

ORIGINAL LIVING WAGE ACT

CENTRAL ISSUE



Should Congress pass a law to raise the federal minimum wage?

BACKGROUND INFORMATION



Congress is currently considering a bill that would raise the federal minimum wage from its current level (\$7.25 per hour). The last increase in the minimum wage occurred in 2009, as the last in a series of three increases mandated by a law passed in 2007.

Although the federal minimum wage has become an established part of U.S. labor law, the United States has not always had a minimum wage. Before the minimum wage was introduced during the Great Depression of the 1930s, there was no national minimum wage. Congress passed the first minimum wage law in 1938 as part of the Fair Labor Standards Act, which set the federal minimum wage at 25 cents per hour. Over the first few decades following passage of the 1938 law, Congress passed increases every few years. But beginning in the late 1960s, Congress let the minimum wage lag behind the general level of wages and increases in the cost of living.

By 1968, the federal minimum wage was adjusted to \$1.60 per hour. If it had been continuously adjusted to match the rise in the average cost of goods and services, today's minimum wage would be \$10.90 per hour. According to the Bureau of Labor Statistics, 870,000 workers earned exactly the federal minimum wage (\$7.25 per hour) in 2015. Another 1.7 million earned below the minimum wage in jobs not subject to the wage, including independent contractors and workers who earn tips in addition to wages. Together, these 2.6 million workers made up 3.3 percent of all hourly paid workers in 2015.

Over the last 40 years, the minimum wage has come under fire from two opposing directions. Some claim that the minimum wage is too low to ensure that workers are able to meet minimum standards of living while working a standard 40-hour week. These critics claim that a minimum wage should be a minimum living wage, ensuring that everyone who is willing to work can get out of poverty.

Others criticize the minimum wage for opposing reasons. They say that having a higher minimum wage discourages employers from hiring and forces them to cut the hours of low-wage workers to save money. These critics argue that most minimum wage jobs are held by people who want a second income to help improve their household income or by students who want to earn spending money or save for college. These sorts of earners, say the critics, do not expect to rely on low-wage jobs for their livelihood. Enforcing a minimum wage simply makes jobs for these people disappear.

Studies show that the overall effect of a boost to the minimum wage is a wash: some jobs are lost, some workers earn and spend more money, and these two effects generally cancel each other out with no substantial changes to the overall rates of employment or poverty. Still, some supporters of increasing the minimum wage argue that it should be done, if only for reasons of economic justice. Others oppose increases in the minimum wage because they believe such a policy would force small businesses to cut back on hiring unskilled, entry-level workers to do tasks that they can simply shift to other employees, thus decreasing opportunities for unskilled workers to enter the workforce.

Members of Congress have introduced several bills to raise the minimum wage in recent years. Representative Al Green, D-Texas, proposed the Original Living Wage Act in the House of Representatives. The bill would calculate the minimum wage on the basis of the federal poverty threshold for a family of four with two dependent children.



HR 122 Original Living Wage Act

116th CONGRESS

1st Session

IN THE HOUSE OF REPRESENTATIVES

January 3, 2019

A BILL

To amend the Fair Labor Standards Act to provide for the calculation of the minimum wage based on the Federal poverty threshold for a family of four, as determined by the Bureau of the Census.

To provide for increases in the Federal minimum wage.

The Fair Labor Standards Act of 1938 is amended to read as follows:

(A) No later than June 1, 2018, and once every 4 years thereafter, the Secretary of Labor shall determine the minimum wage rate based on the formula in subsection B.

(B) The minimum hourly wage shall be sufficient for a person working 40 hours per week, 52 weeks per year, to earn an annual income in an amount that is 25.5 percent higher than the Federal poverty threshold for a family of 4 (consisting of two adults and two children under the age of 18), and living in any of the 48 contiguous States, as published by the Bureau of the Census for the year in which the wage rate is being so determined.

(C) If the minimum wage determined by the formula above would result in a lower minimum wage than the minimum wage rate at the time of such determination, the Secretary of Labor shall not adjust the minimum wage rate in effect.

(D) EXAMPLE: Using the Poverty Thresholds for 2016 by Size of Family and Number of Related Children Under 18 years old, the federal minimum wage would be raised to \$13.46 upon the enactment of this law.

HR 122 was introduced by Representative Al Green, D-Texas.

Committee Assignment: House Committee on Education and Labor



SHOULD CONGRESS PASS A LAW TO RAISE THE FEDERAL MINIMUM WAGE?



YES: Work should provide a living wage; today's minimum wage is a poverty wage.

"The current federal minimum wage is a starvation wage. It's got to be raised to a living wage," said Senator Bernie Sanders, I-Vt., speaking to a crowd that included fast food workers. At its current level, a worker making the federal minimum wage of \$7.25 per hour in a full-time job will earn only \$15,080 in a year. A single parent with two children will fall over \$4,000 short of the poverty line if they work all year at minimum wage. And why shouldn't a full-time worker in America expect to do better than achieving the poverty line? We should expect that every worker's wage is at least a living wage.

Congress should raise the federal minimum wage and allow annual increases that match the cost of living, so workers are not left to the whims of Congress to take up this issue whenever they think it is appropriate. Workers must have more certainty. Tying the minimum wage to the federal poverty threshold would help to alleviate inequality, as those earning a minimum wage would not increasingly fall behind other workers. Such annual increases also allow employers to more easily adjust to changes, rather than to irregular current practices.

Each year, the productivity of American workers increases. This means that they produce more value for each hour they work. If they produce more value, why shouldn't their wage increase by the same rate as their productivity? According to Senator Elizabeth Warren, D-Mass., if wages had kept pace with increases in productivity over the past 40 years, the minimum wage would now be \$22 per hour. No one is proposing such a sharp increase in the federal minimum wage, but certainly a modest increase to around \$13 per hour would be a good step toward economic justice.

Opponents of a minimum wage increase like to suggest that such a policy would lead to job loss, but a prize-winning Princeton economist published a well-known study disproving the so-called "disemployment" effect of minimum wage increases.

Census data shows that 21 percent of minimum wage workers are the sole breadwinners for their families. It is not acceptable that so many families are depending on sub-poverty incomes for their livelihood. We must bring relief and justice to minimum wage workers immediately.



NO: Low-wage jobs are a necessity for unskilled and entry-level workers to get a foot in the door.

Our economy is based on the principles of the free market. The minimum wage should be low enough to leave the employment market free to set wages without interference or distortion from government policy. As a candidate, President Donald Trump said, "Having a low minimum wage is not a bad thing for this country. We can't have a situation where our labor is so much more expensive than other countries that we can no longer compete."

Employers seek to set wages for unskilled work as low as they can, and unskilled workers seek the highest wage available for the work they are able to do. If the market is left free, workers will determine if the wages are too low and will not take jobs that pay too little. If the federal government steps in with a higher minimum wage for every state, the market becomes distorted and the wage that employers have to pay may be higher than their businesses can support. This is known as disemployment. "On the minimum wage, I would like to leave it to the states because frankly, every state is different. Every state has different costs of living and everything else, and I would like to leave it to the states," said President Trump.

Only 21 percent of minimum wage workers are the sole source of income for their families. Most of the minimum wage workforce is made up of workers under 25 years of age and older workers seeking to supplement other income. Why should such workers not be able to negotiate wages that make sense to them without government interference?

Furthermore, large businesses would be able to more easily adapt to any increase in the minimum wage, either by paying the higher wage or by task-shifting and eliminating jobs. Small businesses with more restricted finances would struggle to pay the new wage and, because of smaller workforces, not easily be able to shift low-skill tasks to other workers. Small businesses that rely on minimum wage employees may not be able to keep their doors open.

In the end, any supposed improvement in either low-income wages or economic activity would probably be offset by the loss of jobs. We should not undermine the basic principles of our free-market economy by imposing yet another increase in the federal minimum wage.



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