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Remarks prepared for
U.S. Secretary of Labor Robert B. Reich

Women Work! The National Network
for Women's Employment
Washington, D.C.

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The Case for Raising the Minimum Wage

Behind the cash registers in this country's shopping malls, in the corridors of its hospitals and nursing homes, and in the after-hours netherworld of office buildings being cleaned, there are over 12 million low-wage American workers who would benefit from President Clinton's proposal to raise the minimum wage.

These are the country's invisible workers. Their ranks claim one in 10 working Americans. They are working harder than ever before, struggling to make ends meet. They hope their families stay healthy, because they can't afford to see a doctor. They hope the rent doesn't go up, because they can't afford to move. They hope that interest rates don't rise, because they're already too deep in debt.

I know these people: Thirty-five-year-olds forced to move back in with their parents because they can't pay the rent. Laid-off 55-year-olds pushed down the economic ladder, forced to become sales clerks at suburban discount stores. Single mothers who can't afford child care, yet must work overtime just to keep food on the table.

I've heard their stories many times. But, as we prepare to take the battle to raise the minimum wage to Congress in the coming weeks, I want to hear from more minimum-wage workers: What is it like to try to live on an annual income that every member of Congress earns in barely three weeks? President Clinton has proposed a 90-cent raise, from $4.25 to $5.15 an hour: How would that help workers and their families?

As you know, there are those whose voices are heard loud and clear in Washington, powerful groups who can spend millions of dollars on lobbyists. Then, there are the rest of Americans -- who don't have the money to get their voices heard.

That is why we are launching today an 800 number for minimum-wage workers to talk about these questions: 1-800-786-4975. It will take calls through November 17. You can also e-mail us. We will bring these stories to Capitol Hill when the Senate Labor Committee holds hearings on raising the minimum wage.

Low-wage workers -- three-fifths of them women, and 39 percent the sole breadwinners in their families -- are those whose lives would be boosted by the President's proposal to increase America's minimum wage over two years. Contrary to popular stereotypes, most people working at the minimum wage are not middle-class high-school students flipping burgers at the local fast-food restaurant. In fact, only one in eight Americans earning between $4.25 and $5.15 are teen-agers in families with above-average earnings. The typical worker who would be affected by the President's proposal brings home half of his or her family's weekly earnings.

Someone who works full time -- 40 hours a week, 50 weeks a year -- at the minimum wage earns only $8,500. This is simply not enough to support a family. The minimum wage is not a livable wage. Its real value today is 27 percent lower than it was in 1979. If it's not increased this year, it will be worth less than at any time in 40 years.

Raising the minimum wage is only one part of this Administration's strategy to improve Americans' living standards. Our package has three main components which distinguish it from both the tried-and-false trickle-down theories of the Republican leadership and the protectionism-cum-immigrant bashing of Pat Buchanan and others. One, we must make work pay: This means not only raising the minimum wage, but preserving and expanding the Earned Income Tax Credit. Two, we need more education and job training to give Americans the tools they need to succeed in the new economy. And, three, we must build a new social contract between workers and business in which workers get their fair share of profits and economic growth.

The plight of low-wage workers betrays fundamental American ideals of justice and decency. It also betrays our society's historic promise that those who work hard will have the opportunity to better their living standards and those of their children.

However, the circumstances of minimum-wage workers and millions of other low-wage workers are emblematic of a more fundamental problem with America's economy -- the widening wage gap.

Economic growth and productivity are much rising, and the great American jobs machine is humming. That's good news. But for many Americans, the road to prosperity has been like permanent bumper-to-bumper traffic where almost no one gets ahead. Since 1979, the inflation-adjusted income of the top 5 percent of households grew by almost 40 percent, but real median earnings for full-time workers have fallen by 2 percent.

Study after study -- by independent economists, international organizations and the government -- has revealed that inequality, in income and wealth, has grown significantly during the last 15 to 20 years. The United States is now the most stratified major developed country in the world.

Benefits and pay have been cut for millions of workers, and many others have been victims of "downsizing" -- or, what some corporate spin doctors briefly, and cruelly, called "right-sizing." Nearly half of all full-time workers who have been laid off and found new full-time jobs in the last few years have taken pay cuts. As a result, the average corporate executive in manufacturing, for example, earns about 120 times what his or her average employee earns -- up from 35 times in 1974. The combined compensation of America's 25 best-paid CEO's last year added up to $1.5 billion. It would take more than 175,000 full-time minimum-wage workers to pool their incomes to equal that amount.

Even these statistics fail to tell a big part of the story. Living standards, or people's sense of well-being, are hardly a function of paychecks alone. Declining or vanishing medical and pension benefits do not show up in the income reports that the Department of Labor issues.

Nor does overwork: Although millions of Americans are unemployed or working part-time not by choice, millions more are working ever longer hours at their jobs or "moonlighting" at second and third jobs -- just to pay the bills. The total number of hours worked by families has edged upwards during the last generation.

The influx of women into the work force has accounted for much of this increase, as two-income households have become the norm. In many ways, this does represent social progress. Yet, if millions of these women did not work outside the home -- as their mothers and grandmothers did not -- tens of millions of American families would be catapulted downward into poverty. The loss of leisure for countless Americans, and the even-harder-to-measure loss of time for working husbands and wives, and parents and children, to spend together or serving their communities are incalculable and tragic.

"Family values" is a phrase much bandied about these days. Some would have us believe there are two kinds of families in America -- the saintly and the sinful. One kind works hard and is a model of moral rectitude. The other kind runs wild and lives off welfare.

But here are the facts: Almost all families work. Mothers with small children work. Fathers work. Many teen-age children work to boost their families' incomes. Most African-American families work. Most Hispanic families work. Most immigrant families work. Most poor families, including those on food stamps, work. And, as I have said, most are working harder than ever for less.

The Clinton Administration has made increasing family wages central to its agenda. We have increased the Earned Income Tax Credit. We have expanded education and job training so that American workers have the skills to thrive in a global economy driven by ever new technologies. We have called for a new social contract between business and workers. And we have fought -- and will continue to fight -- to raise the minimum wage.

Yet there are those who are mounting a concerted fight against all those initiatives.

Myth: Raising the minimum wage wipes out jobs. Fact: More than a dozen independent studies have shown that moderate minimum-wage increases have almost no effect on employment.

Myth: Raising the minimum wage hurts minorities. Fact: African-Americans and Hispanics are over-represented in the minimum-wage workforce, and an increase will actually benefit them.

Myth: This is a partisan issue. Fact: We all agree that work is better than welfare. If we are serious about welfare reform, we must make work an attractive alternative. To do that, we must make work pay. And polls show that three-fourths of Americans support an increase.

The last time the minimum wage was increased -- during the Bush Administration -- it passed the Senate by 89-8 and the House by 382-37, and a majority of Republicans voted yes. Including one Republican named Newt Gingrich and another Republican named Bob Dole.

The minimum wage, and the larger issues of the wage gap, are not simple. But there is one simple step we can take: Congress can vote for an increase.

There are many reasons to do this, as I've outlined in the last few minutes. But, if anyone asks you, "Why raise the minimum wage," I have two simple answers:

First, there's room for a raise. Economic growth and profits are up.

Second, even more simply, values do matter: Corporations must not debase our nation for the sake of profits. They have a moral responsibility to pay working men and women livable wages for American families.

I know I don't need to tell people in this room how essential these issues are, but each and every one of us needs to do a better job in the days ahead in getting the message out: We must remember America's forgotten low-wage workers, and we must fairly reward all working Americans.

Minimum wage

Table 1. Historic value of the minimum wage

	Purchasing power in 1994 dollars	Minimum wage as a percent of the average private nonsupervisory wage
1960s avg.	$5.49	52.2%
1970s avg.	5.57	45.8
1980s avg.	4.78	40.4
Current	4.25	38.3

June 16, 1994

Value of the Minimum Wage

For a nine-year period begining in January 1981, the minimum wage remained frozen at $3.35 an hour, despite a 48 percent jump in the cost of living. Legislation signed by President Bush provided for a two-step raise in the minimum wage: to $3.80 an hour in April 1990 and then to its current level of $4.25 an hour in April 1991. But these raises made up for only some of the ground that had been lost to inflation during the 1980s, and the minimum wage has declined further in purchasing power over the last three years.

As a result, the current minimum wage is far below three benchmarks commonly used to assess its worth.

* The minimum wage falls short of its traditional level of purchasing power (see Figure 1). If the value of the minimum wage were to have the same purchasing power in 1994 as it averaged in the 1970s, it would need to equal about $5.45 an hour. Its inflation-adjusted value declined 24 percent over this period. The real value of the minimum wage is now above its value in 1988 and 1989 but is below its value for every other year going back to 1955.

* Similarly, changes in the minimum wage have not kept pace with changes in the wages of other workers in the economy. In the 1950s and the 1960s, the minimum wage averaged more than half of the average wage of private nonsupervisory workers. In the 1970s, it averaged 46 percent of the average wage. Currently, it equals 38 percent of the average wage. (See Table 1.)

* The decline in the value of the minimum wage has made it harder for workers to earn their way out of poverty. In the 1960s and the 1970s, the earnings from full-time year-round work at the minimum wage <u>alone</u> usually lifted a family of three above the poverty line. By contrast, in 1994, full-time minimum wage earnings alone will leave a family of three $3,000 below the estimated three-person poverty line.[1]

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[1]Of course, for minimum-wage workers living in low-income families, the dramatic recent expansion in the EITC has helped offset the decline in the value of the minimum wage. But even for those minimum-wage workers receiving the maximum EITC -- who represent a small fraction of all minimum-wage workers -- the offset has not been complete. For such workers, the combined value of minimum wage earnings and the EITC, minus payroll taxes, is significantly less than the combined value in the 1970s.