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INFORMATION

THE WHITE HOUSE
WASHINGTON

March 22, 1976

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Sedman

MEMORANDUM FOR: JIM CANNON
FROM: DAVID LISSY *DL*
SUBJECT: Minimum Wage

FYI. This issue seems to be becoming active again.
The House Subcommittee will mark up next week.

I have asked Bill Usery's office to prepare a memorandum to the President informing him of the issues. It may be premature to make decisions but the issue is one the President should be aware of.

cc: Jim Cavanaugh
Art Quern

David
Let's you,
Art and
I discuss
this *DL*



U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

April 5, 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Minimum Wage Legislation

You are familiar with the minimum wage provisions of the Fair Labor Standards Act (FLSA) most recently amended in 1974. These provisions establish among other things minimum wages and maximum hours for individuals employed by firms engaged in interstate commerce. Periodic adjustments to the minimum wage rate however have been accompanied by sensitive economic, political and social issues. The 1974 adjustments, for example, resulted in a serious disagreement between the Administration and organized labor.

On October 9, 1975, Congressman John Dent introduced legislation (H.R. 10130) to amend the FLSA in a number of important respects. This memorandum summarizes the events which have occurred since the bill was introduced and the major issues which are likely to confront the Administration with respect to minimum wage legislation. You will find in Attachment A a summary of the current statutory requirements and the proposals presently receiving attention in the House.

Background

1. The Department of Labor testified on the Dent Bill last fall and presented an objective appraisal of its impact but did not offer an Administration position on the legislation. While organized labor strongly supported the bill, it did not have widespread Congressional support and has not come to a vote in the House Labor Subcommittee.
2. It now appears that organized labor as well as the Democratic majority in Congress will make the enactment of minimum wage legislation a major goal this year.



3. Recently Congressional staff circulated a draft bill (attributed to Congressman Dent) which contains the more moderate provisions summarized in Attachment A.

On April 5 we were informed that another new proposal has now been informally introduced to the House Labor Subcommittee. This proposal is summarized as a footnote to Attachment A and may have the endorsement of the AFL-CIO.

4. No bill has been introduced in the Senate and it is likely that the Senate will limit itself only to addressing a House-passed bill should that occur.

Issues

The proposals now being considered by the Congress raise fundamental policy issues in three areas:

1. Should the minimum wage be increased? If so, should it be \$2.65, \$3.00 or some other level? When should these increases become effective?

These questions raise issues about the need to pay an adequate wage for low income workers; the economic and employment effects of an increase in the minimum wage (especially for youths); and the timing of future increases.

2. Should the minimum wage be indexed? If so, which index should be chosen - a price index or a wage index? To what initial minimum wage level should the index be applied (e.g., \$2.30, \$2.65, \$3.00 or some other level)?

At issue is whether future adjustments to the minimum wage level made necessary by inflation, wage, and productivity changes are best handled through periodic legislative increases or automatic adjustments tied to an appropriate index.

3. Should the present tip credit be changed? If so, what is the appropriate limitation?

This issue effects relatively few employees but will be of keen interest primarily to restaurant and hotel employers and workers.



We have been analyzing carefully the various proposals under consideration and their economic and political effects. There have been informal discussions within the Administration, with the AFL-CIO, and with the business community. As we develop an Administration position on minimum wage legislation it would be appropriate to work with the Domestic Council, CEA, OMB and the Economic Policy Board and to continue the dialog with important outside groups. Before proceeding, however, I believe a discussion with you is essential and look forward to raising the matter with you on April 6.



Secretary of Labor

Attachment

cc: Dr. Connor ✓



Attachment A -- Minimum Wage Provisions

Provision	Present Statutory Requirements (1974 Amendments)	H.R. 10130	Recent Draft Bill
Basic Minimum Wage	1/1/76 - \$2.30	Increases minimum wage to \$2.65 on 7/1/76 & \$3.00 on 1/1/77	Increases minimum wage to \$2.65 on 7/1/76
Indexing	No provision for automatic adjustment	Subsequent to 1/1/77 the \$3.00 minimum would be adjusted up to twice a year by the percentage change in the CPI plus a 1% add-on at each adjustment	Beginning 1/1/77, the \$2.65 minimum would be adjusted by the percentage change in the BLS hourly earnings index on an annual basis.
Overtime	Requires that employees be paid <u>1-1/2</u> times the regular hourly rate for all hours worked over 40 per week	Requires that employees be paid <u>2-1/2</u> times the regular hourly rate for all hours worked over 40 per week	Contains no overtime provision (current requirements would continue)
Tip Credit	Wages paid to tipped employees (mostly restaurant & hotel workers) may be reduced by up to 50% of the minimum wage	Reduces the tip credit to 25% 1 month after enactment and eliminates the credit 1 year after enactment	Effective 1/1/77, tip credit would be limited to \$1.00 per hour

Note: We were informed on April 5 of the following proposal now informally before the House Labor Subcommittee: increase minimum wage to \$2.65 on 1/1/77, minimum wage would be adjusted as a fixed percentage of Average Hourly Earnings on an annual basis thereafter. Effective 1/1/77 tip credit would be limited to \$1.00 per hour.



CONTACT: Marian Nelson
OFFICE: 202-523-8743
AFTER HOURS: 703-941-3049

USDL- 76-257
FOR RELEASE: Immediate
Friday, April 9, 1976

HEARINGS SCHEDULED ON MINIMUM WAGE RATES IN SEVEN PUERTO RICAN INDUSTRIES

Public hearings on Puerto Rican minimum wage rates in seven industries subject to the Fair Labor Standards Act will be held beginning May 17, 1976, in Santurce, Puerto Rico.

Secretary of Labor W. J. Usery, Jr., has established committees to study current minimum rates in each of the industries and to determine whether new higher rates should be established.

Under Administrative Order 643, published in the Federal Register March 16, 1976, committees will hold hearings on the following industries:

- Committee 132 - textile mill products (May 17);
- Committee 131-A - nonrubber footwear (May 24); and
- Committee 131-B - rubber and plastics (May 24).

Under Administrative Order 644, scheduled to be published in the Federal Register April 9, 1976, committees will hold hearings on rates for these industries:

- Committee 133 - agriculture (June 7);
- Committee 134-A - government service (June 14);
- Committee 134-B - domestic service and motion picture theater (June 14); and
- Committee 134-C - retail trade (June 21).

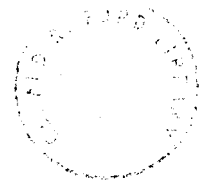
All hearings will be held in the Wage and Hour Division offices, Seventh Floor, Condominio San Alberto, 1200 Ponce de Leon Avenue, Santurce, Puerto Rico.

(more)



Persons wishing to participate as parties must file prehearing statements at least 10 days prior to the hearing date, with the Director, Wage and Hour Division, Caribbean Office, U.S. Department of Labor, Seventh Floor, Condominio San Alberto, 1200 Ponce de Leon Avenue, Stop 17, Santurce, Puerto Rico.

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THE WHITE HOUSE
WASHINGTON

April 13, 1976

MEMORANDUM FOR: JIM CANNON

FROM: DAVID LISSY *DL*

SUBJECT: Minimum Wage

The attached suggested note to Bill Seidman is per our conversation.

I understand that DOL expects to get a paper to the EPB within the next few days.

Attachment

cc: Jim Cavanaugh
Art Quern



THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: BILL SEIDMAN
FROM: JIM CANNON
SUBJECT: Minimum Wage

I understand that the EPB will assume the lead role in coordinating Administration review and action on any minimum wage legislation.

I would appreciate it if David Lissy of the Domestic Council could be involved in this process to the maximum extent appropriate. He is the Associate Director who deals with the Department of Labor on a daily basis and is aware of much of the background to the pending minimum wage discussions.



min. wage

THE WHITE HOUSE
WASHINGTON

May 25, 1976

Dear Roger:

Your letter of May 21 is a very helpful exposition of the problems, as you see them, of proposed changes in the minimum wage law.

I look forward to our meeting. In the meantime, I have shared your letter with a number of others here.

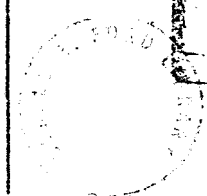
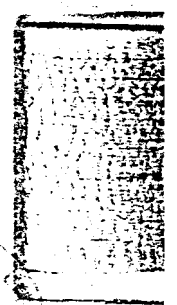
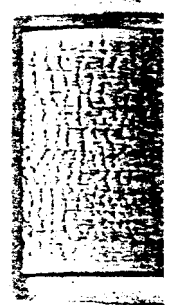
Cordial regards.

Sincerely,

David H. Lissy
Associate Director
Domestic Council

Mr. Roger D. Semerad
Vice President
American Retail Federation
1616 H Street, N.W.
Washington, D.C. 20006

bcc: ✓ Jim Cannon
Jim Cavanaugh
Roger Porter
John Vickerman
Bill Diefenderfer



AMERICAN RETAIL FEDERATION

1616 H STREET, N.W.

WASHINGTON, D.C. 20006

(202) 783-7971

ROGER D. SEMERAD
VICE PRESIDENT

May 21, 1976

Mr. David H. Lissy
Associate Director
Domestic Council
Rm. 228, Old Executive
Office Building
Washington, D.C. 20500

Dear David:

To follow up our conversation yesterday regarding legislation which would amend the Fair Labor Standards Act, principally by increasing the minimum wage, and thereafter adjusting the rate automatically by applying an indexing formula:

The original bill, H.R. 10130 (Dent, D-Pa.) would have raised the minimum to \$2.65 on July 1, 1976, \$3.00 on January 1, 1977, then automatically using the Consumer Price Index formula identical to that in the Civil Service Retirement Act.

As you are aware, no further action has been taken since hearings in the Labor Standards Subcommittee of the House Education and Labor Committee last fall, during which the Department of Labor appeared, but took no position on any of the bill's major provisions.

I understand that Bill Usery has been invited back to testify for the Administration on the subject of a minimum wage increase, and automatic increases tied to an index, such as the Bureau of Labor Statistics Hourly Earnings Index.

On behalf of the nation's retailers and, for the sake of the country's economic well-being -- we are urging the President to oppose any increase, in any form, of the present minimum rates.



May 21, 1976

You will recall that when the 1974 Fair Labor Standards were enacted, it was agreed by both Houses of Congress that the increases would be written into the law to take place in 1977. This was intended to take minimum wage out of politics in 1976. The current action in Congress is a clear breach of an agreement which made good sense then, and makes better sense now.

An increase at this time would be precipitous, when the nation's economic indicators are only now beginning to show improvement. The rate of unemployment has become somewhat stabilized, although the unemployment rate among young people continues at an alarmingly high rate. It is most dramatic among black teenagers in the labor force, where the unemployment rate is 35 percent.

If these young people are not employed in retailing, it is because the highly competitive labor-intensive industry cannot afford them at the present minimum. To increase the federal rate would severely aggravate an already bad situation, and, of course, the economy. Rather than increasing the minimum wage for all, it would be more realistic, equitable, and less discriminatory, to provide a special rate to get these young people into a job.

Indexing the minimum wage, besides bringing with it the obvious strictures on the freedom of choice, freedom to negotiate, and freedom to manage, would be per se disadvantageous to our economy. When the minimum wage is changed, it has a significant impact on selected industries, companies and segments of our labor force. Companies and industries whose wage rates tend to be close to the minimum wage are obviously greatly affected by upward movements in the minimum wage rate. This occurs because of the higher minimum wage rate that has to be paid and the "ripple effect" causing adjustments in rates above the minimum.

It would be irresponsible to allow an index with no ability to weigh the consequences of changes in minimum wage rates to automatically make these adjustments. If we index the minimum wage, are we admitting that our political processes can't be relied upon to arrive at appropriate judgments in this important matter, which is as much political as it is economic?



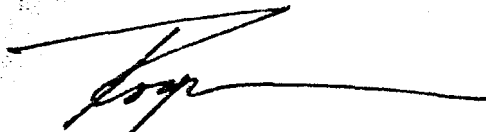
Mr. David H. Lissy, Pg. 3

May 21, 1976

We hope the President takes a strong position against an increase at this time. The American Retail Federation stands ready to focus its resources and attention on defeating this legislation and assisting you in any way. John Vickerman is supposed to be setting up a meeting including you and other staff members.

Warm personal regards.

Sincerely,



Roger D. Semerad

RDS/bp



News

United States
Department
of Labor

Min Wage


Office of Information

Washington, D.C. 20210

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AFTER HOURS: (703) 941-3049

USDL 76-867
FOR RELEASE: Immediate
Wednesday, May 26, 1976

MINIMUM WAGE TO APPLY TO CURRENTLY EXEMPT MOVIE THEATER EMPLOYEES
IN PUERTO RICO BEGINNING JANUARY 1, 1977

Many Puerto Rican movie theater employees who are currently exempt from the minimum wage will be entitled to receive the minimum beginning January 1, 1977.

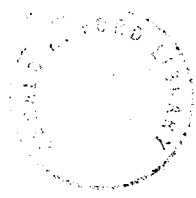
On that date, an exemption from Fair Labor Standards Act minimum wage provisions for retail and service establishments that gross less than \$200,000 a year and that are part of chain operations will be repealed.

A notice was published in the Federal Register May 25 to make certain that all affected parties are aware of the impending change.

Minimum wage rates to be applied to them next January will be decided when the rates for currently covered movie theater workers are reviewed during the week of June 14, 1976.

Wage rates in Puerto Rico are periodically reviewed on an industry-by-industry basis to determine whether they should be raised. Eventually, all rates will be brought into line with the mainland minimum wage.

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THE WHITE HOUSE
WASHINGTON

May 28, 1976

MEMORANDUM TO:

JIM CANNON

FROM:

DAVID LISSY
PAUL LEACH

SUBJECT:

Minimum Wage Issue

At the EPB this morning it was agreed that this issue would not be discussed with the President at next week's meeting but would at least be tentatively scheduled for presentation to the President the following week.

As we discussed with you, we believe this is unwise. It is possible that the President's views on the indexing question are so firm that there should be no Administration discussion of the issue with interest groups, no matter how informal and low-key the contact.

Who is
discussing
with whom?