by the first half of the 1996 minimum-wage increase. Because teen workers account for one of three minimum-wage workers, we can project that approximately 645,000 jobs were destroyed by the 50-cent increase that took effect Oct. 1, 1996. Even when the nation's jobless rate is at its lowest point in 28 years, we cannot forget that people who have low skills still have trouble getting jobs.

Welfare recipients forced into the job market by welfare reform will be the most damaged by another mandated wage increase. The National Adult Literacy Survey, commissioned in 1995 by the Department of Education, found 38 percent of those on food stamps to be illiterate. This alarming lack of marketable skills among welfare recipients has been well documented. Mr. Kennedy's proposal to raise the minimum wage ensures that they will be priced out of the entry-level jobs they need.

The president said we should "raise the living standard for 12 million hard-working Americans" by raising the minimum wage. How high does he want it to go? According to data from the Commerce Department, the average family income of employees who earn the minimum wage is \$35,375 a year. That's because 62 percent of minimum-wage earners live with their parents or have a working spouse. Former Labor Secretary Robert Reich summed up the situation best in a 1993 memo to the president when he wrote, "After all, most minimum-wage workers are not poor."

Nor do they stay at the minimum wage for long. According to Census Bureau data, minimum-wage workers increase their wages by an average of 30 percent within 12 months. For the very few who do not possess the skills needed to boost their wages, there are more effective ways to help them. In 1992, candidate Bill Clinton said, "We can increase the earned income tax credit by a couple of billion dollars a year and far more efficiently than raising the minimum wage lift the working poor out of poverty." We couldn't agree more.

Perhaps in Mr. Kennedy's fairy tale the low-skilled live happily ever after on welfare. In real life, they are left without jobs, prospects or a social safety net.

Mar 20/98

Better Pay vs. Job Stability in Wage Debate

By LOUIS UCHITELLE

WASHINGTON, March 19 — The Democrats today formally introduced President Clinton's plan to increase the minimum wage, drawing praise from unions but raising concerns even among supporters that the proposed new level, \$6.15 an hour, might cost jobs.

With a ceremonial flourish, Senator Edward M. Kennedy, the principal Congressional proponent of a higher minimum wage, introduced a bill to raise the minimum by 20 percent. That could be high enough, economists say, so that employers might decide to automate or to hire fewer but more skilled and more expensive workers.

Such an acknowledgment of a potential job loss is central to the debate over whether Congress should raise the minimum wage again, so soon after the last increase, in 1996. In 1996, most labor economists insisted that the higher minimum wage would not cost any jobs. It was an argument that carried the day, and it turned out to be true.

Now several of those same economists say \$6.15 an hour may be close to some "tipping point" at which two or three minimum wage workers in a group of 100 may have trouble keeping a job or finding one. But such potential difficulties, the same economists say, are far outweighed by the financial gains for the 97 or 98 who get the raise and keep their jobs.

The Labor Secretary, Alexis M. Herman, acknowledged the new concern today, saying in an interview, "I gainers and not the few potential losers, if there were to be any."

Ms. Herman spoke just before flying to an A.F.L.-C.I.O. meeting in Las Vegas, Nev., where Mr. Clinton promoted the minimum wage bill. It is strongly supported by John J. Sweeney, president of the A.F.L.-C.I.O.

The bill would raise the minimum to \$5.65 an hour on Jan. 1, 1999, from the current level, \$5.15, and to \$6.15 on Jan. 1, 2000.

At a hearing on Capitol Hill, Mr. Kennedy avoided mentioning job loss. Instead, he and Representative David E. Bonior of Michigan, the House Democratic whip, spoke of the need to pay a survival wage to the workers who care for "our aging

parents and other children." Five such workers described their hardships.

Mr. Kennedy acknowledged the shift in the debate, saying in an interview: "I am not ready to grant the job loss argument. But it is an argument that needs serious evaluation."

In an election year, raising the minimum wage is a bread-and-butter issue. A majority of Americans favor increasing the minimum, according to polls, and that was a reason many Republicans voted for the increase in 1996. It raised the minimum to \$4.75 on Oct. 1, 1996, from \$4.25, then to \$5.15 on Sept. 1, 1997. About 12 million people, or nearly 10 percent of the work force, are paid \$6.15 an hour or less.

But the pros and cons of the debate are more complicated than in 1996.

Weighing the potential in job loss and financial gain.

The \$6.15 hourly wage, adjusted for inflation, would still be well below the inflation-adjusted minimum in the 1960's, but it would bring minimum wage workers closer to the wage level of more skilled workers than at any time since 1979.

The comparison point used by most economists is workers earning 10 percent below the median hourly wage of a group that in skills is clearly a step or two above those earning the minimum. By the year 2000, that group is likely to be making just over \$10 an hour, and the \$6.15 would be roughly 60 percent of this amount, about the same ratio as in 1979, says Jared Bernstein of the Economic Policy Institute.

Mr. Bernstein argues that closing the gap is all to the good, because it would help reduce the issue of wage inequality and help "insure that low-wage workers get a fairer share of the economic growth."

But other economists wonder whether the higher minimum would squeeze some unskilled Americans out of jobs, or make their search for jobs harder and longer. That ques-

tion came up in the 1970's but has never been resolved. Two labor economists in particular drew attention to this concern: Alan Krueger of Princeton University and David Card of the University of California at Berkeley.

They were big advocates of raising the minimum in 1996, and they favor the bill introduced today on the ground that the pluses would far outweigh the minuses. In a study several years ago centered on Pennsylvania and New Jersey, Mr. Krueger and Mr. Card had found that lifting the minimum, far from causing job loss, actually increased the employment of minimum wage-workers. That study played a featured role in passage of the 1996 bill.

Mr. Krueger said: "David and I have said all along that there was a tipping point where a great enough increase in the minimum wage would start to reduce employment. We were confident that the last increase was below the tipping point. I suspect now that another increase, coming quickly after the last one, would bring us closer to the tipping point and may even cross it."

Other economists argue that passing the tipping point can help the economy by forcing employers into efficiencies they can ignore when labor is relatively inexpensive. Even opponents of another increase in the minimum wage agree that employment would rise, with the minimum at \$6.15 an hour, as long as the economy remains as strong as it is today.

The trouble will come in the next downturn, says Cliff Waldman of the

National Federation of Independent Business, representing small companies, which are the biggest employers of minimum wage workers.

"In a downturn," Mr. Waldman said, "you should think of the minimum wage worker as someone forfeiting pay to gain work experience."

Addressing this sort of argument, Mr. Kennedy said, "We are talking about people who work 40 hours a week and cannot provide for themselves and their families."

The potential tipping point is an issue that must be considered, he said, but the gains in family welfare from raising the minimum wage far outweigh any marginal job loss.

Chicago Tribune -- February 23, 1998

WHY WE SHOULDN'T BE AFRAID OF RAISING THE MINIMUM WAGE

by John McCarron

Could you live on \$10,712 a year?

OK then, could you raise a family on \$10,712 a year?

If you answered "no" to one or both of those questions, you have grasped the essential fact at the center of this year's juiciest domestic policy debate: whether to raise, once again, the federal minimum wage.

That the nation puts itself through this divisive exercise every three or four years is a true shame. Congress long ago should have indexed the minimum wage, now \$5.15 an hour, to the rate of inflation. But then the Democrats and Republicans wouldn't be able to pump themselves up and accuse each other of being, respectively, heartless and foolish.

Heartless, the Democrats accuse, because no working adult should be expected to live on today's minimum wage, much less try to feed and clothe children on a meager \$10,712 a year ($\$5.15 \times 40 \text{ hrs.} \times 52 \text{ wks.}$).

Foolish, the Republicans reply, because anyone with a minimal knowledge of economics knows that raising the hourly cost of labor will only cause employers to employ fewer, albeit better-paid, workers. In other words, some workers will be laid off so others can get their federally mandated raise.

This being a newspaper of Republican bent, the latter argument was made, and made well, last week on this paper's editorial page. The object of our scorn was President Bill Clinton's proposal to raise the minimum wage by a dollar with two 50-cent kicks this year and next.

Fortunately, this is also an "open" newspaper, in the best journalistic sense, and contrary views are welcome on this side of the page.

So here, in itemized fashion, are five reasons why my editorial-writing colleagues got this one wrong:

Reason 1: Now that Congress and the president have decided to reform welfare by phasing out monthly payments to all but the hopelessly unemployable, close to 5 million would-be breadwinners--most of them mothers with little or no work experience--will need to earn a living at the bottom of the wage scale. It may turn out this shock therapy is the

only way to break the cycle of welfare dependency. But this mass journey from welfare to work is headed over a cliff if it means having to raise kids on \$5.15 an hour. Such a wage would leave a Chicago mother of three some \$5,000 below the poverty level. And the poverty level, remember, is the income required for the basics.

The government can, and should, buffer these families with subsidized day care and health care and, importantly, the earned income tax credit. But the private sector also should be called upon to help, not just by hiring former welfare recipients but by paying them enough to afford the basics of American life.

Reason 2: The Republican claim that raising the minimum wage eliminates some jobs is undeniably true. What they don't say is that the rate of job loss is microscopically small and completely overridden by far more dynamic factors at work in the economy, such as overall growth. Even David Neumark and William Wascher, the economists whose research is often cited by Republicans, write that the net negative effect of a modest increase in the minimum wage "is insignificant."

"There's a tradeoff," Neumark told me last week when I asked him about his findings. "Not every government policy that throws people out of jobs is a bad policy." He mentioned anti-pollution laws as an example. Me, I immediately thought of free trade. Here's a federal policy that throws millions out of work, in the short run, in order to foster more economic growth in the long run. For some reason my Republican friends don't worry so much about jobs lost to cheap imports, just those eliminated by minimum-wage increases.

Reason 3: The divergence of American society into those who are very rich and those who are barely getting by cannot long continue without dire repercussions. Even the rightists have stopped disputing the dismal facts: The nation's poverty rate continues to inch upward despite seven years of economic growth; average weekly earnings for the lower three-fifths of the population are, after adjusting for inflation, lower than they were a decade ago; incomes among the top one-fifth continue to advance smartly, now accounting for 47 percent of all personal income.

This dividing of America is no accident. The downward pressure on hourly wages caused by economic globalization and the new national motto of "maximize shareholder value" has stagnated the many to enrich the few. America's wealthiest families--the top 5 percent--are enjoying mind-boggling year-over-year increases in the value of their investments (an average increase of \$51,000 during 1996, according to the most

recent Census data.) And this winter any Wall Street broker worth his wing tips is getting a six-figure bonus for 1997.

Might not such a system spare a dollar-an-hour for its least-skilled workers? If for no other reason than to head off an inevitable populist revolt?

Reason 4: Because it has failed to keep up with inflation, even Clinton's proposed minimum wage--\$6.15 by 2000--actually would pack less purchasing power than the minimum wage prior to 1983. Recomputed in 1997 dollars, the real minimum wage peaked in 1968 when it was worth \$6.81. All the Democrats want to do is bring it back to where it was before Ronald Reagan effectively froze it for a decade.

Reason 5: No, you can't raise a family on \$10,712-a-year.

REWARDING WORK BY RAISING THE MINIMUM WAGE

February 12, 1998

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

- **A Higher Minimum Wage Will Help 12 Million Americans -- Mostly Adult Workers Trying To Support Their Families.** According to data from the Bureau of Labor Statistics, 12 million hourly paid workers earn between \$5.15 and \$6.14 and would directly benefit from this pay raise. Three-quarters (74%) of the workers who would benefit are adults, age 20 or over, and three-fifths (60%) are women, many of whom are trying to raise the family on \$5.15. About two-fifths of the workers who will benefit from the increase are the sole wage earner in their household, and the average minimum-wage worker brings home half of their family's earnings.
- **Valuing Work: Restoring the Value of the Minimum Wage.** President Clinton's proposal to increase the minimum wage by \$1 in two equal steps -- combined with the previous 90-cent increase -- simply restores the real value of the minimum wage to what it was when President Reagan took office in 1981. During President Reagan's eight years in office, the real value of the minimum wage *fell* more than 25 percent. This increase -- in percentage terms -- is in line with previous ones that helped low-wage workers without adversely affecting the economy: both this proposal and the last one increase the minimum wage by about 20 percent.
- **Helping Ensure Parents Can Raise Their Children Out of Poverty.** In 1993, President Clinton expanded the Earned Income Tax Credit (EITC), helping to lift hundreds of thousands of working families out of poverty. Today, with the previous minimum wage increase and the expanded EITC, parents who work full-time do not have to bring up their children in poverty. This increase will help ensure that -- as costs continue to increase -- parents who work hard and play by the rules can bring up their children out of poverty.
- **Evidence from Last Minimum Wage Increase Is Clear: 10 Million Workers Got A Raise and No Jobs Were Lost.** The last minimum wage increase provided a pay raise to 10 million workers, and since the President signed the minimum wage increase into law in August 1996, the economy has created new jobs at an historically high pace of 250,000 per month; the inflation rate has declined from 2.9 percent to 1.7 percent; and the unemployment rate has fallen to 4.7 percent -- its lowest level in 25 years. For teenagers, African-Americans, and women, unemployment is down and employment rates are up.
- **This Is Consistent With Empirical Evidence That Shows Moderate Minimum Wage Increases Do Not Cost Jobs.** Two dozen empirical studies have found that moderate increases in the minimum wage do not have significant effects on employment. These studies include state-specific research in California, Texas, and New Jersey that shows that state minimum wage increases did not result in any job loss.

Tomorrow, President Clinton gives his State of the Union address. Among the initiatives he is expected to offer is an increase in the minimum wage. Congressional Democrats have been pushing the White House to raise the minimum wage by 50 cents per year for the next three years, raising it to \$6.65 by the year 2000. If President Clinton asks for a higher minimum wage, he undoubtedly will argue that the 1996 increase from \$4.25 to its current level of \$5.15 had no impact on unemployment.

To be sure, the national unemployment rate has risen in response to a higher minimum wage. However, this is not true for all segments of the population.

Historically, the main impact of the minimum wage has been on black teen-age males, and this continues to be the case. In September 1996, the unemployment rate for this group was 36.6 percent. After the minimum wage rose from \$4.25 to \$4.75 on Oct. 1, their unemployment rate jumped to 38.6 percent and to 41.1 percent in November 1996.

A similar jump in unemployment occurred last year as well, when the minimum wage rose from \$4.75 to \$5.15 on Sept. 1. In August, the unemployment rate for black teen-age males was 33.9 percent. In September, their unemployment rate leaped to 37.6 percent. As of December, the unemployment rate for black teen-age males was still above its pre-increase level at 36.2 percent. (All of these data are available from the Bureau of Labor Statistics at <http://stats.bls.gov>.)

Marginal workers, minimized jobs...

If President Clinton asks for a higher minimum wage, he undoubtedly will argue that the 1996 increase from \$4.25 to its current level of \$5.15 had no impact on unemployment.

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Unemployment, however, is only part of what is wrong with the minimum wage. A number of studies have shown that increases in the minimum wage lead employers to cut back on work hours and training. When people are priced out of legitimate jobs, many turn to crime or jobs in the underground economy. The minimum wage encourages the hiring of illegal aliens because they are less likely to report violations of labor laws. It has also been blamed for welfare dependency by making it harder for those on welfare to find legitimate jobs. And the minimum wage has been found to encourage high school dropouts.

Even supporters of the minimum wage must admit that it is very badly targeted. For example, a recent study from the union-backed Economic Policy Institute shows that 60 percent of the benefits of the 1996 minimum wage increase went to middle-class and wealthy families. The reason is because many of those benefiting

MINIMUM WAGE...THE MARKETPLACE WAY!



MINIMUM WAGE...THE GOVERNMENT WAY!



were teen-agers and secondary workers living in well-to-do families. At a minimum, this shows the poor benefit from the minimum wage much less than is commonly believed.

Bruce Bartlett is a nationally syndicated columnist.

CAPITAL ROUNDUP

After-school plan to be unveiled

Vice President Gore and first lady Hillary Rodham Clinton today will unveil details of a \$2 billion public-private partnership designed to provide after-school care for 500,000 children a year. The five-year program, a dramatic expansion of a fledgling federal initiative, is one of the policy initiatives slated to be part of President Clinton's State of the Union address Tuesday. The administration will propose spending \$1 billion over five years in federal grants that would be matched by schools, states or private organizations. The money would be used to provide after-school care "enriched" with tutoring or other education programs, generally using public-school buildings. "After-school care is in my view particularly important because the most common time for teen violence is between 2 and 6 p.m.," Gore said in an interview Friday with USA TODAY. "That's also the most common time for teen pregnancy, for drug use, for experimentation with cigarettes and for experimentation with alcohol." An estimated 5 million school-age children spend time as "latchkey kids" without adult supervision during a typical week.

— Susan Page

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MINUTE

State of the Union: Low Income Families

by John Biewen, Salt Lake City, Alex Chadwick, Washington, DC

HIGHLIGHT:

Containing our look at the state of the union, NPR's John Biewen reports from Salt City, where a mother of two works at a day care center for minimum wage, and couldn't make it without some outside help.

JOHN BIEWEN, NPR REPORTER: This is John Biewen in Salt Lake City.

Chris Martin (ph) says she never has paid much attention to what's going on in Washington. She's preoccupied with stretching her budget to the end of each month and trying to find some time with her daughters.

Every evening, she and 8-year-old Kaylin (ph) and 7-year-old Melanie (ph) sit at the kitchen table in their west Salt Lake City apartment and do the girls' homework.

SOUNDBITE OF A CROWD IN KITCHEN

CHRIS MARTIN, SINGLE MOTHER: "Once there lived a lady and two kids" -- is this us?

MARTIN CHILD: Yeah.

LAUGHTER

Are you writing about us?

BIEWEN: Chris Martin is 37. She's been divorced for two years. Her devotion to her daughters is palpable. She sends them out of the room while she does an interview about her financial struggles. She says she doesn't want them to think of themselves as poor. Nonetheless, Martin says her girls do have some understanding of the constraints on their lives.

MARTIN: My daughter said it just simple as life, "Mommy, why don't we ever do anything?" I said, "well, Kaylin, why do you think we don't do anything?" And she says, "because there's no money and there's no time." And it's just like, it's just a reality check when you're children -- and they're not even nine yet -- know that there's no time in the day or the week and that the money's not there.

BIEWEN: Martin works full-time teaching preschool at a day care center. She earns 5.25 an hour, the federal minimum wage, even though she's been in the job for two-and-a-half years and is assistant director at the center. She says she would have gotten a raise by now to six or seven dollars an hour, but instead she chose to have her employer pay most of her health insurance costs.

MARTIN: My boss, she pays \$150 of my insurance and I pay \$40, instead of having it to come out of my whole pocket.

BIEWEN: Martin does not qualify for Medicaid, federal health insurance for the poor, because her husband sends \$400 a month in child support. That lifts her income to about \$16,000 a year, \$3,000 above the federal poverty line for a family of three.

She's lucky: three out of four single parents get no regular child support. And though Martin doesn't have time to track federal policies, they play a big role in her life. She gets 30 or 40 dollars a month in food stamps, a housing subsidy that pays a third of her \$645 rent bill, a child care subsidy, and free school lunches for her daughters.

If she had to live on her wages alone, without government help or child support...

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MARTIN: I wouldn't be able to survive. That's just point blank I wouldn't be able to.

BIEWEN: That angers her. Martin says when she first earned the minimum wage 20 years ago, as an 18-year-old retail sales clerk, the \$2.25 an hour seemed to buy more than her paychecks do now.

Economists say she's right. Even after a recent increase, in real dollars the minimum wage is 13 percent lower than it was in 1978.

MARTIN: I would like to see the wages go up. Not a drastic amount, but I would like to see those go up in order to be able to just pay rent and buy groceries, pay the utility bills. Just be able to have just the basic necessities that we need to live by.

BIEWEN: Though she has just a high school degree, Martin knows she could earn a slightly better wage doing something other than child care. Even fast food often pays more. But her job allows her to see her daughters more than she could in most full-time jobs. Kaylin and Melanie spend a couple of hours every day at the day care center where Martin works before and after school.

MARTIN: They come to see me, find me, wherever I am, to get that hug, to get that kiss, to talk to me about their day, to see their eyes light up and to know that I'm there no matter what.

BIEWEN: Chris Martin is torn about the direction of federal policy toward the poor. She says she hopes welfare reform will work. She would like to be completely self-sufficient. At the same time, she sees no signs of improvement in the low-wage economy for people like her.

John Biewen, NPR News, Salt Lake City.

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The Washington Post January 25, 1998

Baltimore's Test Of Privatization Comes Up Short; Lockheed Martin Fails to Meet Goals for Child Support System

By Robert E. Pierre, Washington Post Staff Writer

In 1996, Lockheed Martin IMS was hired by the Maryland government to help fix what many agreed was a broken child support system in Baltimore. At the time, state workers collected only 16 percent of the child support payments owed by Baltimore parents.

If Lockheed could improve such dismal collection rates in Baltimore, with half the state's 400,000 child support cases, Maryland legislators said they would consider rolling out the effort statewide.

But a year into the experiment -- for which the subsidiary of the defense giant stands to make as much as \$ 70 million over three years -- some critics are wondering whether privatization is all that it was touted to be.

Lockheed fell about \$ 20 million short of its projected collection goal and failed to meet other key performance requirements. In fact, Lockheed did not perform as well as the Washington County government, in western Maryland, which was freed from cumbersome hiring and contracting guidelines as a test to see whether public employees could outdo the private sector.

"It may be that privatization of child support is not the end-all, be-all," said Clifford Layman, executive director of Maryland's Child Support Enforcement Administration. "It's too early to tell. [Lockheed] met their goals in some areas, and in some, they didn't. Does that spell doom and disaster? I don't think so. It's an experiment."

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Minimum Wages Are Being Set, City by City

By LOUIS UCHITELLE

LOS ANGELES -- What bothers Henry A. Berber most about the new "living wage" ordinance in Los Angeles is the picketing at his restaurant, La Luz del Dia, during a busy lunch hour. "The way they are dressed," he said, "they give the impression they are my regular customers, very dissatisfied. It hurts me personally."

The pickets are in fact community advocates who pushed for passage of the local law, which increases minimum wages at companies doing business with the city. Because Berber leases his site in a subsidized tourist zone, the ordinance requires him to pay \$8.76 an hour, not the \$5.75 that is standard pay for kitchen help here. The reasoning is that all his workers should benefit from the public largess that makes the quaint Olvera Street where his Mexican restaurant is situated so profitable. Berber has raised his bottom wage, but only to \$6.75 an hour, without health insurance -- and the pickets are trying to get him to go the extra distance.

"I am moving in the direction of conforming," he said, leaning for emphasis across a huge, cluttered desk that almost filled his small, low-ceilinged office. But to pay the full wage now, he said, would put his restaurant in the red.

Here and elsewhere, a small but increasing number of employers who do business with government are suddenly finding themselves required by local ordinances to grant big raises and benefits to their low-wage workers. Forty cities and counties in 17 states, particularly those with large constituencies of low-wage workers, have enacted such wage laws since the movement began five years ago.

As one follows another, lately at the rate of a new ordinance a month, the movement has begun to broaden from a simple emphasis on higher wages into a wide range of requirements involving health insurance, vacations, sick pay, job security and incentives to unionize.

"You have to look at the living wage movement in the context of the utter failure of federal labor law, now so stacked against workers," said Madeline Janis-Aparicio, director of the Los Angeles Living Wage Coalition. She cited what she said was Washington's failure to raise the national minimum wage to keep pace with the needs of the working poor or to strengthen labor's bargaining power. The coalition, an amalgam of community groups, churches and unions that organized the picketing at Berber's restaurant, is out to redress the balance.

As the ordinances spread, business opposition and complaints about higher costs and patchwork regulation are on the rise.

But the vast majority of affected companies, though often ducking full compliance, have generally lived with the law rather than give up profitable contracts, subsidies and leases on choice city-owned properties like Olvera Street, three studies have found. The early evidence suggests that relatively little of the extra cost has been passed on to the cities or to consumers. Companies are absorbing the higher wages or finding ways to offset them.

"The cost increases for companies in Los Angeles were only 1 to 1.5 percent of their total expenses," said Robert Pollin, an economist at the University of Massachusetts at Amherst who led one of the studies.

This wage movement is an increasingly popular tool for improving the lot of janitors, cleaning people, restaurant and health care workers, security guards, school bus drivers, parking attendants and others who earn less than \$8 an hour. That group represents 25.7 percent of the work force, or 28.5 million people.

Yet only a fraction of these workers -- no more than 44,000,

file: minimum wage

according to an analysis by Pollin, Mark Brenner and Luce -- are covered so far by wage ordinances, the law being the 9,000 or so in Los Angeles. But more than 30 cities and counties are considering such bills. One alone, in San Francisco, would nearly double the number of workers covered nationwide if the proposal now before the Board of Supervisors passes.

The ordinances cover the companies that tap the public till through a tax abatement, for example, or a service contract to clean schools or through leases at a city airport; the companies can be cut off if they fail to raise wages. Here in Los Angeles, United Airlines and Delta Air Lines have accepted the ordinance as lessees at the international airport, imposing the new wage -- \$8.76 without health insurance, or \$7.51 in pay and \$1.25 for health insurance on the contractors and subcontractors who supply baggage handlers, security screeners, wheelchair attendants and the like. Airlines' own employees generally earn more in wages and benefits than the law requires.

"United resisted the ordinance for a while and could have tied it in court for a long time," said Isaac Nuru, lead organizer at the airport for the Living Wage Coalition. "But it did the moral thing; it did not want a bad press."

The ordinances have their limits. They are hard to enforce even when city officials audit corporate payrolls, as they do in Los Angeles and one or two other cities. Further, though companies like United and Delta comply with the ordinance at the city-owned airport here, workers employed by contractors at the airlines' other sites in the city are not covered. And companies do not have to comply with the ordinances in most cities until existing contracts and leases are renewed or revised, though some companies do anyway.

Host Marriott Services did. It runs bars and restaurants at the airport here and has applied for a revision of its lease to expand. Even before submitting the application, the company increased the pay of 700 airport workers to the levels specified in the ordinance which took effect last January at the airport. And in a bit of home trading, Ms. Janis-Aparicio's coalition has endorsed Host Marriott's request.

"You monitor every lease that comes up for renewal or revision," she said, "and you go to the company and say, 'We want to work with you.'"

Still, much of American business, once indifferent to a movement that seemed to apply to so few workers, is now fighting the effort more vigorously -- denouncing the laws as an excessive cost of doing business and a distortion of wages, which should be set in the marketplace, not by government.

"When you raise the wage so much, a lot of the people you are trying to help will lose their jobs," said Thomas R. Larmore, a lawyer in Santa Monica. He heads a Chamber of Commerce committee formed recently to prevent passage of a wage proposal in Santa Monica that would be the first in the country to go beyond companies that benefit directly from city business. The ordinance would apply to an entire commercial district, a two-mile stretch of the Pacific coast developed with public funds as a tourist mecca.

Within this zone, which extends three blocks inland from a promenade overlooking the ocean, no company with more than 10 employees would be allowed to pay its workers less than \$10 an hour. Other provisions, borrowed from the Los Angeles ordinance, include paid vacations, a health insurance requirement and a provision to protect workers against retaliation.

The zone flourishes, the argument goes, because the city spends hundreds of millions of dollars to develop it as a tourist and entertainment center, and limited the number of hotel rooms. Keep room rates high, often above \$300 a night. Low-wage employees, advocates say, should share more of this public investment or at least earn a high enough wage to live in Santa Monica. Commute from poor Los Angeles neighborhoods.

Larmore says such reasoning is spurious. "It is totally backward

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The Outlook

Prosperity Is Good For Living-Wage Drive

A1 — **SAN FRANCISCO**
The modern movement for a "living wage" began in Baltimore in 1994, but it is poised to reap its biggest gains in California next year.

San Francisco, Santa Monica and several smaller cities in the Silicon Valley are considering living-wage ordinances that would match or exceed San Jose's record-breaking \$10.75 an hour enacted last year—more than double the federal minimum wage of \$5.15, and enough to lift a family of four above the poverty line.

The success of living-wage campaigns in California reflects a national trend borne aloft, organizers say, by the economic boom. Prosperity has highlighted social inequities that campaigners use to argue for giving the working poor a boost, too. And by limiting coverage of the living-wage proposals to workers employed by local governments and public contractors, proponents have avoided the most contentious business groups that bitterly oppose raising minimum wages across the board.

"We're in this humongous boom, but the growing income gap is wiping out the middle class," says Carol Zabin of the Center for Labor Research and Education at the University of California, Berkeley. California state officials expect 39% of all jobs created by 2005 to be unskilled, she says, with 35% of all new jobs paying less than \$10 an hour. "Now people are saying it's not enough to produce just any job, especially with government subsidies. We need to be concerned about the quality of those jobs."

Concern about job quality has spread amid the recent prosperity, proving the economists' saw that people are much keener to help the disadvantaged during good times than bad, if only, perhaps, to stave off resentment. In all, living-wage advocates have won ordinances in 42 cities and counties across the country — with proposals pending in about 80 more.

Their plea has been modest but effective: That businesses which benefit from public largess should pay their workers at least enough money to keep them out of poverty.

Economists feud over the effects of higher minimum wages. Conservatives have long maintained that raising the minimum wage makes small businesses unprofitable and reduces job opportunities for workers with the lowest skills. But in recent years, researchers have found little evidence to support that view.

Robert Pollin of the University of Massachusetts at Amherst found that Los Angeles's \$8.64 living wage increased total costs for the average affected business by only 1% to 1.5%. In a study of New Orleans, he found a proposed \$1 increase in the local minimum wage, to \$6.15, would increase business costs by a total of 5% or more for just 207 of the city's 14,000 businesses.

Such findings have helped to embolden advocates for the poor, who contend that the living-wage movement is just the start of a broader campaign for "economic justice."

In San Jose, the coalition of unions, religious groups and social-welfare activists

Top Living Wage Cities

San Jose, Calif.	\$10.75*
Detroit	10.44
Cambridge, Mass.	10.00
Ypsilanti, Mich.	10.00
Miami-Dade County, Fla.	9.81
Los Angeles County, Calif.	9.46
San Antonio, Tex.	9.27

*Hourly wage without benefits
Source: Employment Policies Institute

that pushed through the living-wage law has a lengthy agenda. In February, it plans to unveil a "code of conduct" for employers of temporary workers in the Silicon Valley, including demands for living wages, portable benefits, job training and fair administrative treatment. After that, it plans to promote a "community economic blueprint" that will seek to hold governments and companies more accountable to the community for the billions of dollars in public subsidies spent on development.

"The issue of economic justice is the civil-rights issue of our day," says Amy Dean of the AFL-CIO in San Jose.

In Minnesota, passage of living-wage laws in Minneapolis and St. Paul led to a successful campaign to pass a broader corporate-accountability law at the state level. The statute requires companies seeking economic-development subsidies to show how their project will benefit the community in jobs and wages. Each city can set its own wage goals. Under the law, all local subsidies of \$100,000 or more, and all state subsidies of \$500,000 or more, must be approved by a publicly elected body.

"The big picture isn't the individual workers being covered by living-wage laws," says Jen Kern of the Association of Community Organizations for Reform Now in Washington. "It's the organizing; . . . it's the new coalitions being built."

Does the living-wage movement have legs, or will it fade with the next downturn? Campaigners and some economists insist the broad success of the movement proves living wages are becoming an accepted "right." But when times do turn tougher, economists say, business groups are likely to find much more receptive audiences for their argument that higher minimum wages squelch job creation.

In the end, much may depend on what happens in California, where the highest living wages are now being won. If they prove successful at helping the working poor escape poverty, with relatively little harm to local economies, living wages are probably here to stay.

—PETER WALDMAN