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Territory of Guam
Territorio de Guam

OFFICE OF THE GOVERNOR
LFSINAN I MAGALAHI
AGANA, GUAM 96910 U.S.A.

OCT 26 1988

The Honorable Franklin J.A. Quitugua
Speaker, 19th Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Mr. Speaker:

Transmitted herewith is Bill No. 596, which I have signed this date into law as Public Law 19-31.

As you know, the Territory of Guam has a lower per-capita income than any of the 50 United States. Many of our people are employed at the minimum wage throughout their careers. It has been seven years since the last increase, and as you know, an attempt by the United States Congress to raise the minimum wage has been put off until next year at the earliest.

This is also an opportunity for private sector employees who are, in many cases, receiving minimum wage in the hotel industry. Through this bill, these employees will be able to more directly share the benefits of the tourist industry.

For these reasons, I am signing this bill. I do so, however, with some misgivings.

Section 3 of this bill, while apparently designed to give young people a break so that employers would be encouraged to hire youth, actually encourages students to drop out of school. The phrasing of this Section allows full-time students to be paid less than minimum wage, while dropouts and part-time students are paid minimum wage. It is imperative, and I respectfully request, that the Legislature amend this provision to restore the existing language so that below-minimum wage jobs are available to students in the summer only.

These misgivings are shared by others as well. The Republican minority in the Legislature and the Guam business community have voiced similar concerns.

06-09

The Honorable Franklin J.A. Quitugua
Re: Bill No. 596
Page Two

Therefore, with the urgent request that Section 3 be amended at the Legislature's earliest opportunity to reflect the original language and avoid the apparent encouragement of high-school dropouts, I hereby sign Bill No. 596 into law as Public Law 19-31.

Sincerely,

Joseph F. Ada
JOSEPH F. ADA
Governor

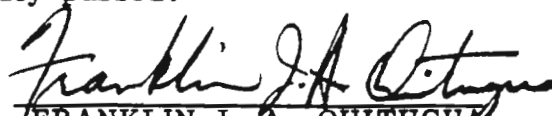
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Rec'd Legal
10/26/88
4:45 p.m.
KC

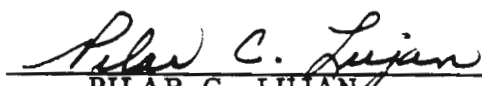
NINETEENTH GUAM LEGISLATURE
1988 (SECOND) Regular Session

CERTIFICATION OF PASSAGE OF AN ACT TO THE GOVERNOR


This is to certify that Substitute Bill No. 596, "AN ACT TO REPEAL AND REENACT SECTION 46004 OF THE GOVERNMENT CODE OF GUAM TO INCREASE THE MINIMUM WAGE, TO ADD SECTION 46004.1 TO SAID CODE TO EQUALIZE WAGES BETWEEN CITIZENS AND ALIENS, TO AMEND SUBSECTION (h) OF SECTION 46006 OF SAID CODE TO CLARIFY THE STUDENT EXEMPTION PROVISION OF THE MINIMUM WAGE LAW, AND CLARIFYING THE USE OF FISCAL YEAR 1988 APPROPRIATIONS," was on the 7th day of October, 1988, duly and regularly passed.


FRANKLIN J. A. QUITUGUA
Speaker

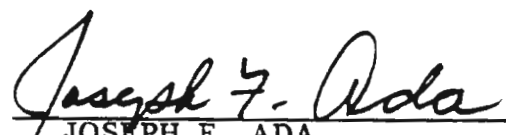
Attested:


PILAR C. LUJAN
Senator and Legislative Secretary

This Act was received by the Governor this 14th day of Oct, 1988,
at 12:00 o'clock p.m.


Assistant Staff Officer
Governor's Office

APPROVED:


JOSEPH F. ADA
Governor of Guam

Date: October 26, 1988

Public Law No. 19-31

NINETEENTH GUAM LEGISLATURE
1987 (FIRST) Regular Session

Bill No. 596
Substituted by
Committee on Ways & Means and
further Substituted by
Committee on Rules

Introduced by:

D. Parkinson
H. D. Dierking
T. S. Nelson

E. P. Arriola
M. Z. Bordallo
F. J. Gutierrez
M. K. Hartsock
P. C. Lujan
F. J. A. Quitugua
J. T. San Agustin
F. R. Santos
A. J. Shelton
J. G. Bamba
E. R. Duenas
E. M. Espaldon
M. D. A. Manibusan
J. M. Rivera
M. C. Ruth

AN ACT TO REPEAL AND REENACT SECTION
46004 OF THE GOVERNMENT CODE OF GUAM
TO INCREASE THE MINIMUM WAGE, TO ADD
SECTION 46004.1 TO SAID CODE TO
EQUALIZE WAGES BETWEEN CITIZENS AND
ALIENS, TO AMEND SUBSECTION (h) OF
SECTION 46006 OF SAID CODE TO CLARIFY
THE STUDENT EXEMPTION PROVISION OF
THE MINIMUM WAGE LAW, AND CLARIFYING
THE USE OF FISCAL YEAR 1988
APPROPRIATIONS.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:
2 Section 1. Section 46004 of the Government Code of Guam is hereby
3 repealed and reenacted, as of January 1, 1989, to read as follows:
4 "Section 46004. Every employer shall pay each person employed
5 by him wages at not less than Three Dollars and Seventy-five Cents
6 (\$3.75) per hour effective January 1, 1989."

1 Section 2. A new section 46004.1 is added to the Government Code of
2 Guam to read as follows:

3 "Section 46004.1. Every employer employing an alien or aliens
4 who have not been lawfully admitted to the United States for
5 permanent residence by the United States Department of Justice shall
6 pay all United States citizens and permanent residents and citizens of
7 the Federated States of Micronesia, the Republic of Belau, the
8 Republic of the Marshall Islands, or the Commonwealth of the Northern
9 Mariana Islands doing the same or substantially similar work wages in
10 an amount equal to or greater than the wages paid to the non-resident
11 alien(s) doing the same or substantially similar work. This subsection
12 shall not apply to any construction projects which are in progress on
13 the effective date of this Act or for which construction contracts have
14 been signed prior to the date this Act becomes law."

15 Section 3. Subsection (h) of Section 46006 of the Government Code of
16 Guam is hereby amended to read as follows:

17 "(h) any student enrolled full-time in a public or private school
18 of Guam under the age of eighteen or".

19 Section 4. Notwithstanding any other provision of law, the Public
20 Utility Agency of Guam is authorized to pay prior years' obligations from
21 Fiscal Year 1988 appropriations.

22 Section 5. Notwithstanding any other provision of law, the Governor
23 is authorized to utilize funds appropriated in the Budget Act for Fiscal
24 Year 1988, Public law 19-10, to pay prior years' personnel overtime
25 liabilities of the Department of Corrections.

NINETEENTH GUAM LEGISLATURE

ROLL CALL SHEET

Bill No. 596

DATE: 10/7/28

Res. No. _____

QUESTION: _____

SENATOR	<u>AYE</u>	<u>NAY</u>	<u>NOT VOTING</u>	<u>ABSENT</u>
<u>E. P. Arriola</u>	✓			
<u>J. G. Bamba</u>			✓	
<u>M. Z. Bordallo</u>	✓			
<u>H. D. Dierking</u>	✓			
<u>E. R. Duenas</u>			✓	
<u>E. M. Espaldon</u>			✓	
<u>F. J. Gutierrez</u>	✓			
<u>M. K. Hartsock</u>	✓			
_____	✓	✓	✓	✓
<u>P. C. Lujan</u>	✓			
<u>M. D. A. Manibusan</u>			✓	
<u>J. G. Miles</u>			✓	
<u>T. S. Nelson</u>	✓			
<u>D. Parkinson</u>	✓			
_____	✓	✓	✓	✓
<u>F. J. Quitugua</u>	✓			
<u>J. M. Rivera</u>			✓	
<u>M. C. Ruth</u>			✓	
<u>J. T. San Agustin</u>	✓			
<u>F. R. Santos</u>	✓			
<u>A. J. Shelton II</u>	✓			

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7



SENATOR
HERMINIA D. DIERKING
 GUAM LEGISLATURE



COMMITTEES:

CHAIRWOMAN
 Ways & Means

VICE-CHAIRWOMAN
 General Governmental
 Operations

MEMBER:

Economic Development
 & Banking

Energy, Utilities &
 Consumer Protection

Federal, Foreign &
 Legal Affairs

Health, Welfare &
 Ecology

Housing & Community
 Development

Justice, Judiciary &
 Criminal Justice

Rules

Tourism, Transportation
 & Communications

Youth, Senior Citizens,
 Cultural Affairs &
 Human Resources

May 12, 1988

The Honorable Franklin J.A. Quitugua
 Speaker
 Nineteenth Guam Legislature
 P.O. Box CB-1
 Agana, Guam 96910

Dear Mr. Speaker:

The Committee on Ways and Means, to which Bill 596 was referred, wishes to report its findings and recommendations.

The Committee's voting record is as follows:

TO DO PASS	-7-
NOT TO PASS	-0-
TO REPORT OUT ONLY	-1-
ABSTAIN	-0-

A copy of the Committee Report and all pertinent documents are attached.

Sincerely yours,

HERMINIA D. DIERKING

Attachments

NINETEENTH GUAM LEGISLATURE
 COMMITTEE ON WAYS AND MEANS
 COMMITTEE REPORT
 ON

BILL NO. 596 AS SUBSTITUTED BY
 COMMITTEE ON WAYS AND MEANS

"AN ACT TO REPEAL AND REENACT SECTION 46004
 OF THE GOVERNMENT CODE OF GUAM RELATIVE TO
 THE MINIMUM WAGE LAW AND FOR OTHER PURPOSES"

MEMBERS	TO PASS	TO NOT PASS	ABSTAIN	OFF- ISLAND	TO REPORT OUT ONLY	TO PLACE IN INACTIVE FILE
<i>H. D. Dierking</i> SEN. H.D. DIERKING CHAIRPERSON	✓					
<i>T. S. Nelson</i> SEN. T.S. NELSON VICE-CHAIRPERSON	✓					
<i>E. P. Arriola</i> SEN. E.P. ARRIOLA	✓					
SEN. A.C. LAMORENA III						
<i>P. C. Lujan</i> SEN. P.C. LUJAN	✓					
SEN. M.D.A. MANIBUSAN						
<i>D. Parkinson</i> SEN. D. PARKINSON	✓					
SEN. J.F. QUAN						
SEN. M.C. RUTH						
SEN. J.T. SAN AGUSTIN						
<i>J. G. Bamba</i> SEN. J.G. BAMBA						✓
SEN. F.R. SANTOS						
<i>M. Z. Bordallo</i> SEN. M.Z. BORDALLO	✓					
<i>F. J. Quitugua</i> SEN. F.J. QUITUGUA, EX-OFFICIO	✓					

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Guam Employers Council

MVP Enterprises

Guam Federation of Teachers

Sigallo Pac Ltd.

Senator Don Parkinson

OTHER SECTIONS REQUESTS

Request from Guam Election Commission

Request from Superior Court of Guam

COMMITTEE ON WAYS & MEANS
COMMITTEE REPORT
BILL 596
AS SUBSTITUTED
MAY 10, 1988

"AN ACT TO REPEAL AND REENACT SECTION 46004 OF THE
GOVERNMENT CODE OF GUAM RELATIVE TO THE MINIMUM WAGE LAW
AND FOR OTHER PURPOSES."

The Committee on Ways & Means, chaired by Senator Herminia D. Dierking, conducted a public hearing on Bill 596 on December 9, 1987, in the Legislative Session Hall. Senators and Committee members present were the Chairperson, Senator Dierking, Senators Ted Nelson, Elizabeth Arriola, Pilar Lujan, Joe T. San Agustin, Francisco Santos, John Quan, Don Parkinson, George Bamba, Martha Ruth and Alberto Lamorena III.

BACKGROUND

The present minimum wage of \$3.35 was established by federal statute on January 1981. The concept of the minimum wage was to set an earning level resembling a "living wage" and to raise average earnings above the poverty level. The minimum wage is set by legislative authority. Since January 1981, there has been no change or adjustment to the minimum wage. Although the cost of living has increased considerably over the past years, the federal minimum wage, which also applies to Guam, has remained at the same level .

At the present time there are several bills in the U.S. Congress addressing the minimum wage issue. The state of Hawaii is the first to increase the minimum wage from \$3.35 per hour to \$3.85 per hour. On Guam, due to the Option II reclassification in the government of Guam, the minimum salary for any entry level employee in the classified service is \$4.64 per hour.

According to the latest issue of the GUAM CONSUMER PRICE INDEX, 3rd Quarter 1987, there has been an increase of 6.5% on prices as compared to a year ago. The most significant increase is the food category which shows an increase of 12.2% from a year ago. Based on the 1978 Consumer Expenditure Survey, a basket of food costing \$100 then, now costs \$214.90. The purchasing power of the consumers' dollar (\$1.00) is down to \$0.47.

TESTIMONIES

Ms. Fe Ovalles, Deputy Director and representative of the Department of Labor, testified that although "...the entire nation has a need to increase the minimum wage from its present level", the Department would like to wait for a similar bill that

is pending in the United States Congress.

Ms. Eloise Baza, President of the Guam Chamber of Commerce, opposed the passage of Bill 596. The increase of the minimum wage, according to Ms. Baza, would "...make Guam a considerably less attractive place to do business and curtail the economic growth...". The proposed wage increase may lead to fewer businesses hiring low-skilled employees who may require training. The increase may also force smaller businesses to shut down due to the high overhead costs. The Chamber urges the Legislature to take the lead "... by placing more emphasis on quality education and skills training" so that future employees will be equipped with the knowledge and skills to hold higher paying jobs.

Mr. Bill Gibson of the Guam Employers Council, came before the Committee and asked that Bill 596 be placed in the inactive file and that the Legislature take a long hard look at the local educational system. He stated that the business community is having a difficult time in recruiting skilled employees. And that to raise the minimum wage would only prevent the businesses from hiring low-skilled employees because of the training expense involved. Mr. Gibson would like the Legislature to take action to strengthen the education basics of reading, math and science, place new emphasis on vocational and technical education, raise the drop-out age from 16 to 18 and encourage parents' involvement in the schools.

Mr. Mark V. Pangilinan Jr. of MVP Enterprises informed the Committee that it is an "...employee's market." Mr. Pangilinan is not opposed to any pay adjustments. He believes that to keep valuable employees, the businesses would have to pay fair wages or lose them to the competition. But to increase the minimum wage may cause the businesses to do away with the part-timers and decrease customer services. It also puts an unfair burden on the businesses with limited budgets.

Ms. June Pangelinan, GFT Field Representative, testified in favor of increasing the minimum wage. But she stated that the minimum wage should be given to all employees regardless of the number of employees in that business.

Ms. Betty Santos, concerned citizen, testified against passage of the bill. From past experience, she has seen a small business close its doors. It is things like this bill that forces the small businesses to do so.

Ms. Priscilla Maanao, concerned citizen, urged the Committee to pass Bill 596. She feels that the employees need the increase just to buy the basic necessities. Most employees who earn the minimum wage are forced to secure a second job in order meet the high cost of living.

Written testimonies were submitted to the Committee from Senator Don Parkinson, main sponsor of the bill, and Sigallo-Pac

Ltd.. Sigallo-Pac Ltd. is requesting the Committee not to pass Bill 596. The passage of 596 would force the company to reduce its work-force, all of whom are U.S. citizens and permanent residents.

Senator Parkinson submitted articles supporting the increase of the minimum wage and copies of similar bills pending action by the United States Congress. He believes "...that the minimum wage should be high enough to raise the earnings of workers to provide for above the poverty level earnings."

GENERAL DISCUSSION

Senator San Agustin started off the discussion by pointing out that for six years there has been no minimum wage adjustment. The government employees, both federal and local, have had several pay adjustments during this time. And it is probably for this reason that the private sector is having a difficult time recruiting or retaining qualified employees.

Senator Santos was concerned with the training and education of potential employees. He inquired whether the teachers are preparing the students for the job market. Are the teachers teaching? The Senator was informed that there are good teachers and there are bad teachers. What the education system really needs is parent involvement. Senator Arriola then asked the panel if maybe there wasn't some way to test the teachers before hiring them or if there could be a way to test them during their tenure as teachers in the school system. The panel agreed that some kind of testing should be given to the teachers.

Senator Santos then asked what the feelings were of the employees in the private sector on the Option 1 salary adjustment. Ms. Baza replied that although the entry level in the private sector is lower, the employees have a better chance of promotions and therefore, receiving the associated pay increases and benefits.

Senator Quan expressed his concern that the proposed minimum wage increase might hinder the local businesses from prospering. This proposal might also force the private sector into hiring only qualified employees and doing away with the non-skilled employees. He foresees the private industry leaning towards a more self-serve customer type service.

With a bill addressing the minimum wage pending in the U.S. Congress, Senator Bamba asked the panel why the strong opposition to the local bill? Why was it that although the prices in the market products have increased, the wages of the employees did not? Mr. Gibson replied that the wage increase would have to probably be adsorbed by the employees, in a decrease of employee benefits.

When asked by Senator Ruth to describe the job applicants, Mr. Pangilinan replied that the majority of the applicants lack simple math and comprehension abilities. He also informed Senator Ruth that the increase might eliminate the part-time hiring and would jeopardize the training programs for the non-skilled employees.

Senator Parkinson asked the panel if they would have any problems with section " d" of the bill. This section insures that all U.S. citizens and permanent residents be paid similar or greater wages paid to aliens for similar jobs. Mr. Gibson assured the senator that the section would not pose any problems. Senator Parkinson would like to see the H-2 program phased out and the alien labor replaced by local residents.

COMMITTEE FINDINGS AND RECOMMENDATION

The Committee finds that the current local minimum wage of \$3.35 per hour is not sufficient to meet "...the minimum standards of living necessary for the health, efficiency and general well-being of workers" on Guam.

The Committee also finds that, although there may be several bills pending before the U.S. Congress to increase the federal minimum wage, there is nothing to preclude the Guam Legislature in taking its own initiative to pass local legislation to address a local need at the local level.

The Committee further finds that the entry/starting level for any employee in the classified service of the Government of Guam is \$4.64 per hour due to the Option II and partial Option I reclassifications. Likewise, the minimum entry level salary in the federal civil service system is similarly higher.

The Committee further finds that the minimum wage has not been adjusted since 1981 despite the drastic increase of the cost of living over the years. For example, the latest issue of the Guam Consumer Price Index, 3rd. Quarter 1987, shows that there has been 6.5% increase on prices as compared to a year ago. Food category appears to increase 12% averagewise a year. Likewise, based on the 1978 Consumer Expenditure Survey, a basket of food costing \$100.00 then, now costs \$214.90. The purchasing power of the dollar (\$1.00) has gone down to \$0.47 over the past decade.

The Committee further feels that reservations and objections to the increase of minimum wage because this would result in the displacement of non-skilled or less-skilled employees may not be necessarily true. In fact, the acquisition of the skills over and above the reasonable requirement of entry level positions should collaterally warrant the payment of salaries higher than entry level compensations.

However, the Committee admits that, in order to protect the

continuing part-time employment of full-time students under the age of eighteen, employers should not be required to pay them the proposed new minimum wage. Exception, therefore, to give exempting flexibility is provided for in Subsection (h) of Section 46006 of the Substitute bill.

Likewise, the Committee feels that Guam should take the initiative in increasing the minimum wage locally rather than wait for the federal government to do it for us. However, subsequent and incremental increases, as contained in the proposed versions of the federal legislations, can then be applicable to Guam when enacted.

Finally, the Committee feels that such recommendation, which proposes to put aside plans to increase the minimum wage and, instead, take a "hard look" at the educational system of the Island because of apparent innate deficiencies, may not necessarily be appropriate. Our school system, some say, is not producing well-prepared individuals to deal with the demands of the local job market. The Committee feels this may be a problem but should not be a delaying factor to the implementation of an overdue salary adjustment. With this in mind, the Committee feels that the minimum wage increase should be acted upon favorably by the full Legislature.

Section 4 of the substituted Bill deals with the reprogramming request of the Superior Court's FY'88 budget. The reprogramming will allow the Court to buy needed vehicles, pay the Presiding Judge's accrued annual leave, cover the salary adjustments approved by the Judicial Council on unclassified positions and supplement the operating expenses and decrease budgetary items in other areas.

Section 5 is an appropriation to the Guam Election Commission for an Initiative Measure relative to prohibiting all forms of gambling on Guam.

Section 6 authorizes PUAG to pay prior year's obligation from their FY'88 appropriations.

Section 7 authorizes the Governor to pay overtime liabilities owed to the personnel at the Department of Corrections.

The Committee hereby recommends to the full legislature passage of Bill 596 as substituted.

NINETEENTH GUAM LEGISLATURE
1987 (First) Regular Session

Bill No. 596
As Substituted by
Committee on Ways & Means

Introduced by

D. PARKINSON
T.S.NELSON
H.D.DIERKING
A.C.LAMORENA III
M.K.HARTSOCK
J.G.BAMBA
M.C.RUTH
E.ESPALDON
J.M. RIVERA
F.J.QUITUGUA
J.T.SAN AGUSTIN

AN ACT TO REPEAL AND REENACT SECTION 46004 OF THE
GOVERNMENT CODE OF GUAM RELATIVE TO THE MINIMUM WAGE LAW
AND FOR OTHER PURPOSES.

1 BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

2

3 Section 1. Section 46004 of the Government Code of Guam is
4 hereby repealed and reenacted to read as follows:

5 "Section 46004. Every employer shall pay each person
6 employed by him wages at not less than Three Dollars and Seventy
7 Five Cents (\$3.75) per hour effective October 1, 1988."

8 Section 2. A new section 46004.1 is added to the Government
9 Code of Guam to read as follows:

10 "Section 46004.1. Every employer employing an alien or
11 aliens who have not been lawfully admitted to the United States
12 for permanent residence by the United States Department of
13 Justice shall pay all U.S. citizens and permanent residents doing

1 the same or substantially similar work wages in an amount equal
2 to or greater than the wages paid to the non-resident alien(s)
3 doing the same or substantially similar work. This subsection
4 shall not apply to any construction projects which are in
5 progress on the effective date of this Act or for which
6 construction contracts have been signed prior to the date this
7 Act becomes law."

8 Section 3. Subsection (h) of Section 46006 of the
9 Government Code of Guam is hereby amended to read as follows:

10 "Section 46006. EXEMPTIONS. The provision of Sections
11 46004 and 46005 shall not apply with respect to: (a) any
12 employee employed by his son, daughter, spouse or parent; (b) any
13 employee employed in a bona fide executive, administrative or
14 professional capacity, or in the capacity of outside salesman, or
15 as an outside collector; (c) any employee employed in the
16 propagating, catching, taking, harvesting, cultivating or farming
17 of any kind of fish, shellfish, crustacca, sponges, seaweeds, or
18 other aquatic forms of animal or vegetable life, including the
19 going to, returning from work and the loading and unloading of
20 such products prior to first processing; (d) any employee
21 employed as a seaman; (e) any employee employed as a driver of a
22 vehicle carrying passengers for hire operated solely on call from
23 a fixed stand; (f) any employee employed as a golf caddy; (g) any
24 employee employed as a newspaper boy in the delivery of
25 newspapers to the consumer; (h) any student enrolled full-time in
26 a public or private school of Guam [employed during a school

1 summer vacation] under the age of eighteen or (i) any employee to
 2 the extent that such employee is exempted by the Commissioner
 3 pursuant to Sections 46011 and 46012."

4 Section 4. Chapter VIII of Public Law 19-10 is hereby
 5 amended to read:

6 "CHAPTER VIII

7 Superior Court of Guam Fiscal Year 1988 Appropriations.

8 SUPERIOR COURT OF GUAM

	General	Other	Federal	
	Fund	Fund	Fund	TOTAL
12 A. For Administration				
13	\$ 510,320			\$ 510,320
14 1. Personnel Services	\$ [486,023]			\$ [486,023]
15	(20.0 FTE)			(20.0 FTE)
16	<u>427,786</u>			<u>427,786</u>
17 2. Operating Expenses	[444,742]			[444,742]
18				
19	<u>128,463</u>			<u>128,463</u>
20 3. Lease of Office Space	[128,988]			[128,988]
21 4. Utilities				
22	<u>104,000</u>			<u>104,000</u>
23 a. Power	[156,000]			[156,000]
24	<u>4,100</u>			<u>4,100</u>
25 b. Water/Sewer	[9,600]			[9,600]
26				

1		<u>31,796</u>	<u>31,796</u>
2	c. Telephone	[38,796]	[38,796]
3		<u>70,266</u>	<u>70,266</u>
4	5. Capital Outlay	[22,812]	[22,812]
5	6. Miscellaneous		
6	a. Personnel Development	1,818	1,818
7	b. Contingency Fund	3,500	3,500
8			
9		<u>\$1,282,049</u>	<u>\$ 1,282,049</u>
10	TOTAL	[\$1,292,279]	[\$ 1,292,279]
11			
12	B. For Financial Management		
13			
14		<u>\$ 243,012</u>	<u>\$ 243,012</u>
15	1. Personnel Services	[\$ 227,039]	[\$ 227,039]
16		(9.0 FTE)	(9.0 FTE)
17		<u>3,527</u>	<u>3,527</u>
18	2. Operating Expenses	[7,173]	[7,173]
19			
20		<u>4,426</u>	<u>4,426</u>
21	3. Capital Outlay	[2,300]	[2,300]
22	4. Miscellaneous		
23	a. Personnel Development	2,030	2,030
24			
25		<u>\$ 252,995</u>	<u>\$ 252,995</u>
26	TOTAL	[\$ 238,542] \$	[\$ 238,542]

1			
2	C. For Courts/Ministerial Offices		
3			
4		<u>\$1,815,685</u>	<u>\$ 1,815,685</u>
5	1. Personnel Services	[\$1,794,440]	[\$ 1,794,440]
6		(63.0 FTE)	(63.0 FTE)
7		<u>66,769</u>	<u>66,769</u>
8	2. Operating Expenses	[67,673]	[67,673]
9			
10	3. Contingency Fund	10,000	10,000
11		<u>390,000</u>	<u>390,000</u>
12	4. Jury Services	[400,000]	[400,000]
13	5. Court Appointed		
14	Legal Service	350,000	350,000
15	6. Personnel Development	90	90
16			
17		<u>29,455</u>	<u>29,455</u>
18	7. Capital Outlay	[20,300]	[20,300]
19		-----	-----
20		<u>\$2,661,999</u>	<u>\$ 2,661,999</u>
21	TOTAL	[\$2,642,503]	[\$ 2,642,503]
22			
23	D. For Marshal's Office		
24		<u>\$ 583,389</u>	<u>\$ 583,389</u>
25	1. Personnel Services	[\$ 599,292]	[\$ 599,292]
26		(23.0 FTE)	(23.0 FTE)

1	2. Operating Expenses	6,253	6,253
2		<u>6,037</u>	<u>6,037</u>
3	3. Capital Outlay	[8,697]	[8,697]
4	4. Miscellaneous		
5	a. Personnel Development	675	675
6		_____	_____
7		\$ 596,354	\$ 596,354
8	TOTAL	[\$ 614,917]	[\$ 614,917]

9

10 E. For Probation Services

11		<u>\$ 936,359</u>	<u>\$ 936,359</u>
12	1. Personnel Services	[\$ 933,812]	[\$ 933,812]
13		(36.0 FTE)	(36.0 FTE)
14		<u>22,345</u>	<u>22,345</u>
15	2. Operating Expenses	[30,205]	[30,205]
16	3. Utilities		
17	a. Telephone	635	635
18		<u>10,247</u>	<u>10,247</u>
19	4. Capital Outlay	[6,440]	[6,440]
20		_____	_____
21		\$ 969,586	\$ 969,586
22	TOTAL	[\$ 971,092]	[\$ 971,092]

23

24 F. For Judicial Council

25

26	1. Operating Expenses	\$ 16,953	\$ 16,953
----	-----------------------	-----------	-----------

1

2 2. For the Stipends of
3 the Judicial Council
4 as required by Section

5 121 of the Civil Procedure 3,550 3,550
6 Code of Guam [4,800] [4,800]

7 _____
8 \$ 20,503 \$ 20,503
9 TOTAL [\$ 21,753] [\$ 21,753]

10

11 G. For Board of Law Examiners

12 1. Operating Expenses \$ 10,730 \$ 10,730

13

14 2. For the Stipends of
15 the Board of Law
16 Examiners as required
17 by Section 28015 of

18 the Government Code 2,400 2,400
19 of Guam [4,800] [4,800]

20 _____
21 \$ 13,130 \$ 13,130
22 TOTAL [\$ 15,530] [\$ 15,530]

23

24 GRAND TOTAL SUPERIOR COURT OF GUAM

25 \$ 5,796,616 \$ 5,796,616"

26

1

2 Section 5. The sum of Twelve Thousand Dollars (\$12,000) is
3 appropriated from the General Fund to the Guam Election
4 Commission for the purpose of submitting an Initiative Measure to
5 the voters of Guam in the November 1988 Election relative to
6 prohibiting all forms of gambling. Any unexpended balance of
7 this appropriation shall automatically revert to the General Fund
8 upon the completion of the 1988 election.

9 Section 6. Notwithstanding any other provision of law, the
10 Public Utility Agency of Guam is authorized to pay prior years'
11 obligations from FY'88 appropriations.

12 Section 7. Notwithstanding any other provision of law, to
13 the contrary, the Governor is authorized to utilize funds
14 appropriated in the FY'88 Budget Act, P.L. 19-10, to pay prior
15 years' personnel overtime liabilities of the Department of Corrections.

Introduced

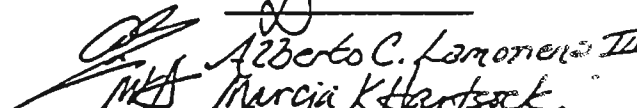
NINETEENTH GUAM LEGISLATURE
1987 (First) Regular Session

SEP 28 '87

Bill No. 596(LS)

Introduced by

D Parkinson



~~MA~~ Marcia K Hartsock

~~JB~~ J.G. RAMBA

M. RUTH

James L. Esperson

J. M. RIVERA

F. J. A. Quiñones



AN ACT TO REPEAL AND REENACT SECTION 46004 OF
THE GOVERNMENT CODE OF GUAM RELATIVE TO THE
MINIMUM WAGE LAW.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. section 46004 of the Government Code of Guam is hereby repealed and reenacted to read as follows:

"Section 46004. Every employer shall pay each person employed by him wages at not less than the schedule indicated below.

(a) For employers with less than twenty-five (25) employees, the minimum wage shall be Three Dollars and Seventy Five Cents (\$3.75). This shall take effect sixty (60) days after the enactment of this Act.

(b) For employers with twenty-five (25) employees or more:

(1) From March 1, 1988 until September 30, 1988, the minimum wage shall be Three Dollars and Seventy Five Cents (\$3.75).

(2). After October 1, 1988, the minimum wage shall be Four Dollars (\$4.00) per hour.

c. Section 46019 of the Government Code of Guam shall continue to apply to future increases whenever there is an increase in the federal minimum wage laws. Any such increase amounts shall be added to the above schedules.

d. Every employer employing an alien or aliens who have not been lawfully admitted to the United States for permanent residence by the United States Department of Justice shall pay all U.S. citizens and permanent residents doing the same or substantially similar work wages in an amount equal to or greater than the wages paid to the non-resident alien(s) doing the same or substantially similar work. This subsection shall not apply to any construction projects which are in progress on the effective date of this act or for which construction contracts have been signed prior to the date of this Act becomes law.

(e) This section shall be effective effective upon enactment.

FISCAL NOTE
BUREAU OF BUDGET & MANAGEMENT RESEARCH

BBMR-77

Bill No. 596(LS) Date Received 5-12-88
 Amendatory Bill Yes No Date Reviewed 5-12-88
 Department/Agency Affected: Department of Labor
 Department/Agency Head: Edward Guerrero
 Total Fiscal Year Appropriation: \$1,496,326
 Bill Title (concise): AN ACT TO REPEAL AND REENACT SECTION 46004 OF THE GOVERNMENT CODE
OF GUAM RELATIVE TO THE MINIMUM WAGE LAW.

Change in Law: To repeal and reenact Section 46004 of the Government Code of Guam.

Bill Attempts to: Bill is for:
 Increase Program Funding Operations
 Decrease Program Funding Capital Improvement
 Reallocate Present Program Funding Other

FINANCIAL/PROGRAM IMPACT

PROGRAM CATEGORIES	Minimum Estimated Required Funds (For Five Years)		
	GENERAL FUND	FEDERAL	OTHER
Individual & Collective Rights	See Comments		
GRAND TOTAL			

ESTIMATED MULTI-YEAR FUND REQUIREMENTS

SOURCES	1st	2nd	3rd	4th	5th
General Fund					
Federal Fund					
Other Fund					
GRAND TOTAL					

ESTIMATED MULTI-YEAR REALIZED REVENUES

SOURCES	1st	2nd	3rd	4th	5th
General Fund					
Federal Fund					
Other Fund					
GRAND TOTAL					

Serafin P. Siendo
 Serafin P. Siendo
 PROGRAM ANALYST
Michael J. Reby
 MICHAEL J. REBY
 DIRECTOR


Date Review Terminated: 5/12/88

COMMENTS:

Comments on Bill No. 596(LS)

The intent of Bill No. 596(LS) is to repeal and re-enact Section 46004 of the Government Code relative to the Minimum Wage Law.

Bill No. 596(LS) should it be enacted would have a great potential fiscal impact on the General Fund which is difficult to estimate at this time because of lack of essential data required.



MICHAEL J. REIDY

Table 8.27
 CHANGES IN BASIC MINIMUM WAGES IN NON-FARM EMPLOYMENT
 UNDER STATE LAW: SELECTED YEARS
 1965 TO 1986

State or Federal (FLSA)	1965(a)	1964(d)	1964(e)	1967	1972(d)	1979	1980	1981	1982	1984	1985	1986
Alabama	1.75	2.10	2.10	2.10	2.50	3.40	3.60	3.65	3.65	3.65	3.65	3.65
Alaska	18.72	18.72	18.72	18.72	...	...	...	...	...	...	...	...
Arizona	24.60/wk. (b)	24.60/wk. (b)	24.60/wk. (b)	24.60/wk. (b)	...	...	...	...	...	...	...	...
Arkansas	1.25/457(b)	1.10	1.10	1.20	1.90	2.30	2.55	2.70	2.75	2.75	2.75	2.75
California	1.00(b)	1.45(b)	1.45(b)	1.45(b)	2.00	2.90	2.90	3.35	3.35	3.35	3.35	3.35
Colorado	60-1,000(b)	1.00-1.25(b)	1.00-1.25(b)	1.00-1.25(b)	1.00-1.25(b)	1.90	1.90	1.90	1.90	2.50	2.50	2.50
Connecticut	1.21	1.40	1.40	1.45	2.00	2.91	3.12	3.17	3.17	3.17	3.17	3.17
Delaware	...	1.25	1.25	1.60	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Florida	...	...	...	...	...	...	...	...	...	...	...	...
Georgia	...	...	...	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Hawaii	1.25	1.15	1.60	1.60	1.40	2.65	2.90	3.10	3.15	3.15	3.15	3.15
Idaho	1.20	1.15	1.25	1.40	1.60	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Illinois	...	1.15	1.25	1.40	2.10	2.30	2.30	2.30	2.30	2.30	2.30	2.30
Indiana	...	1.15	1.25	1.25	1.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Iowa	...	...	...	...	...	...	...	...	...	...	...	...
Kansas	65-75(b)	65-75(b)	65-75(b)	65-75(b)	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Kentucky	...	...	...	...	...	...	...	...	...	...	...	...
Louisiana	1.00	1.40	1.60	1.40-1.80	2.20	3.00	3.10	3.15	3.15	3.15	3.15	3.15
Maine	1.00	1.20 & 1.15	1.20	1.60	2.20 & 2.30	2.90	3.10	3.15	3.15	3.15	3.15	3.15
Maryland	...	...	...	...	...	...	...	...	...	...	...	...
Massachusetts	1.25	1.60	1.60	1.75	2.10	2.90	3.10	3.15	3.15	3.15	3.15	3.15
Michigan	1.20	1.25	1.25	1.60	2.10	2.90	3.10	3.15	3.15	3.15	3.15	3.15
Minnesota	70-1.15(b)	70-1.15(b)	70-1.15(b)	70-1.15(b)	1.60	1.90	2.90	3.10	3.15	3.15	3.15	3.15
Mississippi	...	...	...	...	...	...	...	...	...	...	...	...
Missouri	...	...	...	...	...	...	...	...	...	...	...	...
Montana	...	...	...	1.40	1.40	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Nebraska	1.00	1.00	1.00	1.00	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Nevada	1.15(b)	1.25	1.30	1.40	2.20 & 2.30	2.75	2.75	2.75	2.75	2.75	2.75	2.75
New Hampshire	1.25	1.40	1.45-1.60	1.60	2.20-2.30	2.90	3.10	3.15	3.15	3.15	3.15	3.15
New Jersey	1.00-1.50(b)	1.40	1.50	1.50	2.20	2.50	3.10	3.15	3.15	3.15	3.15	3.15

CHANGES IN BASIC MINIMUM WAGE—Continued

State or other jurisdiction	1961/62	1962/63	1970/61	1971	1972	1973/64	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
Alabama	75-1.00	1.00	1.00	1.00	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40	1.40
Arizona	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Arkansas	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
California	75-1.00(b)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Colorado	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Connecticut	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Delaware	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
D.C.	40.00-46.00/wk. (a)	41-1.60	41-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60	45-1.60
Florida	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Georgia	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Idaho	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Illinois	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Indiana	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Iowa	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Kansas	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Kentucky	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Louisiana	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maine	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Maryland	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Massachusetts	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Michigan	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Minnesota	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Mississippi	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Missouri	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Montana	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nebraska	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Nevada	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
New Hampshire	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
New Jersey	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
New Mexico	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
New York	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
North Carolina	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
North Dakota	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Ohio	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Oklahoma	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Oregon	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Pennsylvania	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Rhode Island	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
South Carolina	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
South Dakota	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Tennessee	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Texas	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Utah	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Vermont	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Virginia	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Washington	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
West Virginia	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Wisconsin	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Wyoming	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00

Source: Prepared by the Division of State Employment Standards Program, Office of State Liaison and Legislative Analysis, Employment Standards Administration, U.S. Department of Labor.

Note: Rates are for January 1 of each year, except in 1962 and 1977 which represent as of February. The rates for per hour under other provisions indicated. A trade or rate, as in North Dakota and few other states, reflect rates which differ by industry, occupation, geographic zone or other factors, as established under wage-board type laws or by statute.

(a) Under the Federal Fair Labor Standards Act (FLSA), the two rates shown in 1965, 1967, 1970, and 1976 reflect the former multiple-track minimum wage system in effect from 1961 to 1978. The lower rate applied to newly-covered persons brought under the act by amendment; where rates were gradually phased in, a similar dual-track system was also in effect in certain years under the laws in Colorado, Virginia (effective January 1, 1987).

(b) The law applies only to women and minors.

(c) Scheduled future increases have been omitted in Maine, Massachusetts, Montana, and Vermont. The rate in Maine is scheduled to increase to \$3.63 per hour January 1, 1987; the rate in Massachusetts is scheduled to rise to \$3.35 on July 1, 1984, to \$3.63 on July 1, 1985, and to \$3.75 on July 1, 1986; the rate in Montana will increase to \$3.35 on October 1, 1984 and the rate in Vermont will increase to \$3.43 on July 1, 1984, to \$3.55 on July 1, 1987, and to \$3.63 on July 1, 1988. Legislation enacted to carry 1984 will raise the rate to \$3.35 per hour in Kentucky (effective July 15, 1984) and in West Virginia (effective January 1, 1987).

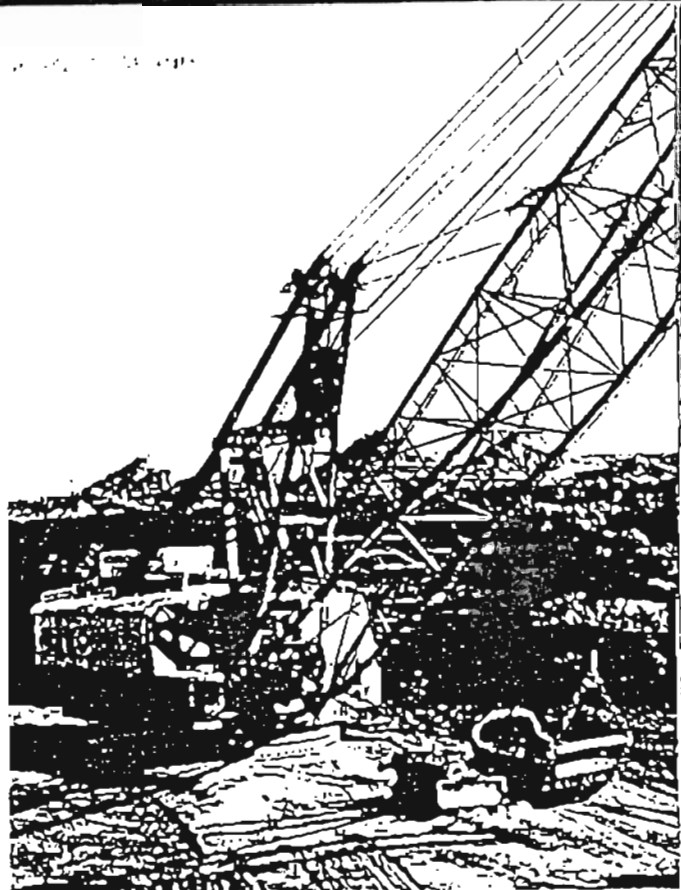
MINIMUM WAGE. the lowest wage permitted to be paid to workers by legislative authority. The minimum wage may apply to a nation, a state or other political subdivision, or to an industry or trade. Historically, governmental minimum wage setting has been directed at the elimination of oppressive wages and sweatshop conditions, particularly as they affected female and child workers. By the mid-20th century, a secondary purpose developed in terms of governmental interest in all workers receiving a fair wage or reasonable value for the work performed.

While there were instances of governmental minimum wage regulations in France and England as early as the 13th and 14th centuries, the modern concept of minimum wage by legislative fiat dates from the late 19th century. The first significant experience was in Australasia, where New Zealand in 1894 and the colony (later state) of Victoria, Australia, in 1896 adopted minimum wage regulations. In 1910, England followed the Victorian example by authorizing the establishment of trade boards to fix minimum wages in any trade in which the prevailing rate was "exceptionally low as compared with other employments." The first minimum wage legislation in the United States was passed in Massachusetts in 1912, followed shortly by similar legislation in 14 other states, the District of Columbia, and Puerto Rico. Not until 1937 was the constitutionality of these state laws finally established by the Supreme Court of the United States. The minimum wage movement also spread to Canada, the European continent, South America, Mexico, and South Africa.

In the United States an experiment in wage regulation of a rather novel character was part of the New Deal legislative program in the 1930's. The National Industrial Recovery Act (NIRA) of 1933 included a provision for industry codes for minimum wages to be paid in certain industries in an effort to shore up the economy by increasing the amount of purchasing power in the hands of the consumer. The NIRA was declared unconstitutional in 1935, so the results of this experiment were inconclusive. Minimum wages for work performed on contracts with the U. S. government for construction, alteration, or repair of public buildings or public works were established by the Davis-Bacon Act of 1931 and on government contracts of all kinds in excess of \$10,000 by the Walsh-Healey Public Contracts Act of 1936. The Fair Labor Standards Act of 1938 firmly established the federal government as a regulator of wages in the United States by establishing a minimum hourly wage for all employees engaged in interstate commerce or in the production of goods for interstate commerce. The minimum wage in 1938 was 25 cents an hour.

In 1974, Congress passed legislation raising the minimum wage to \$2.00 per hour and providing for further increases to \$2.30 effective on Jan. 1, 1978; to \$2.90 on Jan. 1, 1979; to \$3.10 on Jan. 1, 1980, and to \$3.35 on Jan. 1, 1981. Minimum wages for farm workers traditionally have been set at a lower level. Some states have higher minimum rates than those of the federal government.

ROBERT L. STREY*
Formerly, University of Connecticut



HARRISON CRUSON COMPANY THE EMERALD MAGAZINE

Crane and bucket are used in removing overburden from coal deposits of open-pit mine in Montana.

MINING is the extraction, from the earth or oceans, of minerals or certain other materials, that can be useful to man. Mankind has been mining and using minerals since before the beginning of recorded history. Old Stone Age man dug flints out of chalk formations for making weapons and tools. Native gold and copper probably were used as early as 18,000 B.C. and bronze was being made by 4000 B.C.

Metalliferous ores are the sources of iron, copper, lead, zinc, aluminum, tin, nickel, and numerous other metals. The useful nonmetalloid minerals include salt, sulfur, gypsum, borates, potash

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NO. 583. EMPLOYED WAGE AND SALARY WORKERS PAID HOURLY RATES BY SELECTED CHARACTERISTICS: 1985

(For civilian workers 16 years old and over. Annual averages of monthly figures. Excludes self-employed persons whose businesses are incorporated, although they technically qualify as wage and salary workers. Based on Current Population Survey, see text, section I, and Appendix III)

CHARACTERISTIC	ALL WAGE AND SALARY WORKERS (1,000)			WORKERS PAID HOURLY RATES AS PERCENT OF TOTAL			MEDIAN HOURLY EARNINGS OF WORKERS PAID HOURLY RATES ¹ (dol.)		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Total	9,621	6,016	4,606	66.0	66.8	61.8	64.16	67.46	62.36
16-19 years old	6,293	3,185	3,098	93.1	98.4	80.9	3.71	3.86	3.57
20-24 years old	13,482	8,988	4,494	75.4	75.3	71.4	6.10	6.40	4.83
25-34 years old	28,387	18,838	9,549	87.8	88.8	84.5	7.05	8.16	6.88
35-44 years old	21,747	11,429	10,318	80.8	84.4	76.1	7.57	8.87	6.01
45-54 years old	13,858	7,667	6,191	61.1	67.3	55.8	7.47	10.16	5.83
55-64 years old	9,382	5,181	4,201	52.7	48.5	57.8	7.04	8.30	6.48
65 years and over	1,004	1,005	0	54.4	48.6	60.6	4.87	6.16	4.61
White	81,862	44,880	37,182	67.8	66.3	61.1	6.22	7.88	6.36
Black	10,073	4,867	5,106	64.3	68.7	67.0	6.54	6.25	6.16
Hispanic origin ²	8,218	3,787	4,431	70.1	71.0	68.8	6.63	6.33	4.88
Part-time workers	17,518	8,428	9,090	80.5	79.2	81.1	4.17	4.02	4.36
Full-time workers	77,002	46,588	30,414	64.1	63.8	64.3	7.05	8.22	6.88
Managerial and professional specialty	21,868	11,838	10,030	23.2	15.2	32.4	8.13	10.26	6.57
Technical, sales, and administrative support	30,663	18,233	12,430	68.9	63.1	63.6	6.73	7.03	6.44
Service occupations	13,225	6,440	6,785	78.8	72.5	78.2	4.18	4.62	3.98
Production, craft, and repair	11,462	10,470	982	78.0	75.3	82.5	6.50	6.80	6.08
Operations, fabricators, and laborers	16,208	12,025	4,183	64.8	64.1	67.4	6.63	7.30	6.36
Farming, forestry, and fishing	1,738	1,602	136	58.7	68.3	62.4	4.43	4.47	4.18

¹ For definition of median, see Guide to Tabular Presentation. ² Persons of Hispanic origin may be of any race. Source: U.S. Bureau of Labor Statistics, unpublished data.

NO. 584. EFFECTIVE FEDERAL MINIMUM HOURLY WAGE RATES, 1950 TO 1985, AND COVERAGE IN 1985

(Employee estimates as of September 1985, except as indicated. The Fair Labor Standards Act of 1938 and subsequent amendments provide for minimum wage coverage applicable to specified non-supervisory employment categories. Exempt from coverage are executives and administrators of professionals)

IN EFFECT	MINIMUM RATES FOR NONFARM WORKERS			Minimum rates for farm workers ¹	SEX, RACE, AND INDUSTRY	NONSUPERVISORY EMPLOYERS, 1985				
	Lower prior to 1944 ²	Per-cent, avg. earnings ³	1984 and later ⁴			Total (1,000)	Subject to minimum wage rates			1986 and later ⁵ (1,000)
							Total (1,000)	Per-cent of total	Prior to 1984 ⁶ (1,000)	
Jan. 25, 1950	\$1.75	54	(X)	(X)	Total	83,564	73,046	87.4	46,838	56,218
Mar. 1, 1956	1.00	52	(X)	(X)	Male	44,363	38,992	87.9	26,406	32,957
Sept. 2, 1961	1.15	60	(X)	(X)	Female	39,201	34,054	87.1	20,432	23,261
Sept. 3, 1963	1.25	51	(X)	(X)	White	73,366	63,931	87.1	41,340	52,091
Feb. 1, 1967	1.40	50	\$1.00	\$1.00	Black and other	10,198	9,116	89.4	4,988	4,127
Feb. 1, 1968	1.60	54	1.15	1.15	Black only	8,293	8,312	98.4	4,558	3,707
Feb. 1, 1969	(*)	(*)	1.30	1.30	Private industry	73,638	63,021	85.5	46,838	56,188
Feb. 1, 1970	(*)	(*)	1.45	(*)	Agriculture ⁷	1,670	604	36.2	-	604
Feb. 1, 1971	(*)	(*)	1.80	(*)	Mining	842	838	99.6	638	-
May 1, 1974	2.00	48	1.90	1.80	Construction	4,517	4,495	99.6	3,758	737
Jan. 1, 1975	2.10	45	2.00	1.80	Manufacturing	17,238	16,782	87.2	18,880	108
Jan. 1, 1976	2.30	46	2.20	2.00	Transp., public utilities	4,788	4,734	99.3	4,665	79
Jan. 1, 1977	(*)	(*)	2.30	2.20	Wholesale trade	4,994	3,982	79.7	3,734	246
Jan. 1, 1978	2.65	44	2.65	2.65	Retail trade	15,811	13,438	85.0	6,827	6,612
Jan. 1, 1979	2.80	45	2.80	2.80	Finance, insurance, real estate	6,127	3,887	63.4	3,736	182
Jan. 1, 1980	3.10	45	3.10	3.10	Service ⁸	18,895	13,204	70.0	6,521	6,893
Jan. 1, 1981	3.35	43	3.35	3.35	Private households	1,579	1,078	68.3	-	1,078
Sept. 1, 1985	(*)	(*)	(*)	(*)	Government ^{9,10}	10,028	10,028	100.0	-	10,028

* Represents zero. X Not applicable. ¹ Applies to workers covered prior to 1961 Amendments and, after Sept. 1985, to workers covered by 1961 Amendments. Rates set by 1961 Amendments were: Sept. 1961, \$1.00; Sept. 1964, \$1.15; and Sept. 1965, \$1.25. ² Percent of gross average hourly earnings of production workers in manufacturing. ³ Applies to workers newly covered by Amendments of 1948, 1974, and 1977, and Title IX of Education Amendments of 1972. ⁴ Included in coverage as of 1968, 1974, and 1977 Amendments. ⁵ No change in rate. ⁶ Includes workers in retail-service establishments with less than \$250,000 in gross annual sales which are part of enterprises covered under criteria in effect prior to the 1985 Amendments. These workers became subject under the 1974 Amendments. ⁷ Currently employed workers subject to provisions. ⁸ Estimates based on average employment for the ten-month active season. ⁹ Estimates relate to October. ¹⁰ Federal, State, and local employees.

Source: U.S. Department of Labor, Employment Standards Administration, Minimum Wage and Maximum Hours Standards Under the Fair Labor Standards Act, 1981, annual, and unpublished data.

Average Paycheck by States in 1984

Source: Bureau of Labor Statistics, U.S. Labor Department

State	Average 1984 Wage	One-year Gain	State	Average 1984 Wage	One-year Gain
Alabama	\$16,203	4.3%	Montana	\$15,521	2.0%
Alaska	28,806	0.2	Nebraska	15,197	3.5
Arizona	17,348	4.1	Nevada	17,565	2.6
Arkansas	14,493	4.5	New Hampshire	18,163	4.0
California	19,873	4.5	New Jersey	19,889	5.7
Colorado	18,774	3.7	New Mexico	16,426	3.5
Connecticut	19,980	NA	New York	20,754	5.4
Delaware	18,505	1.9	North Carolina	15,422	5.1
Florida	16,176	4.0	North Dakota	15,289	1.8
Georgia	16,951	5.3	Ohio	18,783	4.8
Hawaii	16,671	3.5	Oklahoma	17,625	2.7
Idaho	15,793	3.6	Oregon	17,474	4.1
Illinois	19,733	5.4	Pennsylvania	17,931	4.5
Indiana	17,832	4.5	Rhode Island	16,150	4.9
Iowa	15,668	3.0	South Carolina	15,305	4.5
Kansas	16,665	4.7	South Dakota	13,532	2.6
Kentucky	16,627	3.8	Tennessee	16,216	4.3
Louisiana	17,769	2.5	Texas	18,864	4.0
Maine	14,650	5.1	Utah	17,201	4.2
Maryland	18,151	6.1	Vermont	15,263	4.2
Massachusetts	18,428	6.1	Virginia	17,271	4.8
Michigan	20,940	6.3	Washington	18,371	1.8
Minnesota	18,038	4.7	West Virginia	17,482	3.6
Mississippi	14,398	3.3	Wisconsin	17,021	3.8
Missouri	17,599	4.8	Wyoming	18,322	2.5

Prime Military Contract Awards by State

Source: U.S. Defense Dept.
(millions of dollars)

State	Contract Awards 1984	State	Contract Awards 1984	State	Contract Awards 1984
Alabama	51,132	Louisiana	1,855	Oklahoma	635
Alaska	—	Maine	532	Oregon	230
Arizona	1,764	Maryland	4,013	Pennsylvania	9,253
Arkansas	692	Massachusetts	7,029	Rhode Island	398
California	28,520	Michigan	2,510	South Carolina	471
Colorado	1,153	Minnesota	1,826	South Dakota	47
Connecticut	5,459	Mississippi	2,190	Tennessee	798
Delaware	226	Missouri	6,520	Texas	8,750
Dist. of Col.	815	Montana	83	Utah	890
Florida	4,034	Nebraska	167	Vermont	170
Georgia	3,123	Nevada	129	Virginia	4,605
Hawaii	537	New Hampshire	663	Washington	2,884
Idaho	51	New Jersey	3,278	West Virginia	72
Illinois	1,478	New Mexico	552	Wisconsin	659
Indiana	2,522	New York	9,515	Wyoming	74
Iowa	405	North Carolina	863	Total	124,015
Kansas	2,362	North Dakota	201		
Kentucky	448	Ohio	2,804		

(1) Military awards for supplies, services, and construction. Net value of contracts of over \$25,000 for work in each state. Figures reflect impact of prime contracting on state distribution of defense work. Often the state in which a prime contractor is located is not the state in which the subcontracting work is done.

Largest Corporate Mergers or Acquisitions in U.S.

(as of mid-1986)

Company	Acquirer	Dollars	Year	Company	Acquirer	Dollars	Year
Gulf Oil	Chevron	13.3 bln.	1984	Texasgulf	Elf Aquitaine	4.2 bln.	1981
Gentle Oil	Texaco	10.1 bln.	1984	Cities Service	Occidental Petroleum	4.0 bln.	1982
Conoco	DuPont	7.4 bln.	1981	Midcon	Occidental Petroleum	3.8 bln.	1988
Marathon Oil	U.S. Steel	6.5 bln.	1981	American Hospital	Baxter Travenol	3.8 bln.	1988
Beatrice	Kohlberg Kravis	6.2 bln.	1986	Bekridge Oil	Shell Oil	3.6 bln.	1979
RCA	General Electric	6.2 bln.	1986	ABC Broadcasting	Capital Cities Comm.	3.5 bln.	1985
Superior Oil	Mobil Oil	5.7 bln.	1984	Texas Oil and Gas	USX Corp.	3.0 bln.	1985
General Foods	Philip Morris	5.6 bln.	1986	Esmark	Beatrice Foods	2.7 bln.	1984
Southern Pacific	Santa Fe Railroad	5.2 bln.	1983	G.D. Searle	Monsanto	2.7 bln.	1986
Hughes Aircraft	General Motors	5.0 bln.	1985	Continental Group	Kiewit-Murdock	2.7 bln.	1984
Nabisco	R.J. Reynolds	4.9 bln.	1985	St. Joe Minerals	Fluor	2.6 bln.	1981
Signal Cos.	Allied Corp.	4.9 bln.	1986	Electronic Data Systems	General Motors	2.6 bln.	1984
Sperry	Burroughs	4.8 bln.	1986	Associated Dry Goods	May Dept. Stores	2.5 bln.	1988
Connecticut General	INA	4.3 bln.	1981				

In 1985, there were 3,001 corporate mergers and acquisitions with a combined value of more than 179.8 billion dollars.

Company (1)
General Moto
Exxon (1)
Mobil (3)
Ford Motor (4)
BM (6)
Texaco (5)
Chevron (11)
AT&T (8)
E.I. du Pont d
General Elect
Amoco (10)
Atlantic Richfi
Chrysler (14)
Shell Oil (13)
U.S. Steel (1)
United Techn
Phillips Petro
Tenneco (19)
Occidental P
Sun (20)
Boeing (29)
Procter & Ga
R.J. Reyno
(23)
Standard Oil
ITT (21)
Beatrice (36)

On Sept. 1
4.61 percent.

Date
Sept. 26, 1985
May 28, 1982
Sept. 3, 1946
June 28, 1950
Sept. 11, 1981

Total
Commercial
Finance co
Credit unio
Savings ins
Retailers
Gasoline co
Automobile
Commercial
Finance co
Credit unio
Savings ins
entertainment



DEPARTMENT OF
LABOR

EDWARD A. GUERRERO, Director • FE V. OVALLES, Deputy Director

JOSEPH F. ADA
Governor

FRANK F. BLAS
Lieutenant Governor

DEC 09 1987

The Honorable Herminia D. Dierking
Chairwoman
Ways and Means Committee
Nineteenth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Madame Chairperson and Members of the Committee:

I am here to express my concern in reference to Bill No. 596, its intent and purpose.

Guam has a need, the entire nation has a need to increase the minimum wage from its present level. It would be a lot more sensible not to implement the anticipated increase until the Federal mandate is received. It appears that the Federal mandate maybe somewhat higher than what is reflected in the propose bill so that the Government of Guam does not have to continue to legislate.

It is recommended that we hold this implementation until the inevitable passage of such bill from the United States Congress is received.

Sincerely,



EDWARD A. GUERRERO



GUAM CHAMBER OF COMMERCE
PARTNERS IN PROGRESS

December 9, 1987

Senator Herminia Dierking
Chairman, Committee on Ways and Means
Nineteenth Guam Legislature
P. O. Box CB-1
Agana, Guam 96910

Madame Chairman and Members of this Committee:

Thank you for the opportunity to present testimony on the bi-partisan proposal before you to increase the minimum wage on Guam (Bill 596).

Fifteen months ago, in our testimony on a similar measure before Senator Elizabeth Arriola and the Committee on Youth, Senior Citizens, Cultural Affairs and Human Resources (Bill 1019), the Chamber strongly opposed increasing the minimum wage because it would make Guam a considerably less attractive place to do business and curtail the economic growth we experienced then. Consequently, the Chamber held that Bill 1019 would have caused fewer new jobs than would otherwise be created by new companies locating in Guam.

The Chamber also argued against the Bill's effect of increasing the marginal cost of doing business, for companies which had already invested funds in Guam's economy. We said the effect would be two-fold:

First, the affected companies would see declining earnings and, as a result, have to increase the cost of their goods and services. Second, because the cost of such products would be higher, consumer demand and corporate income would decline, inhibiting business expansion for many firms. In the case of smaller, less competitive firms, some business establishments could even be forced to close.

The economic impact of Bill 596 would hardly differ.

The distinction among employers of varying sizes and the minimum wages they would pay would also prompt higher business costs.

Higher costs of business are deterrents to new business, particularly smaller owner-operated companies.

From a personnel management standpoint, Bill 596 could lead to higher, more frequent turnover of employees (for firms with less than 25 workers). Consider the manpower shift in minimum wage jobs from smaller to larger firms prompted by the higher minimum wage rate for the latter, after October 1, 1988 (Ref. Section 1. (b) (2) of Bill 596).

Over time, smaller firms would either eliminate entry-level, minimum wage jobs in their firms altogether, or restrict hiring to skilled individuals who would not require job training.

102 ADA PLAZA CENTER / AGANA, GUAM, USA / P.O. BOX 283, 96910 / TELEPHONE: 472-6311, 472-8001 / CABLE: CHAMAGAN

Those particularly affected by this loss of entry-level jobs are our teenagers. Bill 596 would eliminate many all-important first jobs for teenagers which are predominantly of the low-skill, entry-level variety employed in our service industries such as fast food shops and retail stores.

Realize that while some employers may commence employment of teenagers at minimum wage, they also incur other hidden expenses which result from lower productivity because of the time required to train these workers.

We fear that rather than raising the standard of living for teenagers and other unskilled groups, Bill 596 would eliminate existing jobs simply because it would become less costly to hire skilled workers than unskilled workers.

To cite an example of how the minimum wage can adversely affect businesses and jobs in an island economy, we refer you to the attached article on American Samoa, taken from a recent edition of the Asian Wall Street Journal Weekly.

The author explains how high minimum wages deter capital investment and reduce job creation to a point where out migration of labor-force entrants can eventually occur.

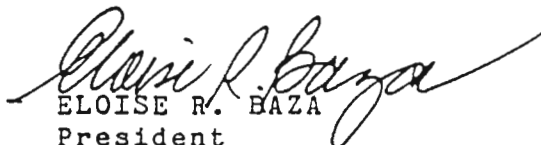
It's no secret that a majority of local employers are highly critical of our educational system. Many employers hold this view because of their difficulty in finding workers who are equipped with the basic skills needed in the workplace. Rather than increasing the minimum wage rate as called for in Bill 596, why not reshape the debate by placing more emphasis on quality education and skills training?

This way, fewer people would be dependent upon minimum wage jobs because they would be better skilled to hold higher paying jobs, and Guam's workforce would be better able to meet the demands and challenges of a growing, industrious economy in the years ahead. Consider other possibilities, if we undertook meaningful efforts to improve the responsiveness of our educational system to the demands on our labor force.

We in the Chamber believe that's what we really ought to be doing and we urge this Committee to take the lead.

Senators, please take the first step by voting No! on Bill 596.

Sincerely yours,


ELOISE R. BAZA
President

Enclosure

By SUMNER LA CROIX

PAGO PAGO, American Samoa—Here on these South Sea islands the American flag waves over a languid offshoot of the U.S. welfare state.

It's no blessing. For the 36,000 people of American Samoa, U.S. federal minimum wage laws have created serious problems.

The pernicious effects of minimum wage legislation are well known in the U.S.—though congressional debate continued in the face of extensive documentation that such policy hurts mainly the people it is meant to help.

In the U.S., it has led to higher teen-age unemployment rates and discrimination in labor markets. Along with a decline in on-the-job training, it has brought higher birth rates for unmarried teenagers.

What Americans generally don't know is that the same kind of legislation has been the major force behind the creation of a sagging economic structure on American Samoa, financed by U.S. taxpayers. The stagnant economy leaves many residents with little choice but to emigrate to Hawaii and California.

Minimum wages in American Samoa are determined every two years by an industry committee appointed by the U.S. secretary



of labor. The six-member committee consists of a pair of representatives each for employee, employer and the public. Separate minimum wages are specified for each industry covered.

In 1988 the 17th Industry Committee recommended that the minimum wage in all American Samoan industries covered by the act be raised to the U.S. statutory rate of \$3.35 an hour. After this decision was overruled on procedural grounds in federal court, minimum wages were frozen at their 1985 levels and a special 18th Industry Committee was mandated.

The 18th committee encountered an economy distorted beyond all recognition by high minimum wages. Two major players dominate the economy. There's the American Samoan government—which receives \$20.8 million of its \$45.3 million budget from Washington and generates 38% of total employment. And there are the two tuna canneries that generate another 32% of the jobs.

High Wages

In 1985 hourly minimum wages ranged from \$1.35 to \$2.66, an inflation-adjusted total increase of between 5% and 18% from their 1981 levels. While these wage rates may seem low to some observers, they are high relative to the local average wage.

In 1985 the U.S. minimum wage (\$3.35) was 39% of the average U.S. manufacturing wage (\$9.52). By contrast, the average 1985 wage in the American Samoan manufacturing sector was \$2.94. The proposed minimum wage of \$3.35 would be 114% of the average American Samoan manufac-

turing wage. Imagine the state the U.S. economy would be in if the minimum wage were pegged at \$10.85—114% of the average U.S. manufacturing wage.

Minimum wages tend to harm older workers less severely than younger workers, who aren't as productive because of their lack of experience. They can find employment only at lower wage rates.

In 1980, 44% of the American Samoan population was under the age of 16, compared with 23% of the U.S. population. With a 1985 unemployment rate of 12%, how is American Samoa to employ the large numbers of young prospective entrants to the labor force?

Only 7% of the American Samoan population is over 55 years of age (compared with 21% in the U.S.). So new entrants can't just replace retirees—new jobs must be generated. From 1981 to 1985, the American Samoan economy was able to generate jobs for only 42% of potential labor-force entrants, while another 13% became unemployed.

What happened to the remaining 45% of potential labor-force entrants? Most of these individuals emigrated to the U.S. in search of better opportunities. While some migration would take place in any case, the high minimum wages have reduced job creation to such low levels that, for many young people, staying in American Samoa is not a viable option.

American Samoa is a labor-rich country. It has few other resources besides its abundant population (418 people per square mile, versus 61 in the U.S.). If salaries were

unconstrained by the minimum wage law, the labor market would generate a wage rate that would better instruct and guide behavior in other markets.

Additional capital would be attracted to the islands if wages were lower. Labor-intensive economic activities would flourish. The economy, with its great advantage of being under the U.S. flag, would generate higher employment-growth rates. This would enable more young people to find jobs and total output would expand.

Today, more than one-third of the American Samoa labor force is employed by the government. Given that the U.S. finances 46% of the government's budget and then sets minimum wages at levels that reduce the flow of capital into American Samoa to a trickle, it's no surprise that the "rich" government is "forced" to employ a large percentage of the labor force.

Productive First Step

The welfare state and the minimum wage are even more intertwined in American Samoa than in the U.S. A complete exemption of American Samoa from its parent country's minimum wage laws would be a productive first step in weaning American Samoa from its dependency on the federal government.

A free labor market is one of the foundations of liberty and, regrettably, the U.S. has virtually abolished free labor markets in American Samoa.

Sumner La Croix is an associate professor of economics at the University of Hawaii.

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Bill 596

Testimony of

Bill Gibson
Guam Employers Council

Several years ago a report titled "A Nation At Risk" indicted America's school system for failing to adequately educate the young people who will be expected to assume responsibility for running our government and our economy. It is clear that not enough of us took the time to read "A Nation At Risk" because the problems discussed in that report have sneaked up on all of us in business and government.

Last week, I listened to testimony given in this Legislative Hall by officials of the Department of Labor, the Department of Education, the Agency for Human Resources Development and the Guam Contractors Association. The testimony was disturbing...we heard that our dropout problem was estimated to be double the national average; we heard that training slots in some publicly-financed programs go unfilled; we heard that the most recently-opened resort hotel experienced serious employee recruitment problems.

If I was a gambler, I'd bet everything I have on one sure thing: The next hotel that opens will have even MORE trouble finding employees!

We heard about the problems, but we didn't hear about any solutions. Obviously there ARE ways out of the predicament we find ourselves in...but Bill 596 is not one of them.

In the course of my work with local employers, I find that they are bewildered by the fact that many job applicants can't complete a job application form -- because they lack reading and comprehension skills. Many applicants can't perform basic arithmetic and many more have severely limited written and spoken communications skills.

Employers don't blame the high school graduates for these shortcomings...the problem is not with the kids -- they CAN learn, but our education system has failed them.

Last week, Marion Wright, principal of one of Guam's largest high schools, described the problems he had had trying to establish a Parent Teachers Association.

He called for a curriculum with alternative vocational and technical education, he called for parental involvement in our schools. I'm no educator, but I have concluded that unless government and business form a new partnership to come to grips with the problem, we are going to continue to see our young people drop out in despair; and they will have no motivation to become productive members of our community.

Many of us have assumed that since there are about 25,000 students in local schools, then one-twelfth of them...about 2100...should be coming out of high school each year and many of them should be finding their way into the island's workforce. But they're not. Dr. Lawrence Kasperbauer tracks graduation data at the University of Guam and his figures show that in June, 1986 Guam's public and private high schools graduated 1,537 students -- last June that figure was down to 1,368 and next June the number of high school graduates may be 1,347 or less. Dr. Kasperbauer's figures indicate that as many as 24 percent of the students who started the 12th grade last fall may drop out in their final year of high school. Something is very, very wrong.

Our workforce is shrinking...and we're not precisely certain why. The drop-out problem may be one explanation, a lower birth-rate -- smaller families -- may be another. More and more students who have the grades and whose families can afford it are going off-island to college and a disturbing number of them don't come home when they get that college diploma.

After last month's Employment Law Conference, federal officials met with a group of developers, educators and financial experts to talk about planned development projects. One of the questions to come out of that meeting was: where are we going to find the people to work in the NINE new resort hotels that investors hope to build here in the next few years?

The shrinking workforce has had one important impact on the market forces that dictate wages: it has increased the actual, effective minimum wage to something over the \$3.35 required by local and federal statutes. When there's a shortage of anything, prices rise by themselves, the government doesn't have to set prices -- or wages.

As a practical matter, the real minimum wage is already at or over \$3.65 per hour...and it is certain to increase WITHOUT government intervention because employers are having more trouble finding people to fill entry-level jobs. When you factor-in such things as Social Security tax (which increases to 7.51 percent next month) and worker's compensation insurance (which will also increase next year), a "minimum-wage" earner actually costs an employer \$3.65 per hour.

The Guam Employers Council recently completed a survey of employee wages and benefits in the retail/wholesale industry and of the 1,493 employees sampled in our survey, only 55 new, entry-level employees were being paid between \$3.35 and \$3.50 per hour.

Right now, there are seven bills pending in the U.S. Congress to amend the Fair Labor Standards Act. I don't expect any of them to pass in THIS session of Congress, but our sources in Washington say the federal minimum wage will be increased during the first half of 1988.

The bill with the best chance of passage is probably HR 1834 which proposes to raise the minimum wage to \$3.85 in 1988 and eventually "index" the minimum wage to 50 percent of the average hourly wage in the U. S.

Employers in Guam are still adjusting to two major employment laws that have come from Washington in the last two years: the mandatory health insurance continuation law and the new immigration law that requires employers to verify identity and work eligibility of all new employees.

Congress is also likely to impose some NEW burdens on employers in 1988:

1. Mandatory employer-paid health insurance
2. Mandatory extended employee leaves to attend to ailing relatives
3. Mandatory 60-day advance layoff notice

All of these new laws will not only cost money, they will reduce the incentive to create jobs.

There is a provision in Bill 596 that is clearly discriminatory. By exempting employers with less than 25 workers from a \$3.75 minimum wage, the bill not only damages the competitive position of companies with MORE THAN 25 employees, it discourages small companies from growing. There's an old saying that "small business is the backbone of our economy"...and its true. Most people who work in private business are employed in companies with fifteen or fewer people.

Under the provision that exempts companies with less than 25 employees from the increased minimum wage, there would be effects that I don't think the Bill's author intended.

I have prepared an analysis of current and pending minimum wage data that will give you a better perspective on this issue.

First, we must consider the fact that with employment benefits that are required by law, the current minimum wage is actually \$3.65 per hour.

Second, employers that voluntarily provide a minimum package of job benefits have a minimum wage cost of \$3.83.

Third, employers who provide a package of prevailing entry-level benefits are paying an effective minimum wage of \$4.31 right now.

Under Bill 596, the actual minimum wage will go from \$4.09 (the minimum mandatory wage and benefit costs) to \$4.29 (the minimum package of voluntary and mandatory benefits) to \$4.79 for the package of prevailing entry-level wages and benefits.

	1 9 8 7 FICA 7.15%	1 9 8 8 FICA 7.51%	Bill 596 FICA 7.51	HR 1834 FICA 7.51*
Minimum wage	\$3.35	\$3.35	3.75	3.85
FICA	.24	.25	.28	.29
Workers Comp. Ins. (0.17 avg.)	.06	.06	.06	.07
Total MANDATORY wage and benefit costs per hour:	\$3.65	\$3.66	4.09	4.21
Annual costs	\$7,592.00	\$7,612.80	\$8,507.20	\$8,756.80
Minimum VOLUNTARY Benefits:				
1 week paid vacation	146.00	146.40	163.60	168.40
5 paid holidays	146.00	146.40	163.60	168.40
3 days paid sick leave	87.60	87.84	98.16	101.04
Total MINIMUM VOLUNATRY benefits per annum:	379.60	380.64	425.36	437.84
Hourly cost	(.18)	(.19)	(.20)	(.21)
EFFECTIVE minimum wage	\$3.83	3.84	4.29	4.42
PREVAILING entry-level benefits:				
Two weeks paid vacation	292.00	307.20	343.20	353.60
Eight (8) paid holidays	233.60	245.76	274.56	282.88
Health Ins. (50% co.-paid)	820.00	820.00	820.00	820.00*
Life Ins. (100% co.-paid)	30.00	30.00	30.00	30.00*
Total	\$1,375.60	\$1,402.96	\$1,467.76	\$1,486.48
ACTUAL EFFECTIVE minimum wage	\$4.31	4.51	4.79	4.84

(* Presumes no rate increase. HR 1834 may be effective on 1 July '88.

These figures do not take into account: holiday pay, shift premiums, overtime, incentive pay, bonuses, commissions, etc.

I call on the Legislature to consider a few basic points about the minimum wage:

1. It is fundamentally a "starter-wage" for entry level employees. Virtually no "head-of-household" works at the minimum wage. Many students and part-time workers hold jobs that pay minimum wage.

2. Any statutory increase in the minimum wage has a "ripple-effect" on other employees. If minimum wage earners get an increase, then other employees expect a raise of similar proportions.

3. When the minimum wage is increased, employers tend to pay for productivity and hire only experienced employees at rates well above the minimum wage. That means fewer job opportunities for young people who are already at a disadvantage because they are ill-prepared by our school system to join the workforce.

It seems to me the Legislature should do two things:

1. Wait for Congress to amend the Fair Labor Standards Act;
2. Place Bill 596 in the inactive file and take some bold action on a comprehensive measure that will:
 - strengthen the education basics of reading, math, science
 - place new emphasis on vocational and technical education
 - raise the drop-out age from 16 to 18
 - encourage parents to get involved in our schools

Thank you for the invitation to appear and testify here today.

Educators urge pre-dropout training

By RON IGE
Daily News Staff

High school students not interested in going to college are dropping out at an alarming rate, and most of them end up as unproductive members of society. Some even turn to crime.

George Washington High School Principal Marion C. Wright provided that assessment yesterday when he testified on legislative proposals to create job training programs aimed primarily at unemployed young high school dropouts.

The high school has enrolled about 600 students in the 9th grade in each of the past 5-6 years, yet the number of students in recent graduating classes averaged about 200, said Wright.

"What happened to the others?" Sen. Pilar C. Lujan asked Wright during yesterday's hearing on the bills.

The principal said some transfer to Guam Community College and others leave the island, but the vast majority drop out.

Wright and David J. Sablan, president of the Guam Contractors' Association, said job training should begin in public schools long before students are 16 years old, the age at which they can legally stop going to school.

"Our educational system has failed us there," Sablan said.

Sablan said his son, a student at Oceanview High School, is one of many students not interested in college prep courses, but he is doing very well in a class that teaches trade skills. There are not enough trade skill programs in high school, he said.

Sablan said the Pacific Star Hotel had a "hell of a time" trying to recruit a full complement of employ-

ees adequately trained in trade skills. Hotels scheduled to be built will have a similar problem unless job training programs are put in place in time to meet the demand, he said. Otherwise, Guam will "miss the boat," he said.

GCC, which shifted its emphasis from a vocational/technical school to a community college, can enroll only 300 new students a year in its non-college bound technical programs, Wright said.

"We can't get a PTA in high school," Wright said. The GWHS principal said a student won't pass from one grade to the next unless "someone takes him under his wing." "Kids need love," he said.

Yesterday's hearing was held by the Committee on Youth, Senior Citizens, Cultural Affairs and Human Resources.

Pacific Daily News 12-3-87

Guam needs vocational education program

I have just returned from a vocational education conference (not at the travel expense of the government of Guam) in Portland, Ore., which dealt with Work, Now and In the Future. Implications for Education, Business and Training. I want to present the following challenges:

Guam needs a revitalized vocational education program islandwide. We presently have a token program. The business and education communities must take up the concept in earnest, "Business Partnerships in Education" where businesses actively work with the schools in developing challenges to students to train for employment. This cannot be just a one day a year "Career Day" program as in the past, but a yearlong working relationship. The hotels sent a representative in April last year, for a pairing of high schools with hotels but there is no follow-through. The contractors association approached DOE in May to have some involvement, but this needs follow-up. The Chamber of Commerce must become actively involved and I plan to approach this group through DOE channels.

A full-time liaison person or persons must be assigned either by the Chamber of Commerce or DOE to develop an active program to challenge young people to complete their education

through part-time employment, through a shadowing program, which allows time out from classes to see various employment opportunities across the island on a one-to-one basis.

An on island Job Corps program needs to be investigated. Not enough young people are being enlisted into this program when they must be sent off island to Hawaii for training. I am unaware of any dropout placements from George Washington High School in recent years. The Job Corps program is very active in Oregon, Washington and Alaska. There are 10 centers serving young people in those states. No one has to go more than 300 miles from his home.

The Department of Education has focused on academic programs at the expense of the low achieving students for the past six years. The United States as a whole has made the same error. A refocusing from strictly academics and special education programs must be made to include the average to low level student who is currently being overlooked. This nation has a 25% dropout rate. I estimate Guam's dropout rate to be roughly 50% from the entry to ninth-grade to 12-grade graduation.

I would be glad to meet with any of the above groups, or other community groups to present the Business Partnerships in Education concept to you as individual companies or as organizations. Phone 734-2212 during working hours, or 653-2841 at night.

Marion C. Wright
principal, GWHS



Voice of the People

22
PACIFIC DAILY NEWS, Monday, December 7, 1987

Opinion

Dropout problem must be faced

Is Guam's dropout rate twice that of the national average? Is that one of the reasons we have such a high crime rate?

Marion C. Wright, principal of George Washington High School, is in a position to know these things. He says that the national dropout rate is 25 percent, but he estimates Guam's dropout rate to be roughly 50 percent from the entry to ninth-grade to 12th-grade graduation.

This is a serious problem on Guam. Wright recommends a revitalized vocational education program islandwide. He says: "We presently have a token program." Wright also believes that the business and education communities must take up the concept in earnest, developing challenges to students to train for employment.

He suggests more involvement by the business community, by the hotel association and by the contractors association in education.

Wright makes sense in his criticism. Many of our young people don't want to go to college. They must then be motivated and put into programs that will train them for careers in business or industry, a program that will teach them job skills and good work habits. Failing in that, we will continue to see our crime rate rise, and our young people unhappy and discontented.

After hearing testimony on the dropout rate, Sen. Pilar C. Lujan said: "Our educational system has failed us there." True. We believe that Guam's Department of Education has "ignored, for too long, the problem of dropouts on the island and the reasons for this incredible rate. Now it is up to the entire community, business interests included, to work toward a solution. JCM.

Date: December 9, 1987

To: The Guam Legislature

From: MVP Enterprises

Subject: Position on Minimum Wage Increases

We support fair wage adjustments and incentives to valuable, hard working and deserving employees. Our company has been doing just that for 40 years. We only oppose any across the board increase to the minimum wage. For the following reasons:

1. Let Guam's competitive business environment determine wage rates. Currently Guam is experiencing huge influxes of new businesses. Our local work force is not increasing as rapidly. Employees have very good employer choices already. It is an employee's market. All businesses must increase their pay scales to keep valuable and trained employees. The free market does a very fair and efficient job already.
2. Increases would lower the number of employees within our overall work force. In Guam's competitive retail market, which does exist when catering to the local customer as opposed to the tourist, we are forced to keep our price margins below what is actually necessary to operate. To remain competitive, we cannot afford to increase prices. One option would be to decrease wages and salaries across the board to compensate for the new minimum wage increases. Another option would be to decrease the overall number of employees. We will be forced to choose the latter. Parttime and extra help employees will lose their jobs. Service to customers will decrease.
3. Increases are inflationary. Prices will eventually rise. Especially with local operations catering to only the local market. The local consumer cannot afford to pay any more. Guam consumers already pay more because virtually all food and consumable items must be shipped in. Mainland consumers do not have to pay for high transportation fees as we do. These costs are always built into consumers prices. Why pay more?
4. Overall increases are unfair. Business with limited budgets will not be able to make fair wage adjustments to deserving employees. Productive employees will receive similar wages as lesser producing employees. These demoralized employees will eventually seek other employers. Businesses will suffer. Progressive and visionary employers, with limited budgets, who already pay premium wages will no longer benefit. Businesses again suffer.

We are not opposed to any pay adjustment to valuable, deserving employees. We oppose across the board increases. For 40 years our company has employed local employees. We know we must either pay them fairly or we cannot progress. Thank you for the invitation. Have a Merry Christmas!



GUAM FEDERATION OF TEACHERS

P.O. Box 2301, Agana, Guam 96910 • Tel: (671) 734-4391/92

December 9, 1987

Honorable Herminia D. Dierking
Senator and Chairwoman
Ways and Means Committee
19th Guam Legislature
Agana, Guam 96910

Dear Members of the Committee:

Thank you for giving us the opportunity to testify on Bill 596 "An Act To *Repeal and*
Reenact Section 46004 of the Government Code of Guam Relative To The Minimum
Wage Law."

We are in favor of Bill 596 in its intent to increase minimum wage, however,
are opposed to one section, part (a). The minimum wage should be equal to
all employees, regardless of whether the employer has 1 or 2, or 100 or more
employees. The number of employees should not be a determining factor at
all; just as the National Labor Relations Board allows employers with 2
employees to collectively bargain - and to bargain collectively is not
cheap. Furthermore, all employees, regardless of race, color, or creed do
feel the economic strain.

We believe that this can cause employers to hesitate from hiring more than
25 employees even when there becomes a need; and will not doubt cause
employee morale problems.

We thank you again for this opportunity and sincerely hope to see the
minimum wage increased equitably and soon.

Sincerely,

JUNE B. PANGELINAN
Field Representative





SIGALLO PAC LTD.

December 9, 1987

Senator Herminia D. Dierking, Chairperson
Committee on Ways and Means
NINETEENTH GUAM LEGISLATURE
P.O. Box CB-1
Agana, Guam 96910

Dear Senator Dierking:

This letter is written in reference to Bill 596 which proposes to increase the local Guam minimum wage from \$3.35 per hour to \$3.75 per hour.

Sigallo-Pac, Ltd. wishes to go on record opposing the passage of Bill 596.

Sigallo-Pac, Ltd. was incorporated in Guam in April of 1981 to engage in the garment manufacturing business. On October of 1981, Sigallo-Pac started its garment operation in Guam with the manufacture of sweaters and a labor force of ten employees. Since then, Sigallo-Pac has opened a second plant producing shirts and pants in addition to its line of sweaters. Sigallo-Pac has developed into Guam's largest and most successful manufacturer. The firm employs approximately 575 employees during its peak work period. Its gross annual payroll is approximately \$3,700,000.00. Sigallo-Pac's current plant, equipment and inventory investment in Guam is about \$12,000,000.00.

In addition to the direct employment benefits afforded the community and the manufacturing sector, Sigallo-Pac spends nearly \$1,500,000.00 a year on shipping, local transport, and oil and gas purchases. These expenditures represent significant market shares for the local shipping industry. Additionally, Sigallo-Pac spends over \$200,000.00 in water and power consumption. If the estimated and direct tax benefits created by Sigallo-Pac are added, the total of gross receipts taxes, taxes on wages and salaries, and corporate taxes paid by vendors currently servicing the firms are in excess of \$1,000,000.00 per year.



SIGALLO PAC LTD.

Senator Herminia D. Dierking, Chairperson
Committee on Ways and Means
December 9, 1987
Page 2

Sigallo-Pac is engaged in a very competitive industry. Sigallo-Pac's operation must compete with the garment factories in our neighboring Commonwealth of the Northern Marianas. It has been reported that the wage paid to garment workers in the CNMI is about \$2.10 an hour. In addition, CNMI factories import by the plane loads H-2 workers for its laborers. It is estimated that there are approximately 10,000 H-2 workers in Saipan.

Sigallo-Pac on the other hand employs only U.S. citizens and permanent resident workers!

In addition to the cheap labor source Sigallo-Pac must compete with in the CNMI, Sigallo-Pac is constantly faced with protectionist trade sentiments in Washington, D.C. Sigallo-Pac must continuously lobby in Washington to be exempted from protectionist trade legislation and administrative regulations which not only increase the cost of doing business in Guam but also threatens its very existence.

Since Sigallo-Pac is unable and unwilling to import H-2 workers at its factories, it must train all its workers in Guam. For the year 1987 alone, Sigallo-Pac has spent approximately \$300,000.00 in training costs for its employees. During the training stage of employment, Sigallo-Pac pays its employees the minimum wage of \$3.35 per hour. The number of trainee employees during any given period is between 50 to 75 employees. To be expected, the production level of the employees during the training period is extremely low. Sigallo-Pac must therefore absorb a substantial labor cost during the training period. Sigallo-Pac however is willing to assume this exorbitant cost since it is investing in a local labor force.

However, if the wages of trainees were to be increased to \$3.75 per hour, this will not only reflect a larger loss of return in its employees during the training period, but will also necessitate a similar 12% increase for its other employees. The non-trainee employees of Sigallo-Pac who have been with the plant for over a year and who are earning over \$5.00 per hour will also want and expect a proportional 12% increase. There is really little justification to deny these employees a similar 12% increase since the trainees with lower productivity will now be earning proportionately more. If the cost of granting a 12% across-the-board salary increase were to



SIGALLO PAC LTD.

Senator Herminia D. Dierking, Chairperson
Committee on Ways and Means
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be granted to the approximately 575 employees of Sigallo-Pac, the Company would not be able to compete with the CNMI factories. The Company must then seriously consider reducing its work force. A reduction in its work force will cause a reduction in output which may necessitate a consideration of the viability of continuing two plants in Guam. The impact will not only be felt by Sigallo-Pac and its employees but also the other collateral companies who do business with Sigallo-Pac.

Therefore, we strongly urge your committee not to recommend passage of Bill 596. If however your Committee feels it is in the general interest of the private sector that Bill 596 be passed, Sigallo-Pac requests an exemption for the garment industry.

Thank you for your attention and if you should need any further clarification, please do not hesitate to call me.

Sincerely,

B. OTTO GERSTENLAUER
PRESIDENT

cc: All Senators

SENATOR DON PARKINSON
19th GUAM LEGISLATURE
P.O. BOX CB-1
AGANA, GUAM 96910

TESTIMONY BY SENATOR PARKINSON ON
BILL NO. 596

"AN ACT TO TO REPEAL AND REENACT SECTION 46004
OF THE GOVERNMENT CODE OF GUAM RELATIVE TO THE
MINIMUM WAGE LAW."

- ENCLOSED:
1. Extract from the Federationist, "It's time to raise the minimum wage.
 2. Bill No. 596, "An act to repeal and reenact Section 46004 of the Government Code of Guam relative to the minimum wage.
 3. 100th Congress H.R. 79
 4. 100th Congress H.R. 649
 5. 100th Congress H.R. 659
 6. 100th Congress H.R. 1189
 7. 100th Congress H.R. 1209
 8. 100th Congress H.R. 1834
 9. Monthly Labor Review - The minimum wage: Its relation to incomes and poverty.
 10. Congressional Research Service - The federal Minimum Wage: Consideration in the 100th Congress.
 11. Congressional Research Service - Minimum wage standards under the Fair labor Standards Act: Background analysis and recent Legislative interest

Madam Chairwoman, thank you for the opportunity to present my testimony on behalf of Bill 596, "An act to repeal and reenact section 46004 of the Government Code of Guam relative to the Minimum Wage Law."

I introduced a version of the Minimum Wage Bill during the 18th Guam Legislature and reintroduced it during the 19th because I felt that there was a need to look at the salaries of the private sector. We have ^{spent} many hours debating the merits of giving the government of Guam employees a pay increase. We fought hard for option 1 for all employees of the government. Although we were not successful

implementing 100 percent of option 1, it is in fact a reality today albeit only 60 percent.

During our long debate on option 1, the question of, "What about the employees of the private sector?", was asked many times. We cannot set the salary scale of the private sector, but we can set the minimum wage. I feel that by raising the minimum wage, the salaries of the private sector employees will go up also.

The private sector employers will strongly oppose this bill because it will undoubtedly cut into their profits. However I am not too concerned about that. A while back we enacted an exemption on wholesales tax with the promise by the Chamber of Commerce that the tax payers will see a lowering of prices on certain goods. The result is that there were no reductions in prices. The price on a can of spam, a major consumption item, never went down. On the contrary, the price continued to rise.

The idea of an increase in the minimum wage is not unique to the Guam Legislature. In the United States Congress there are several bills addressing the same issue and are attached along with other documents. All of the attached bills are proposing to increase the minimum wage to approximately \$4.65 an hour and at least one bill proposes to increase the minimum wage to \$5.90 per hour over a three year period.

There are many people who brag about the prosperous economy on Guam and the fact that the unemployment rate has been below the national average. Yet, Guam continues to be on the bottom rung of the salary level as compared to the the national average. I believe that the minimum wage should be high enough to raise the earnings of workers to provide for above the poverty level earnings. Maybe by raising the minimum wage, we can have something to be really proud of - zero unemployment rate.

Since raising the minimum wage to \$3.35 an hour in 1981 to 1986, average prices increased by about 26 percent. If the minimum wage were to keep pace, the minimum wage today should be \$4.22 an hour. This is just to maintain the same level of subsistence.

We gave our government of Guam employees a pay raise. Let us show our concern for the employees of the private sector and raise their minimum wage so that they can start earning a decent salary commensurate with the booming economy which everybody is bragging about. Let us help our people earn salaries which are above the poverty level.

①

Federationist

VOL. 94 NO. 2

MARCH 21, 1987, pp. 5-8

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AFL-CIO

By Jay Mazur
President, International Ladies Garment
Workers Union

On January 7 of this year, the New York Times ran a story in its news pages, headlined: "Now, Maximum Interest in the Minimum Wage."

One week later, the New York Times ran an editorial, titled: "The Right Minimum Wage: \$0.00."

This dramatic juxtaposition of news and opinion strongly suggests that the question of the federal minimum wage will be high on the legislative agenda this year and that the matter will be hotly contested.

That has been the fate of the minimum wage since its inception almost a half-century ago in 1938.

Those opposed to a minimum argued that by elevating the wage to 25 cents an hour, the legislation would be pricing many workers out of the market. They would be too expensive for their employers. Hence, unemployment would increase, especially among the lowest paid.

Those favoring a floor to wages and a ceiling to hours argued that the law would put more people to work and would elevate their living standards. The higher wage would increase buying power and would therefore stimulate the economy. The shorter work week would distribute the work so that unemployed could now find jobs. Increased supply would help enrich the lives of one and all.

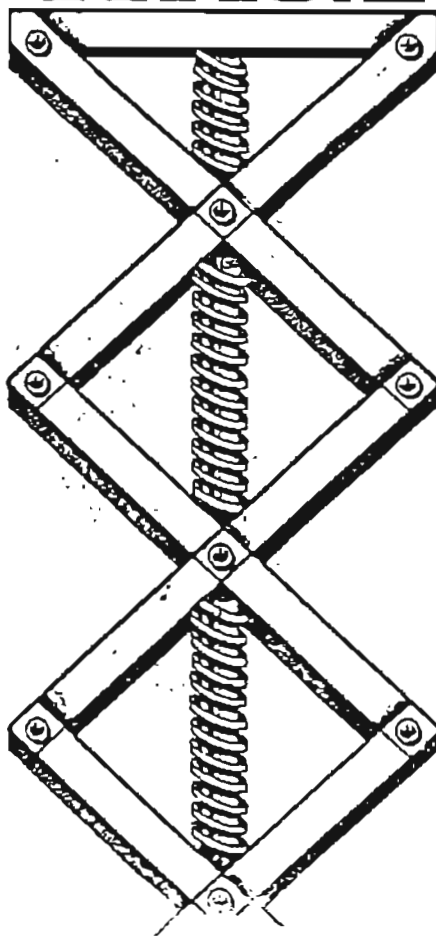
Between 1938 and the present, the minimum wage law has been changed several times—to raise the level and to extend coverage. (Not all employees were covered by the law then and not all are covered today.) Inevitably, with each move to lift the floor and to widen its benefits to more people, the debate broke out all over again—with the same old arguments. The opponents said that to lift the floor would bring on unemployment and hurt most those who were supposed to be helped most; the proponents said that a higher wage would be of direct benefit to the lowest paid and that added buying power would add more jobs.

Living Wage

Why has the minimum wage been changed—raised—repeatedly over the last half-century? Fundamentally, to stay abreast of the times. The original idea was to set a minimum that would somewhat resemble a living wage. The rule of thumb was a wage that was slightly more than half the going wage in the private sector. As the general wage level rose, it was expected that the minimum was to go up accordingly. In addition, if the "living wage" was to be maintained, there had to be adjustments for the cost

Current statistics on the real value of the minimum wage in 1987, on the purchasing power of the...

It's Time To RAISE The MINIMUM WAGE



of living; otherwise the livable would become unlivable.

Unfortunately, this concept was never written into law. The minimum was changed at the whim of Congress—and, of course, the President. When enough fuss was made about how the floor was collapsing into the cellar, the government would bend itself. Where there was no agitation, there was no action. And since the direct beneficiaries of the minimum wage are, as might be expected, usually unorganized and politically powerless, the fight had to be made on their behalf by unions.

The added buying power implicit in a higher minimum means greater demand and more work for wage- and salaried workers in general. In addition, a living wage makes it less likely that the wage earner's family will end up on the welfare rolls—as millions do when the minimum begins to lag behind the rising cost of living.

Step Increases

The idea that the minimum should not be frozen at some fixed sum was clearly in the mind of those who wrote the original law. It provided that the minimum would be 25 cents an hour for the first year, 30 cents for the second, and was to become 40 cents in 1944. What happened after that date depended on the mood of Congress and the White House. Sporadically, the minimum was raised in a sort of "collective bargaining" among congressional factions and between Capitol Hill and the White House. The last big change took place in the Carter Administration when, as in the original bill, the legislation provided for a series of ascending steps that ended in January 1981 at the present \$3.35 per hour. There the minimum has been frozen ever since.

Now it is proposed that the minimum once more be adjusted to keep up with the times. And again the old debate is renewed as if we were back in 1937—a half-century ago—and as if there were no body of historical experience from which to draw conclusions.

But the experience is there. In 1950, when the minimum rose from 40 cents to 75 cents an hour, the New York Times, informed by the lessons of more than a decade, concluded: "None of the dire results predicted have materialized from the 1938 Act, and the present legislation merely brings the latter into line with the wage and living-cost realities of today. So long as the principle is confined to its original social objectives of protecting the worker from exploitation and assuring him a living wage there is no reason to doubt that it will continue to justify itself in the future as it has in the past." (Jan. 26, 1950.)

To prevent exploitation and to provide a living wage, however, requires constant review and revision of the minimum—with several changes...

respects, the present minimum wage is not working.

The value (buying power) of the minimum wage has been declining steadily in the 1980s, as might be expected at a time when the minimum remained fixed while the cost of living climbed. Inflation since 1981 has reduced the purchasing power of the \$3.35 minimum by 77 cents an hour. That amounts to a pay cut of \$26.80 for a 40-hour work week.

(See Table A and Chart A on the falling value of the minimum wage.)

If an employer were to do this to his employees, especially to those most poorly paid, we would consider the act to be unconscionable. Is it less unconscionable if Uncle Sam does it to his nieces and nephews?

The history of the minimum wage in the last two decades reads like a lesson in political science. When President Kennedy came into office in 1961 the minimum wage of \$1.00 could buy what it would take \$3.70 to buy today. Then as the minimum went to \$1.15 in 1961 and to \$1.25 in 1963 and, under President Johnson, to \$1.40 in 1967 and \$1.60 in 1968, the buying power of the minimum rose to its highest point in the years since 1950, able to purchase as much as it would now take \$5.04 to buy.

The story of the Reagan years is quite the opposite. When he came into office in 1981, the minimum of \$3.35—enacted under Carter—could buy what it would take \$4.04 to buy in mid-1986. By 1987, that buying power had slipped steadily so that at present, the dollar equivalent would need to be \$4.20—a 25 percent adjustment in real dollars.

Some may argue that "things are bad all over" and the working poor are suffering along with all other workers. In part, this notion is supported by the decline of real wages and salaries of non-supervisory employees. The fall in the minimum wage (real dollars) has however, been much steeper than the drop in the average wage. From 1950 to 1968, the minimum wage was always slightly higher than half the average hourly wage in the private sector—an intent of the law whenever Congress acted. Since then the minimum has slipped. Right now it is at the lowest point since 1949, worth only 37 percent of the average wage.

Poverty Level Wages

Still another way to measure the minimum wage is to see whether it is adequate to keep a small family from falling into the pit of poverty. From 1960 to 1979—almost two decades—a wage earner working a full year at the federal minimum wage could support a family of three at an above-poverty level—with the exception of two years in the early 1960s and in 1973. From 1980 on, a wage earner, fully employed at the federal minimum wage, could not keep a family of three above the poverty line. In 1986, the wage earner at the minimum could earn about 80 percent of what would have been necessary to keep his or her family out of poverty. In absolute dollar terms, this breadwinner would fall about \$1,800 short. To keep this household above the poverty line, the earner would have to work a full year (2080 hours) at \$4.20 an hour—a full 85 cents more than at present. (See Chart B and Table B.)

In the 1980s, the minimum wage has been going from bad to worse; it has not kept up with the cost of living; it has not kept up with the average wage; it has not provided earnings sufficient to stay out of poverty. Because of neglect, it has not been, as intended, an instrument "for protecting the worker from exploitation and assuring him (her) a living wage."

Why has this been happening? The simple answer is that the powerless are powerless. Senior citizens living on social security represent a respected political force in America. Hence, their pensions have a cost-of-living adjustment clause. Many wage and salaried people also work under negotiated contracts

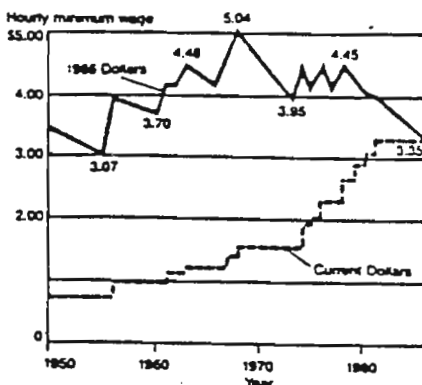
Table A

Data: value of the minimum wage

Year	Current	1986 dollars	
		Buying power	1986 CPI = 100.0
1950	.75	3.42	
1	.75	3.17	
2	.75	3.10	
3	.75	3.07	
4	.75	3.06	
1955	.75	3.07	
6	1.00	3.90	
7	1.00	3.79	
8	1.00	3.76	
9	1.00	3.79	
1960	1.00	3.70	
1	1.15	4.21	
2	1.15	4.17	
3	1.25	4.48	
4	1.25	4.42	
1965	1.25	4.34	
6	1.25	4.22	
7	1.43	4.60	
8	1.60	5.04	
9	1.60	4.79	
1970	1.60	4.52	
1	1.60	4.33	
2	1.60	4.19	
3	1.60	3.95	
4	2.00	4.45	
1975	2.10	4.23	
6	2.30	4.43	
7	2.30	4.16	
8	2.65	4.45	
9	2.90	4.38	
1980	3.10	4.12	
1	3.35	4.04	
2	3.35	3.81	
3	3.35	3.69	
4	3.35	3.54	
1985	3.35	3.41	
1986	3.35	3.35	

Chart A

The real value of the minimum wage has declined in the 1980s.



Source: U.S. Department of Labor

wage earners? Partly, it is due to a stereotype of those working for the minimum. The common perception is that they are few, teenagers, and part of the minority elements who have not yet found their place in the American mainstream. Put vulgarly, they are seen as a handful of stray outsiders. The facts, however, belie the belief. The victims of the descending floor are not few. In 1986, about 6.7 million salaried and hourly workers earned the minimum wage—or less. An additional six million received wages that were just above the minimum, usually employed in establishments where the pay is customarily set somewhere near the minimum. The wages of these latter range from \$3.36 an hour to \$3.99.

All in all, the number of workers whose wages revolve around the federal minimum is 12.5 million. This adds up to about 13 percent of wage and salaried employees.

Contrary to the myth, most of those working at the minimum wage are white: three out of four, according to Earl R. Meltzer and Thomas R. Doherty.

American society along economic and racial lines.

Finally, most of those who work in the minimum world are not teenagers. The largest number—20 years or older—make up more than two-thirds of those at the minimum. Only 31 percent are teenagers. In short, adults—age 20 or older—make up nearly 70 percent of those earning the minimum. (These were the findings of a Minimum Wage Study Commission in 1981 and prevail in 1986 Current Population Survey statistics.) Twenty-eight percent are the heads of households and another 28 percent are spouses.

In sum, those who depend on the minimum wage for their living are not few, not kids, and not predominantly black. They are mainly adults of all races and ethnic strains—and they are many.

To lift the floor, however, would mean much more than to bring a measure of economic justice to this significant portion of the American people. Although they would be the direct and immediate beneficiaries, many others would also benefit, because the American market would be vitalized by the increased earnings of the nation's working poor.

How much of a stimulant would a higher minimum be? That depends on how much the minimum is raised. But, just for the purposes of illustration, let us play with one scenario that begins by adjusting the minimum wage so that its buying power is back to where it was in 1968, when it could buy what it now takes \$5.04 to buy. This would mean an increase of \$1.69 an hour. Now, to be conservative in our calculations, let us assume that the worker does not work full weeks but averages about 27 hours a week instead of the standard 40 hours. The average weekly earnings would be increased by \$45.63. Now, to continue in our conservative reckoning, let us suppose that this worker is employed only 34 weeks out of the 52. The annual average increase would be \$1,551.42 a year. If that adjustment is applied to the 14 million people whose earnings move almost directly with changes in the minimum then buying power in the United States would be increased by \$21.9 billion.

There is another compelling reason why raising the minimum would benefit the nation as a whole. The relief rolls would be lightened. At present many of those working at the minimum are receiving welfare payments—legitimately. Lifting the minimum would reduce the tax burden.

There is a final reason why something resembling a "living wage" would be beneficial to America. Such earnings would provide an incentive to be more productive. Who could possibly be inspired to make a real effort for a wage that yields no more than a welfare payment? If America is to improve its "productivity," its output per worker, it must think of incentives for the millions of wage and salaried people who now toil for pay that is not sufficient to meet poverty standards.

Free Market Myth

In the face of all these positive and compelling reasons to lift the minimum wage, what is the argument for setting the minimum wage at zero? "Objections to a statutory floor under wages are grounded more in free market theory than in empirical evidence," comments Sar Levitan, director of the George Washington Center for Social Policy Studies.

The principle that government should have no role in setting a floor under wages, that there should be no legal minimum, is based on the belief that the way in which "the market" sets wages is the way things ought to be—a latter day lapse into laissez-faire.

That theory holds that to raise the legal minimum price of labor above the productivity of the least-skilled worker would mean that fewer would be hired.

The primary has been the

costs do not rise even as wages do; d) where the raise is widespread—as in the case of the minimum wage—take advantage of the expanded net by lowering profit per item while increasing all profits by enlarged sales.

When the first federal minimum wage was under consideration in the mid-1930s, employers in the retail industry appeared before Congress to argue a 25-cent minimum would mean bankruptcy, more unemployment to deepen the crisis of the country. How, they complained, could they pay 25 cents an hour and survive when they were barely able to get by paying 5 cents an hour?

The law was passed. The employers survived and prospered. How did they do it?

In part, they did it by adding to the price of their commodities. But not much. It was not necessary. Their cost of production did not necessarily rise—only with the higher wage. The reason was their raised sales. As the demand for their product increased—in part because of the higher minimum—they were able to run their factories at 100 percent of capacity, instead of 50 percent. They saved on once-overhead. So while hourly wages went up, unit costs did not necessarily do so.

In some cases, employers lowered their profit margin per unit. But because sales were booming, they were able—even with a lower profit per item—to ease their overall sales for a better rate of return on investment.

The higher minimum wage was, of course, not the higher "labor" cost imposed upon companies by the government. There were also unemployment insurance, social security, workers' compensation, and the government proposed such legislation. Employers resisted with the same old argument: they would have to get rid of workers because they were costly. Yet, the economy continued to expand, more workers got jobs, more employers prospered. To the employer, the higher minimum wage, the higher wage negotiated by unions, unemployment insurance, social security were all cost items. In his opinion, he did not recognize that what was a cost to him was income to others and what was income to others was a market for his wares.

Employer Fantasy

The fantasy world of the employer is one in which workers will work for nothing while he reaps a fortune from the highly profitable sale of his almost stressless products. This has always been the inactive fantasy of employers who, as a consequence, repeatedly drove the system into periodic depressions until the governments of the world in the 1930s intervened to save the "free enterprise" system with devices such as the minimum wage.

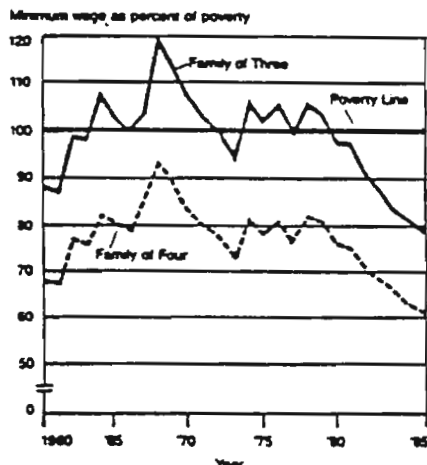
The very notion that a wage is determined by productivity is a myth. Productivity is only one of the many factors. During the Black Plague in Europe, wages rose to astonishing heights, although the workers did not improve their "productivity." In the American colonies, a mechanic could earn about twice as much as his European counterpart because of the relative scarcity of labor here, although his "productivity" was not greater. When corporations tried to build atomic energy plants in our Northeast or drill for oil in Alaska, they paid very high wages although "productivity" there was not greater than elsewhere. When workers organize into unions, when there is a sudden huge demand for a commodity, when a competing plant in the vicinity pays higher wages, the hourly earnings of workers rise, regardless of "productivity." When there is a tidal wave of immigrants into an area or when there is massive unemployment in the nation, wages are put under a downward pressure—although productivity is not declined.

Actually, there is an inverse relationship between

Table 8
Data: Full-time, year-round minimum wage earnings as a percent of poverty line

	Family of 3	Family of 4
1960	88.2%	68.8%
1	87.3	68.1
2	99.2	77.4
3	98.0	76.5
4	107.7	82.0
5	103.4	80.7
6	100.0	78.4
7	104.0	83.4
8	120.0	93.7
9	113.8	88.9
10	107.4	83.9
1	103.1	80.4
2	99.7	77.8
3	93.8	73.3
4	105.7	82.6
5	101.7	79.4
6	105.4	82.3
7	99.0	77.3
8	106.0	82.7
9	104.3	81.4
10	98.2	76.6
1	96.1	75.0
2	90.6	70.7
3	87.8	68.5
4	84.2	65.7
5	81.3	63.4
6 est.	79.8	62.2

Chart B
Minimum wage earnings for full-time, year-round worker plunged well below the poverty line.



Source: U.S. Department of Labor

there have been long periods when wages rose and unit labor costs came down because of the greater "productivity" spurred by higher wages. And vice versa: when wages are low, the employer has little incentive to produce more efficiently. Why make a big investment in "labor-saving" machinery, at the risk of costly idle overhead, when labor is so cheap?

All these conceptual points about the role of the minimum wage are not new. They are the standard refutation to the argument that however inhumane the wage of the least skilled may be, it is the necessary expression of some "iron law of wages" set by the invisible hand of "productivity." But the case for minimum wages and higher floors to keep abreast of changing times does not rest on theory alone. There are the facts—conscientiously gathered by government agencies over many years.

In 1966, the Secretary of Labor, in a report to the 89th Congress, summarized the experience of more than a generation: "The record is that following the original establishment of the minimum wage—after it was set at 25 cents in 1938, 30 cents in 1939, 40 cents in 1944, 45 cents in 1950, and 50 cents in 1956—

unemployment resulting from statutory minimum wage rate increases."

The report then went on to fill in the gap between 1956 and 1966. It noted that the record of "the past five years, during which four increases in statutory minimum wages became effective, parallels and confirms the previous experience."

In 1968—thirty years after the passage of the minimum wage law—another report was submitted to Congress, in which it was noted that after the minimum was raised to \$1.60 "total employment continued to rise from 72.2 million in January 1967 to 74.6 million in September 1967, an increase of almost 2.5 million workers." How about jobs in the sectors where many were employed at the minimum? "Increases in employment were concentrated in such relatively low-wage groups as tobacco, textiles, apparel, food and kindred products."

Particular attention was paid to sectors of the economy where the minimum wage law had not applied and that were now covered under the extended act. The customary fear was expressed by employers that retail and service establishments could not make the adjustment and that the extended coverage would bring on unemployment. The report found that in these sections "employment was greater in September 1967 than in January 1967, the month before the minimum wage went into effect."

In a separate report from the Office of Research and Legislative Analysis of the Wage & Hour and Public Contracts Division, the same findings recur. "All of the major non-agricultural industry divisions showed employment gains over the period from September 1966 to September 1968, except construction. The largest increase in the private sector in relative terms was in the service group, where the minimum wage had the largest impact."

Job Gains

In 1970, the Department of Labor recorded that "in the retail, services, and state and local government sectors—where the minimum wage had its greatest impact in 1969, since only newly covered workers were slated for federal minimum wage increases—employment rose substantially."

In the face of all this evidence, in 1977 the New York Times, in an editorial that foreshadowed its recent stance to wipe out minimum wage laws entirely, warned of the new increases: "Just how many jobs would disappear is not known. Rough calculations put the figure between 200,000 and 1 million."

Now what are the facts? Between 1977 and 1978, the number employed rose by more than four million and the next year the number employed rose by 2.7 million. In the same years, the rate of unemployment fell from 6.9 percent to 5.8 percent.

The dire consequences forecast by the New York Times did not materialize. Quite the reverse happened.

Does this mean that raising the minimum wage will mean more employment and a drop in the jobless rate? Not necessarily. The minimum wage is only one factor—a relatively small one—in a huge economy. Dozens of other factors—trade deficits, removal of plants overseas, a stock market crash, a massive repudiation of debt by nations in debt to American banks, bankruptcy of a GM or a McDonald's, etc.—could bring on an old-fashioned crisis with calamitous rates of unemployment. To measure the impact of the minimum wage or of any other single factor by itself in our presently complex global economy is an inexact science.

Indeed, it is altogether possible, even likely, that raising the minimum wage will cost some workers their jobs. There are marginal operators, usually small and inefficient, who are able to "make it" by paying a non-living wage. If they could hire workers for 5 cents an hour, as they once

better pay (the new minimum) in the sturdy jobs that expand in the stimulated economy.

Again for purposes of illustration, let us consider a scenario based on our earlier calculations of purchasing power increase resulting from an adjustment of the minimum wage to the level of real buying power in 1968. The stimulant to the economy would come to more than \$20 billion. How many jobs does that equal? In 1986, a \$4-trillion economy generated about 100 million jobs—about \$40,000 a job. A \$20 billion increase in buying power should stimulate another half-million jobs.

Many Factors

Remember that this is an example, not an arithmetic forecast. Neither the number of jobs lost nor the number gained can be predicted with accuracy;

there are too many other factors, not the least of which is our trade policy. But to focus on "jobs lost" only while ignoring "jobs gained," including jobs gained at better wages by many who lost jobs at lower wages, is to distort reality by putting a magnifying glass on one eye and a blinder on the other.

In the coming months, there will be legitimate room for discussion and debate about how large the raise in the minimum should be, how the increases should be timed, to whom the law should be extended. Almost a half-century of experience strongly suggests, however, that it would be a mistake to leave the determination of the minimum to Congress and the President without any proviso on what is to happen in between their itch to act. It is only logical that the minimum wage, like social security, should be tied to some measurable change in the economy, such as the average wage in the

private sector. Historically, congressional adjustments to the minimum wage have averaged 54 percent of the average wage of nonsupervisory production workers, and in 1977 when the last four step increases were debated, it was set at 52 percent of the average wage. A strong case can be made for setting the minimum at 60 percent of the average. Certainly, the legislation should adjust for inflation, for the rise in the average wage, and for the higher earnings needed to stay out of poverty.

One thing, however, is certain: to leave the minimum at the present inadequate and deteriorating level is to increase poverty, to weaken incentives to step up productivity, to deny the neediest a living wage and protection from exploitation, and—most important—to deprive our economy of a necessary stimulant to lift us from our present perilously stagnant state.

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MINIMUM WAGE STANDARDS UNDER THE FAIR LABOR STANDARDS ACT:
BACKGROUND ANALYSIS AND RECENT LEGISLATIVE INTEREST

Since January 1, 1981, the Federal minimum wage for covered workers (except for those employed under a special certification program) has been set at \$3.35 per hour. It will remain at the \$3.35 per hour level until the Congress takes specific action to alter it. Has the time come for a reexamination of the concept of the minimum wage and of the level at which it is set?

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by
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February 19, 1987

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The Fair Labor Standards Act of 1938 (the FLSA), as amended, is the basic Federal statute dealing with minimum wages, hours of labor, child labor, equal pay and related issues. Major revisions of the minimum wage under the Act (usually in company with other changes in the legislation) have occurred in 1949, 1955, 1961, 1966, 1974, and 1977. The current minimum wage for covered workers (except for those employed under a special certification program) is \$3.35 per hour. This rate, which became effective on January 1, 1981, is set forth in the statute and will remain at that level until the Congress takes specific action to alter it.

An issue of concern to the Congress may be: Has the time come to reexamine the Fair Labor Standards Act and, specifically, its minimum wage provisions?

CONCEPT OF A FEDERAL MINIMUM WAGE

The intention of the Congress in adopting the Fair Labor Standards Act in 1938 was to provide minimum standards for persons engaged in covered employment and to eliminate "labor conditions detrimental to the maintenance of minimum standards of living necessary for the health, efficiency and general well-being of workers." The wage level, set forth in the statute, constitutes a wage floor or the lowest amount that an employer can legally pay to covered workers. It is not necessarily a "fair" wage or a "just" wage. It is not a judgment by the Congress that the statutory minimum is the amount that employers ought to pay their workers. They simply can't pay less -- if their workers are covered under the Act. Many (perhaps most) employers pay in excess of the Federal minimum standard.

Federal wage and hour regulation, traditionally, has been a joint sphere of authority/responsibility shared by the States and the Federal Government. Normally, respective State and Federal statutes complement each other. Where there is overlapping or dual coverage the standard most nearly in the interest of the worker prevails. Some workers, however, are covered neither by State nor by Federal minimum wage legislation.

How Many Workers are Covered by the Minimum Wage Provisions of the Fair Labor Standards Act?

were subject to the minimum wage provisions" of the Act. Some 10 million of these persons are government employees; about 63 million, in the private sector. Coverage, however, should not be taken to mean persons actually employed at the minimum wage since most workers earn more. The minimum wage, after all, is a wage floor. However, when the rate was increased to \$3.35 per hour on January 1, 1981, DOL estimates that the wage rates for about 5.5 million workers were increased to bring them into compliance. Although not required under the statute, some workers earning above the Federal minimum may have received pay increases in order to maintain wage patterns.

Who are Those Persons Employed at or Below the Federal Minimum Wage? Are They Predominantly Male or Female, Teenagers or Adults, White or of a Racial or Ethnic Minority?

A comprehensive assessment of the demographics of the minimum wage worker was developed from 1980 Current Population Survey data by Curtis Gilroy for the Federal Minimum Wage Study Commission. While there have been changes in the general composition of the workforce during the past six years and although the minimum wage, at that time, was \$3.10 per hour, the Commission's findings would seem to suggest some general patterns which would still be useful. (See table 1.)

For example, the Commission reported that of actual minimum wage workers roughly 69 percent were adults aged 20 or over, while only about 31 percent were youth (aged 16 to 19 years). Similarly, minimum wage workers were shown to be predominately female: roughly 37 percent male, as opposed to 63 percent female. Of the minimum wage workers, about 17 percent were female youth, while about 46 percent were women over 20; approximately 14 percent were male youth workers with about 23 percent males over 20. Viewed from a racial/ethnic perspective, the Commission found 76 percent of minimum wage workers were white, with 15 percent black and 7 percent Hispanic. When race/ethnicity and sex were combined, the general pattern remained similar: 27.1 percent white males, 5.8 percent black males, and 3.0 percent Hispanic males; 48.9 percent white females, 9.2 percent black females, and 4.0 percent Hispanic females.

If these patterns still hold (and, with certain variations, notably a contracting youth segment of the workforce and an expanding female segment, they may well), then one might well draw several tentative conclusions. The stereotype of the minimum wage worker as a young person, untrained, newly entering the world-of-work, would seem not to be wholly justified. Youth workers do make up a significant portion of those employed at the minimum wage (about 30.8 percent) and their demographic significance is greater because of the relatively narrow age bracket — persons aged 16 to 19 years. But, the average minimum wage worker is more likely to be female, white, and of middle years. More than two-thirds of minimum wage workers are not teenagers. Similarly, almost two-thirds of minimum wage workers are female.

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TABLE 1. Wage and Salary Employment and Full-time Equivalent Estimates of Persons at or Below the Minimum Wage by Age and Sex (Second Quarter 1980) a/

Age and Sex	Numbers in Thousands			
	CPS-Reported Estimates		Full-time Equivalent Estimates	
	Number	Percent	Number	Percent
<u>Both Sexes</u>				
Total, 16 years & over	10,615	100.0 b/	9,112	100.0 b/
16-19 years	3,267	30.8	2,101	23.1
20-24 years	1,850	17.4	1,710	18.8
25-64 years	4,822	45.4	4,776	52.4
65 years & over	677	6.4	526	5.8
<u>Men</u>				
Total, 16 years & over	3,895	36.7	3,677	40.4
16-19 years	1,505	14.2	1,018	11.2
20-24 years	788	7.4	784	8.6
25-64 years	1,287	12.1	1,608	17.6
65 years & over	315	3.0	268	2.9
<u>Women</u>				
Total, 16 years & over	6,721	63.3	5,435	59.6
16-19 years	1,762	16.6	1,083	11.9
20-24 years	1,062	10.0	925	10.2
25-64 years	3,535	33.3	3,168	34.8
65 years & over	362	3.4	258	2.8

a/ This table has been taken from the Report of the Minimum Wage Study Commission, Vol. 1, p. 11, which has developed its data from the Current Population Survey (CPS). The Report notes: "The minimum wage was \$3.10 per hour in 1980. Those working at the minimum include the interval \$3.05-\$3.15 to account for rounding problems which would otherwise exclude workers who were reported as not earning exactly \$3.10. Those workers earning less than \$3.05 are included in the 'below minimum' group."

b/ Individual percentages may not add to totals because of rounding.

SOME POSSIBLE POLICY CONSIDERATIONS

When Federal minimum wage legislation is discussed, a number of questions are frequently raised. The following are among them.

Is the Establishment of a Legal Wage Floor for Private Sector Workers a Proper Function of the Federal Government?

About 1912, individual States began to enact legislation against child labor and for the protection of women workers. Among these State laws were those dealing with the length of hours worked and the minimum wage that might legally be paid. While these early laws were very limited in their scope and in enforcement (where they were enforced at all), they were also controversial triggering a quarter century of judicial challenges. In West Coast Hotel v. Parrish (1937), the Supreme Court sustained the effort of the State of Washington to regulate private sector labor standards. The following year (1938), the Congress adopted the Fair Labor Standards Act affirming its view (subsequently confirmed by the courts) that establishment of minimum wage standards, both for public and private sector workers, was a proper and appropriate function for the Federal Government. This judgment by the Congress has been reaffirmed, consistently, through the years by subsequent Congresses.

There have been, however, Members of Congress, economists, and others who have dissented from this congressional judgment. Ronald Reagan, for example, has been widely quoted to the effect that the minimum wage, per se, has "caused more misery and unemployment than anything since the Great Depression." 1/ During floor consideration of the 1977 FLSA amendments, then-Representative Steven Symms proposed that the minimum wage and overtime pay provisions of the Act be totally eliminated leaving such matters wholly to the States or to private negotiation. 2/ A similar proposal (H.R. 1448) was offered in the 99th Congress by Representative Richard Arney. At least among theorists, the issue seems not yet to have been fully resolved.

How High Should the Minimum Wage Be?

Should the minimum wage be, in effect, a subsistence wage and, if so, at what level should it be set? Should it represent more than mere 'subsistence': a "living, family, saving wage," a wage that allows a worker to live, to rear a family and to save a reasonable amount toward retirement?

Should the minimum standard be sufficient only for the sustenance of a single person? For the head of a household? Or, should one think in terms of a poverty-avoidance standard for a family of four? Should the rate be different for a worker in a single-income family from that paid to a worker who is part of a multiple-income household? In effect, what (if anything at all) ought to be the relationship between family or house-

1/ Christie, op. cit. p. 110. See also p. 111.

hold size, number of dependents, etc., and the rate of pay for an individual in private (or public) sector employment?

Some have suggested that the personal characteristics or activities of the employed person ought to be taken into account when setting a wage floor under the Fair Labor Standards Act. For example, under current law, an employer may legally pay a worker who, on his or her own time, is a fulltime student a lower minimum rate than he would be required to pay that same worker were he or she to drop out of high school or college. Similarly, under the Act, an employer may pay a blind person or a handicapped person at a rate lower than the otherwise applicable minimum. During consideration of the 1977 FLSA amendments, Senator William Scott proposed an amendment to the FLSA that would have allowed employers to pay older workers (senior citizens) a wage lower than the otherwise applicable Federal minimum -- based not upon productivity nor upon comparable work or difficulty but upon the fact of chronological age. While the Scott amendment was rejected, it raised a number of questions that continue to be asked.

Should there be established a sub-minimum wage (a lower wage) for youth workers or for senior citizens or for women or minorities which would be operational based upon the single fact that the workers are young or old or female or of a minority group and may (or may not) be disadvantaged in the labor market? Should the Federal wage floor be lower for fulltime students because they have chosen to remain in school: lower than for persons of a similar age and experience and who are engaged in comparable work but who are not students?

Were a sub-minimum wage for youth instituted, who would gain? And, who might lose? Would a reduced wage option for employers encourage actual expansion of the workforce? Or, would it merely shift employment within the community of minimum wage workers -- in competition for minimum wage type work? Might adult women, the majority of minimum wage earners, be disadvantaged in the quest for work by cheaper-to-employ young persons of either gender?

Might the Federal minimum wage standard vary from one region of the country to another -- an issue that was heatedly debated during the 1930s when the initial Federal labor standards statutes were under consideration? Ought there, for example, to be one Federal wage floor for the "frost belt" and another for the "sun belt" or for an enterprise zone?

What factors ought the Congress to take into account when establishing a Federal minimum wage? What should be the relationship (if any) between wage level, on the one hand, and the work performed, productivity, and other labor market factors? Should industries plagued by severe domestic or international competition be allowed to pay their workers at a sub-minimum level -- for reasons of job preservation and upon the premise that a low-paying job is better than no job at all?

Whatever elements may have entered into the decision-making process, the establishment of the level of the Federal minimum wage is a

How Should the Federal Minimum Wage Be Set?

Under present law, the Federal minimum wage is fixed at a specific rate by Congress and set forth in statute. It remains at the congressionally mandated level (now \$3.35 per hour) until the Congress takes specific action to alter it.

Is the question of a Federal minimum wage essentially economic or political? Or, perhaps, an inseparable combination of both?

Is the establishment of the minimum wage a decision that ought to remain in the hands of the Congress and in which Congress, from time to time, ought to become directly involved through the legislative process? Is there merit in congressional review/oversight of this issue? Would the Congress tend to deemphasize such related issues as coverage, compliance, etc., in the absence of the need for a periodic review of the basic minimum wage rate itself?

Might there be developed a system of indexing whereby the rate, however determined, is allowed to rise or fall with changes in the general economy without the need for direct congressional involvement? If the minimum wage is to be indexed, to what outside standard or economic variable should it be attached? To the Consumer Price Index? To the average hourly earnings of production workers in manufacturing? To the Employment Cost Index? Or, to some other standard altogether?

Should the Federal Minimum Wage Contain a Fringe Benefit Component?

Since an increasingly large proportion of individual earnings are accounted for in fringe benefits, should a fringe benefit component be added to the calculation of the basic Federal minimum wage? (Minimum wage workers may be less likely than others to receive fringe benefits in the normal course of their employment.) What fringe benefits should be included? How should they be calculated? Would inclusion of such a component discourage employers from providing other programs or plans on the assumption (whether well-founded or not) that a minimum wage/minimum benefit equivalency package was sufficient?

Would an Increase in the Level of the Federal Minimum Wage Be Inflationary?

This would seem to raise a number of issues of wage and related economic theory. But, as a practical matter, at least two schools of thought immediately emerge.

On the one hand, some suggest that imposition of a minimum wage standard frustrates the working of "the free market," raises the price of labor above its marginal value, tends to have an inflationary impact by virtue of its essential artificiality, and causes unemployment by pricing certain workers out of the job market. Aside from other implications.

free market") productivity, profit margins, competition, rate of unemployment, etc.

Conversely, there are those who point out that minimum wage workers, usually, are not members of trade unions and have no one to speak for them but the Congress and the State legislatures. An increase in the Federal minimum wage floor is merely an exercise in economic equity, they contend. But, aside from helping to bring at least some measure of socioeconomic justice to "the working poor," an increase in the wages of the least highly paid members of the workforce has benefits for society at large. The late Patrick Gorman, long associated with the Amalgamated Meat Cutters and Butcher Workmen, observed:

Except for the minor costs of enforcement and regulation writing, the minimum wage increase requires no government spending.

In fact, minimum wage increases bring additional government revenue, for the workers who will be benefitted will pay more taxes. Also, their expenditures and the resultant jobs created will bring additional revenue to the Federal Government. 3/

But, even if there were an inflationary impact (which some supporters of the minimum wage concept would suggest is minuscule if present at all), some argue that it can be defended in the name of simple justice. If the rate of inflation is to be kept low, its reduction ought not to be at the expense of "the working poor."

In the Absence of a "Reasonable" Minimum Wage, Who Pays?

When one thinks in terms of minimum wage workers, almost by definition one is concerned with "the working poor" -- e.g., those persons who are employed but who, because of lack of skill or education or other market or personal considerations, are unable to command more than \$3.35 per hour (under the present law) for their services. If these minimum wage workers are employed a full 40 hours each week through a full 52 weeks each year (many may not be), their total earnings (prior to any tax or related deductions) would be \$6,968.

Even minimum wage workers have certain basic minimum subsistence requirements that must be met. If they cannot be satisfied through the wages earned by the individual workers, they must be accounted for in another manner -- for example, by reduced nourishment, by deferred medical and dental care, through inadequate clothing and housing -- in short, from the health and well-being of the worker and his or her dependents. Of course, minimum wage earnings may be supplemented through food stamps, welfare, or from other public or private charitable sources. For the minimum wage worker, education may be an unaffordable luxury -- and, therefore, social mobility as well. Saving for periods of joblessness, for medical or other adversities, for old age, may not be possible.

Low wages may not be without certain costs -- which may be far more inflationary, in the long-term, than a simple increase in the statutory rate.

In the absence of a minimum wage, some would suggest, a portion of the costs of labor may well be shifted from the employer or the consumer of goods, services and products to the general public. While reduced or sub-minimum wage rates may make an industry more profitable or even allow a firm to remain in business, this profitability may be based upon what is, in effect, an indirect subsidy. The public, the argument runs, may incur higher welfare costs, medical costs for the poor that are more expensive because they have been deferred, the need for more public housing, more crime-related and correctional expenses, and the loss of skills and talents that might have developed had the socioeconomic climate permitted.

Conversely, some may argue that a minimum wage floor is essentially artificial and a device of public policy. If the Congress wishes to engage in such "socio-economic engineering," then the dollar costs should be borne by the general public and not by individual employers and consumers, some might suggest.

Again, Patrick Gorman, testifying in favor of a minimum wage increase, noted that "many of the workers" earning the minimum wage "need food stamps and other government aid to survive." He suggested that "savings in various federal aid programs" would follow from an increase in the minimum wage. 4/

The question as some see it is simply: Who pays -- since someone must?

Should it be the employer as part the normal course of doing business and the consumer of goods and services in the marketplace? Or, should it be the taxpayer who, in the process, may provide what is, in effect, a triple subsidy: of the employer, of the consumer and, most sadly some would argue, of "the working poor?"

RECENT LEGISLATIVE INTEREST AND ACTIVITY

In the wake of the 1977 FLSA amendments, mandated step increases in the Federal minimum wage continued to take effect annually until January 1981 when the \$3.35 level was reached. Since that time, the Federal minimum wage has remained unchanged. The primary minimum wage concern of the Congress seems to have focused upon reducing the wage floor for certain workers -- notably, for working youth.

A complicating factor has been that those persons who favored a sub-minimum wage for youth frequently opposed a general increase in the Federal minimum wage at large. Conversely, those who urged that the general minimum wage floor be raised, feared enactment of a youth sub-minimum wage were the question to be brought up on the floor. The result, some suggested, was a "saw-tooth" pattern in the minimum wage floor.

(pro-sub-minimum wage) forces as inflation eroded the value of wages at large.

The 98th Congress

On July 26, 1983, Representative Mario Biaggi introduced H.R. 3652 of the 98th Congress. The measure, which would have increased the Federal minimum wage to \$4.15 per hour on January 1, 1984, was referred to the Committee on Education and Labor. While the measure received notice, pro and con, in the press, no action was taken and the bill died at the close of the 98th Congress.

The 99th Congress

Although no minimum wage legislation, as such, was acted upon during the 99th Congress (there were changes in the manner in which the Act deals with the handicapped and the application of the Act to State and local public sector employees), several bills were introduced offering a variety of approaches to the issue. Representative Gerald Kleczka proposed a flat increase (in steps) in the Federal minimum to \$3.95 per hour after January 1, 1988. Representatives Pat Williams and Mario Biaggi, in separate bills, proposed an increase in the minimum wage, together with indexation of the wage floor.

Conversely, Representative Richard Armey introduced legislation to repeal Section 6 (minimum wage) and Section 7 (overtime pay) of the Fair Labor Standards Act. The Armey proposal, had it been adopted, would have eliminated all FLSA-related Federal minimum wage and overtime pay constraints, leaving such matters to the States, to "the free market," and to the collective bargaining process. It would also have resolved, so far as the Federal Government is directly concerned, the sub-minimum wage issue since there would have been no Federal minimum wage at all.

No hearings were conducted on the minimum wage issue and no action was taken on the several bills during the 99th Congress.

The 100th Congress

In 1988, the Fair Labor Standards Act will be 50 years old. It may be that the 100th Congress will want to take note of the occasion by reviewing the evolution, implementation, and impact of the Act.

H.R. 79

Introduced on January 6, 1987, by Representative Mario Biaggi, the bill provides for an increase in the Federal minimum wage to \$3.85 per hour on July 1, 1987. The hourly rate would then be increased by 7 percent each March thereafter until the minimum wage reaches \$4.15 per hour.

hourly wage rate is to be adjusted to maintain the rate at 50 per centum of the hourly average earnings rate for the total private, production, and nonsupervisory labor force as calculated by the Bureau of Labor Statistics for the fourth quarter of the immediately preceding year."

H.R. 649

Introduced on January 21, 1987, by Representative Henry Gonzalez, the bill mandates annual increases in the Federal minimum wage until the wage floor is equal to "one-half of the average hourly earnings of production or nonsupervisory workers on private nonagricultural payrolls." The annual increases, which take effective January 1, 1988, and each January 1st thereafter, will be based upon two elements: first, a flat annual increase of 5 percent and, second, an increase equal to the change in the consumer price index for the preceding calendar year in years when that index has increased. Once the Federal minimum wage reaches the level of 50 percent of the average hourly earnings of production workers on private nonagricultural payrolls, it would be maintained at that level.

H.R. 659

Introduced on January 21, 1987, by Representative Gerald Kleczka (with a number of co-sponsors), the bill provides that the Federal minimum wage be increased as follows: to \$3.35 per hour on January 1, 1988, and to \$4.35 per hour on January 1, 1989. The rate, thereafter, would remain at the \$4.35 level until the Congress takes further action. No indexation formula is included in the Kleczka bill.

RELATED MATERIALS AVAILABLE FROM CRS

Through the past half century, a significant literature has developed concerning various aspects of the Fair Labor Standards Act -- and including its minimum wage provisions. Under the 1977 FLSA Amendments, there was created a Federal Minimum Wage Study Commission. The Report of the Minimum Wage Study Commission, published in the spring of 1981, is available in the LaFollette Congressional Reading Room in the Madison Building of the Library of Congress. The Report is made up of one volume of summation and six volumes of technical and analytical essays. It also cites a variety of published reference materials.

CRS publications on the Fair Labor Standards Act include the following, each of which is available through CRS upon request.

U.S. Library of Congress. Congressional Research Service. The Fair Labor Standards Act: treatment of State and local government employees, by Dennis M. Roth and Vincent E. Treacy. IB85195. 16 p.

----- The Fair Labor Standards Act Amendments of 1977 (P.L. 95-151): discussion with the President's Council on Economic Policy.

CRS-11

- Indexing the minimum wage under the Fair Labor Standards Act, by Peter Henle. Unnumbered Economics Division Report. January 17, 1977. 22 p.
- Public Law 95-151 (Nov. 1, 1977), 'The Fair Labor Standards Amendments of 1977' (H.R. 3744/S. 1871, 95th Congress): comparison of major provisions with existing law, by Charles V. Ciccone and William G. Whittaker. CRS Report no. 77-240 E. November 8, 1977. 10 p.
- The youth sub-minimum wage: proposals of the 98th Congress, by William G. Whittaker. CRS Report no. 34-185 E. October 30, 1984. 57 p.

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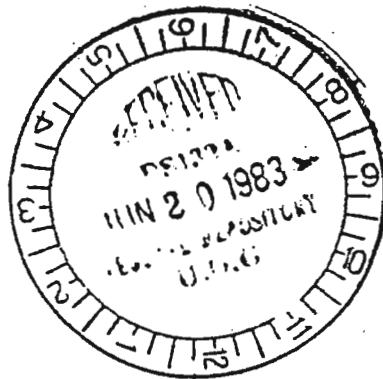
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Minimum Wage and Maximum Hours Standards Under the Fair Labor Standards Act - 1982 Report



An Economic Effects Study
Submitted to Congress 1983

U.S. Department of Labor
Employment Standards Administration



Minimum Wage and Maximum Hours
Standards Under the Fair
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U.S. Department of Labor
Raymond J. Donovan, Secretary

Employment Standards Administration
Robert B. Collyer, Deputy Under Secretary

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STATEMENT OF THE SECRETARY

The January 1, 1981, increase in the minimum wage, from \$3.10 to \$3.35, was the last of the scheduled increases established by the 1977 Amendments to the Fair Labor Standards Act (FLSA). In addition to the increase, two other provisions of the 1977 Amendments were satisfied. First, the final phase of the scheduled increases in Section 3(s), the coverage test for retail and service enterprises based on the annual dollar volume of sales, became effective. On January 1, 1982, this level was raised from \$325,000 to \$362,500.

Second, the Minimum Wage Study Commission completed its independent study of the Act. The Commission made a number of recommendations to the President and the Congress including a recommendation against adoption of a youth differential minimum wage. That recommendation was based in part on a fear that adult employment would be reduced by teenagers being substituted for adult workers. Given, however, the seriousness of youth unemployment and my belief that carefully drafted legislation can minimize the problem of adult displacement, I believe that the Commission's recommendation is regrettable.

All studies completed for the Commission found that the minimum wage reduced employment among teenagers. This conclusion has also been reached in a vast body of scientific research performed independently of the Commission over the last decade. The Administration has, therefore, proposed that a youth opportunity wage be established for teenagers during the summer months and that employers be prohibited from discharging older workers in order to hire the teenagers. I believe this action is critical to give teenagers an opportunity for those important early job experiences which build basic skills and are often the key to future employment success.

A vigorous enforcement program assures the working people of our Nation that the employment standards set by the Fair Labor Standards Act are complied with. In fiscal year 1981, the Wage and Hour Division conducted over 68,000 investigations under the Act, disclosing \$53 million in minimum wage underpayments and \$75 million in overtime underpayments. Employers agreed to pay, or were ordered to pay as a result of litigation, \$32 million in unpaid minimum wages owed to 325,000 workers and \$52 million in overtime wages owed to 251,000 workers.

These results reflect our efforts to achieve the best utilization of available enforcement resources. We have focused much of our enforcement activity on areas and industries which have had a history of noncompliance. I remain committed to eliminating violations of the Act and will continue to support enforcement activities which are effective in face of today's challenges.

1977 AMENDMENTS TO THE FAIR LABOR STANDARDS ACT

It has been just over one year since the fourth and last minimum wage increase to \$3.35 an hour prescribed under the 1977 Fair Labor Standards Amendments (Public Law 95-151 enacted November 1, 1977; 91 Stat. 1245) went into effect on January 1, 1981, for all workers covered by the Fair Labor Standards Act (FLSA). The 1977 Amendments to the Act effected, with minor exceptions, a single minimum wage for all covered workers. Among other things, the 1977 Amendments also provided for increases in the minimum wages in Puerto Rico and the Virgin Islands which were designed to raise minimum wages in these areas to the mainland United States level. An industry review program continues in effect in American Samoa.

Two developments in 1981, arising from the 1977 Amendments are discussed below: the last change in the coverage test for retail and service enterprises under section 3(s), effective this past January 1, 1982, and the report on the FLSA by the Minimum Wage Study Commission presented to the President and the Congress in mid-1981.

Change in Section 3(s)

Effective July 1, 1980, under the 1977 Amendments, there was a change in the coverage test, for retail and service enterprises, based on the level of sales. The Amendments raised the annual dollar volume coverage test for retail and service enterprises under section 3(s) from \$250,000 to: \$275,000, effective July 1, 1978; \$325,000, effective July 1, 1980; and \$362,500, effective January 1, 1982. Congressional support for this provision reflected concern regarding the effect of inflation on the FLSA coverage status of small retail and service firms; that is, the movement of enterprises from the noncovered category (less than \$250,000 in annual sales) to the covered category because of increases in the price rather than the quantity of goods and services sold.

The 1977 Amendments also provide that any retail or service enterprise which was covered on June 30, 1978, and which is removed from coverage because of the new annual dollar volume tests must continue to comply with the overtime requirements of the Act and pay its employees (current and future) not less than the minimum wage in effect at the time the enterprise was removed from coverage of the Act. Thus, this provision attempts to minimize the effect of loss of coverage for employees of affected enterprises already subject to Federal minimum wage and overtime standards.

Minimum Wage Study Commission

The 1977 Amendments to the FLSA (section 2(e)) established a Minimum Wage Study Commission to conduct a study of the Fair Labor Standards Act of 1938 and of the social, political, and economic ramifications of the minimum wage, overtime, and other provisions of the Act. The Commission's study was required to cover: (1) the beneficial effects of the minimum wage, including its effect in ameliorating poverty among working citizens; (2) the inflationary impact, if any, of increases in the minimum wage; (3) the indirect wage effect, if any, of the minimum wage; (4) the economic consequence, if any, of indexing the minimum wage; (5) the employment and unemployment effects, if any, of a wage differential for youth, the handicapped, and the aged; (6) the employment and unemployment effects, if any, of the full-time student certification program currently in the Act; (7) the employment and unemployment effects, if any, of the minimum wage; (8) the exemptions from the minimum wage and overtime requirements; (9) the relationship, if any, between the Federal minimum-wage rates and public-assistance programs, including the extent to which minimum-wage workers are also eligible for food stamps and other forms of public assistance; (10) the overall level of noncompliance with the requirements of the Act; and (11) the demographic profile of minimum-wage workers. The Commission was also required to study the extent to which exemptions from the minimum wage and overtime requirements may apply to employees of conglomerates.

The members of the Commission were appointed by the Secretaries of Labor, Commerce, Agriculture, and Health and Human Services. The members were Mr. Jay Howell Foreman, Executive Assistant to the President and International Vice President, United Food and Commercial Workers International Union (Labor); 1/ Mrs. Clara F. Schloss, Consultant on Minimum Wage, AFL-CIO (Labor); Mr. S. Warne Robinson, Chairman of the Board, G.C. Murphy Company (Commerce); Dr. Michael L. Wachter, Professor of Economics, University of Pennsylvania (Commerce); Mr. William D. Byrum, Executive Vice President, Michigan Cattleman's Association (Agriculture); Ms. Sandra L. Willett, Executive Vice President, National Consumers League (Agriculture); Dr. Phyllis Ann Wallace, Economist, Sloan School of Management at Massachusetts Institute of Technology (Health and Human Services); and Mr. James G. O'Hara, Attorney, Patton, Boggs and Blow (Health and Human Services). The Commission members selected Mr. James G. O'Hara as their chairman. 2/ Mr. Louis McConnell was the Commission's Executive Director.

1/ Mr. Foreman was appointed by the Secretary of Labor on August 21, 1979, to fill the Labor vacancy left by Mr. Gerald M. Feder's resignation.

2/ Mr. O'Hara was elected chairman by members of the Commission on August 21, 1979, to succeed Mr. Gerald M. Feder.

All Commissioners were appointed by May 1978, with the report due within 36 months after their appointments, as specified in the 1977 Amendments to the FLSA. The final report was transmitted in a 7-volume series to the President and to the Congress in 1981. Volume I, Commission Findings and Recommendations, was submitted on May 24, 1981, and Volume II through VII, which contain the research studies upon which the recommendations were based, were submitted on July 15, 1981. 1/

Volume I contains the Commission's policy recommendations together with summaries of research findings and conclusions for each of the 12 mandates studied (the 11 above and the twelfth on the extent to which the exemptions from the minimum wage and overtime requirements of the Act may apply to employees of conglomerates). Volumes II through VII contain the research studies corresponding to each of the following six research areas: Volume II - Demographics; Volume III - Noncompliance; Volume IV - Exemptions (including conglomerates); Volume V - Employment and Unemployment; Volume VI - Inflation and Indexation; and Volume VII - Income Distribution.

The Minimum Wage Study Commission's recommendations made on the mandates may be summarized as follows: 2/

- A. The beneficial effects of the minimum wage, including its effect in ameliorating poverty among working citizens.

Recommendation: No specific recommendation.

- B. The inflationary impact (if any) of increases in the minimum wage prescribed by the Fair Labor Standards Act.

Recommendation: No specific recommendation.

- C. The effect (if any) such increases have on wages paid employees at a rate in excess of the rate prescribed by that Act.

Recommendation: No specific recommendation.

1/ Copies of the MWSC Final Report are for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

2/ This is an abbreviated summary; it is not meant to be an endorsement of either the research methods used or the conclusions reached by the Minimum Wage Study Commission and no statement in this summary should be interpreted as representing Department of Labor policy.

- D. The economic consequence (if any) of authorizing an automatic increase in the rate prescribed in that Act on the basis of an increase in a wage, price, or other index.

Recommendations: The Commission recommended that the minimum wage be indexed on the basis of average hourly earnings in the private economy and adjusted each year on the basis of the previous year's overall rate of change in this index. The Commission further recommended that Congress confer with the Bureau of Labor Statistics to devise a suitable index that incorporates both average hourly earnings in the private nonfarm business sector and in the farm sector. The Commission concluded that regular and predictable increases in the minimum wage would be non-inflationary and would be easier for business to adjust to than the irregular increases of the present system.

- E. The employment and unemployment effects (if any) of providing a different minimum wage rate for youth, and the employment and unemployment effects (if any) on handicapped and aged individuals of an increase in such rate and of providing a different minimum wage rate for such individuals.

Recommendations: The Commission stated that "The record does not justify the establishment of a youth differential." They cited the following as considerations in arriving at their recommendation: First, available estimates suggested that a youth differential has a limited potential for reducing the unemployment rate among teenagers. Second, adult employment would be reduced, and, forced to choose between teenage and adult employment, the latter seems a considerably higher priority. Third, teenage unemployment will lessen with the passage of the baby boom teenagers into adulthood. Fourth, a youth differential would be discriminatory.

No specific recommendation was made regarding the handicapped and aged.

- F. The effect (if any) of the full-time student certification program on employment and unemployment.

Recommendation: The Commission recommended that provisions of section 14(b) permitting the employment of full-time students at subminimum wages by certificated retail trade, service, and agricultural employers and by private colleges and universities be limited to individuals enrolled in high school.

- G. The employment and unemployment effects (if any) of the minimum wage.

Recommendation: No specific recommendation.

- H. The exemptions from the minimum wage and overtime requirements of that Act.

Recommendation: The Commission reviewed each of the exemptions from the minimum wage and/or overtime provisions contained in the Act and recommended whether the exemption should be retained, eliminated or revised. These recommendations are in Volume I, Commission Findings and Recommendation, pp 107-138.

- I. The relationship (if any) between the Federal minimum wage rates and public assistance programs, including the extent to which employees at such rates are also eligible to receive food stamps and other public assistance.

Recommendation: No specific recommendation.

- J. The overall level of noncompliance with the Act.

Recommendation: Congress should act on this problem by raising the liquidated damages that may be awarded in successful FLSA litigation. Congress should consider increased self-enforcement, through legislation, which would help to increase the cost of noncompliance.

- K. The demographic profile of minimum wage workers.

Recommendation: The Department of Labor on a regular basis should provide tables and analyses on the basic characteristics of minimum wage workers including age, sex, race, family relationship, household income, and poverty status.

- L. The extent to which the exemptions from the minimum wage and overtime requirements of the Act may apply to employees of conglomerates.

Recommendation: The MWSC recommended elimination of the conglomerate test for those individual exemptions it found justified because of type of job, industry, or worker involved; it also recommended elimination of the test for those exemptions designed to protect small businesses (the sales cutoff test at the enterprise level, already present in the retail trade exemption, should continue to be used). Thus, section 13(g), which denies the minimum wage exemptions for certain small farm, retail, and service businesses owned by conglomerates meeting specific criteria, should be removed. (Conglomerate is defined by the FLSA as a business entity grossing more than \$100 million in annual sales with "common control" over another business entity the activities of which are "not related for a common business purpose.")

General Economic Trends

The final phase of the increases in the minimum wage, legislated by the 1977 Amendments to the FLSA, occurred on January 1, 1981, when the minimum wage increased from \$3.10 to \$3.35 per hour. This increase took place during a period of slow growth and continued inflation. The gross national product (GNP) increased from a seasonally adjusted annual rate of \$2,637.3 billion in the third quarter of 1980 to \$2,965.0 billion in the third quarter of 1981 (Table 1). In constant dollars, the increase was from \$1,471.9 billion to \$1,515.8 billion over the same period. This represents a real increase in GNP of 3.0 percent.

The consumer price index increased by 7.2 percent from January to September and the producer price index increased by 4.4 percent over the same period. Stability in food and fuel prices contributed to this trend.

The civilian labor force grew slightly from 105.5 million in January to 106.2 million in September, an increase of 693,000 (Table 2). During the same period, employment increased by 574,000 and unemployment by 119,000. The rate of unemployment fluctuated between 7.0 and 7.6 percent.

While GNP grew, other economic indicators were mixed showing signs of growth and decline. Average weekly hours fell slightly from January to September 1981 and overtime hours in manufacturing were also down. Capacity utilization increased significantly from 75.9 percent in the third quarter of 1980 to 79.3 percent in the third quarter of 1981. The index of productivity also increased from 99.0 to 99.9 over the same period. Average weekly earnings grew, but at a slower rate than inflation. In current dollars, average weekly earnings rose from \$246.75 to \$257.21, a 4.2 percent increase. Average hourly earnings rose from \$6.99 to \$7.37. In constant dollars, the decline for average weekly earnings was 2.1 percent and for average hourly earnings it was 1.0 percent.

Issue Brief

Order Code IB87063

THE FEDERAL MINIMUM WAGE:
CONSIDERATION IN THE 100th CONGRESS

Updated June 1, 1987



by

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THE FEDERAL MINIMUM WAGE:
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SUMMARY

The Federal minimum wage rate is set by the Congress, fixed in statute, and remains at the congressionally mandated level until the Congress acts to alter it. Under the 1977 Fair Labor Standards Act (FLSA) amendments, the Federal minimum wage was set (following a series of step increases) at \$3.35 per hour -- to take effect on Jan. 1, 1981. It remains unchanged.

Minimum wage and overtime pay laws had been considered by the States from the first years of the 20th century. But the State laws seem to have been of limited scope, with few penalties, and poorly enforced. Where the laws were stronger and more rigorous enforcement was attempted, they were challenged in the courts and, most often, declared unconstitutional. Finally, in the 1937 case of West Coast Hotel v. Parrish, the United States Supreme Court sustained a Washington State labor standards statute and, thereafter, the States and the Federal Government rushed to enact new wage and hour legislation.

The Fair Labor Standards Act (FLSA) of 1938 established Federal minimum wage and overtime pay requirements for covered workers and regulated child labor. Relatively few workers, however, were covered. Since 1938, there has been a gradual expansion of coverage and a strengthening of wage/hour requirements. The Act has undergone major amendment on six different occasions: in 1949, 1955, 1961, 1966, 1974, and 1977. While fine tuning has occurred at various times (most recently in the 99th Congress), the most recent general amendments are those of 1977.

Some have asked: Is the minimum wage any longer useful? Does it serve, as the Congress in 1938 projected, to eliminate "labor conditions detrimental to the maintenance of minimum standards of living necessary for the health, efficiency and general well-being of workers?" Or, does it create unemployment by pricing the least skilled or least competitive workers out of jobs? Does it, as some suggest, constitute virtually the only earnings protection for the non-union low-skilled worker? Is the Federal minimum wage high enough? Should Congress raise it? Should the minimum scale include a fringe benefit component? Should there be significant broadening of coverage -- and should enforcement be made stronger? Might Congress usefully index the minimum wage to an independent economic variable?

The Fair Labor Standards Act turns 50 in 1988. The 100th Congress may find the occasion appropriate for a full-scale review of the Act and of its minimum wage provisions.

ISSUE DEFINITION

Since 1977 when Congress set the Federal minimum wage at \$3.35 per hour for covered workers (to take effect Jan. 1, 1981), there have been significant changes in the American economy. The country has experienced a sustained unemployment rate of about 7%. Increasing numbers of women have entered the workforce outside the home. Amnesty for undocumented aliens has been declared. Trade deficits have mounted. Some shift has occurred from smokestack production to service industries. And, inflation has eroded the value of the minimum wage.

Will the 100th Congress, along with confronting other economic difficulties, take up the question of the Federal minimum wage? And, if so, how will it deal with the issue?

BACKGROUND AND ANALYSIS

Federal minimum wage has traditionally been something of a litmus test for policymakers.

Support for the minimum wage has been viewed, often, as an expression of concern for "the working poor" — for those usually not represented by a trade union, with few skills and little bargaining power. Among those who have urged an increase in the Federal minimum have been social reformers, the civil rights community, spokespersons for the handicapped — and, the trade unions themselves. Industry representatives and some economists, on the other hand, have argued that the minimum wage has been harmful to the unskilled and those newly entering the workforce, pricing them out of the market and thereby, allegedly, creating additional joblessness. Minimum wage critics have also expressed concern that the concept violates the "free market," is inflationary, and imposes an unnecessary burden upon employers who are called upon to pay the bill for the decisions of the policy makers.

Through the years, the respective positions have hardened, with little new in the way of argument or reason, pro or con. Support or opposition may, ultimately, be as much a matter of philosophy as of economics.

Scope of the Fair Labor Standards Act

The minimum wage provisions of the FLSA now cover about 73.0 million workers out of 98.1 million employed wage and salary workers in the civilian labor force. Coverage, however, should not be taken to mean persons working at the Federal minimum wage level. The Department of Labor estimates that, when the minimum wage was raised to \$3.35 per hour in January 1981, some 5.5 million workers received wage increases as their employers came into compliance with the law. Most workers earn substantially in excess of the mandatory minimum; but, some would argue, it is this 5.5 million — the economically disadvantaged "working poor" —

Of actual minimum wage workers (by the calculation of the Federal Minimum Wage Study Commission, using 1980 data), it is estimated that about 69% were adults over 20 years-of-age — while only about 31% were youth. Further, about 63% were female; about 37%, male. Viewed from a racial/ethnic perspective, some 76% of minimum wage workers were white, with 15% black and 7% Hispanic.

In addition to the Federal FLSA, there are State and local minimum wage laws. Where coverage is overlapping, the higher standard (that most nearly to the benefit of the worker) prevails. But, some workers are protected neither by State nor by Federal minimum wage coverage.

Some Potential Policy Considerations

Is the minimum wage, per se, wise public policy? Some argue that it is not and that the minimum wage provisions of the FLSA ought to be repealed in toto contending that they are a burden to employers and harmful to workers. On the other hand, others affirm that it constitutes a vital protection for "the working poor" and ought to be strengthened and broadened. The decision is up to Congress.

The issue of a "sub-minimum" wage has been debated in one form or another since the middle 1930s. Simply stated, the question is: Will Congress permit employers to pay a lower wage to one designated segment of the workforce (whether youth or students or older Americans or women) than must be paid to other workers — even for comparable work equally well performed? Some sub-minimum wage provisions are currently part of the law: under limited circumstances, for certain students, the handicapped, and others. Should these sub-minima be repealed? Should the reduced wage option for employers be broadened? Has the impact of inflation, since adoption of the 1977 FLSA amendments, had the effect of creating a general sub-minimum wage by attrition?

If the Congress determines to increase the Federal minimum wage, how high should it be? What should be the basis for an increase in the minimum rate? Employer capacity to pay? Productivity increases? A "living, family, saving" wage for the worker? Should it be the same for a student as for a non-student? For a single person as for the head of a family -- or, perhaps, for a single parent? What factors should the Congress take into account when making its determination?

For nearly forty years, the Congress has discussed the possibility of indexation of the Federal minimum wage: e.g., establishing an automatic mechanism, tied to an independent economic variable, based upon which the Federal minimum wage would rise or fall. One approach (among many) would be to fix the minimum at a percentage of the average hourly earnings of production workers on private sector payrolls.

The 100th Congress may be asked to decide if indexation of the Federal minimum wage is appropriate. If so, to what should it be indexed? What are the implications of indexation? Would an automatic provision

Should the Federal minimum wage contain a fringe benefit component? Is a fringe benefit component necessary to bring minimum wage workers some measure of equity with more highly compensated persons for whom an increasingly large proportion of their earnings is in the form of fringe benefits? If so, how should it be calculated? What should be included?

Recent Legislative Interest

Renewed interest in raising the Federal minimum wage commenced in the 98th Congress when Representative Biaggi introduced legislation to increase the rate to \$4.15 per hour. In the 99th Congress, Representative Biaggi introduced legislation to raise the minimum wage and to index it. Other measures were introduced by Representatives Kleczka and, with co-sponsors, Williams. Representative Arney proposed legislation to repeal entirely the minimum wage and overtime pay provisions of the FLSA.

In 1988, during the 100th Congress, the Fair Labor Standards Act will be 50 years old. It may be that the Congress will take note of the occasion by conducting a general review of the Act, its administration and impact.

LEGISLATION

H.R. 79 (Biaggi)

Increases the Federal minimum wage to \$3.85 per hour on July 1, 1987, and thereafter indexes the wage floor to 50% of the average hourly earnings of "the total private, production, and nonsupervisory labor force." Introduced Jan. 6, 1987; referred to Committee on Education and Labor.

H.R. 649 (Gonzalez)

Mandates a series of increases in the Federal minimum wage until the wage floor reaches 50% of the "average hourly earnings of production or nonsupervisory workers on private nonagricultural payrolls." Thereafter, the minimum wage would be indexed at the level of 50% of the average hourly earnings of such production or nonsupervisory workers. Introduced Jan. 21, 1987; referred to Committee on Education and Labor.

H.R. 659 (Kleczka)

Mandates an increase in the Federal minimum wage to \$3.85 per hour on Jan. 1, 1988, and to \$4.35 per hour on Jan. 1, 1989. Introduced Jan. 21, 1987; referred to Committee on Education and Labor.

H.R. 1189 (Traficant)

Increases the Federal minimum wage to not less than \$4.00 an hour by Jan. 1, 1988, and thereafter indexes the wage floor to 50% of the average hourly wage for the total private, production, and nonsupervisory labor force. The bill also calls for a sub-minimum wage for "any individual" who is under 19 years-of-age and employed part-time. and for

indexed at 83% of the indexed minimum wage for other covered workers. Introduced Feb. 19, 1987; referred to Committee on Education and Labor.

H.R. 1209 (H. Ford)

Mandates an increase in the Federal minimum wage to \$4.25 per hour on Sept. 1, 1987, to \$4.65 per hour on Sept. 1, 1988, to \$4.95 per hour on Sept. 1, 1989, and to \$5.20 per hour on Sept. 1, 1990. Introduced Feb. 24, 1987; referred to Committee on Education and Labor.

H.R. 1428 (Armey)

Title II, the "Youth Employment Opportunity Wage" of the "Minority Opportunity Restoration Act," would permit employers of persons under 20 years of age, for the period May 1 through September 30 each year, to pay "a wage not less than \$2.50 per hour or 75 per centum of the otherwise applicable wage" under the Fair Labor Standards Act, "whichever is less." Introduced Mar. 5, 1987; referred jointly to Committees on Ways and Means, on Education and Labor, on Banking, Finance and Urban Affairs, and on the Judiciary.

H.R. 1834 (Hawkins)/S. 837 (Kennedy)

Mandates an increase in the Federal minimum wage to \$3.85 per hour on Jan. 1, 1988, to \$4.25 per hour on Jan. 1, 1989, and to \$4.65 per hour during the year beginning Jan. 1, 1990. After Jan. 1, 1991, and on January 1 each year thereafter, the Federal minimum wage would be "equal to 50% of the average private, nonsupervisory, nonagricultural hourly wage as determined by the Bureau of Labor Statistics of the Department of Labor for the previous November, rounded to the nearest multiple of 5 cents." H.R. 1834 introduced Mar. 25, 1987; referred to Committee on Education and Labor. S. 837 introduced Mar. 25, 1987; referred to Committee on Labor and Human Resources.

CHRONOLOGY

- 05/21/87 --- The Subcommittee on Labor Standards, House Committee on Education and Labor, conducted hearings on proposals to increase the Federal minimum wage.
- 04/30/87 --- The Subcommittee on Labor Standards, House Committee on Education and Labor, conducted hearings on proposals to increase the Federal minimum wage.
- 04/09/87 --- The Subcommittee on Labor Standards, House Committee on Education and Labor, conducted hearings on the various proposals to increase the Federal minimum wage.

FOR ADDITIONAL READING

Under the 1977 FLSA amendments, a Federal Minimum Wage Study Commission was created. The report of the Commission, in seven volumes, is available in the LaFollette Congressional Reading Room of the Library of Congress.

U.S. Library of Congress. Congressional Research Service. The Fair Labor Standards Act Amendments of 1977 (P.L. 95-151): discussion with historical background, by Charles V. Ciccone and William G. Whittaker. [Washington] Aug. 15, 1978. 103 p.
CRS Report 78-171 E

----- Minimum wage standards under the Fair Labor Standards Act:
Background analysis and recent legislative interest, by William G. Whittaker. [Washington] Revised edition, Mar. 16, 1987. 11 p.
CRS Report 87-111 E

----- Minimum wage: Selected references, 1978-1987, by Felix Chin.
[Washington] March 1987. 12 p.
CRS Report 87-162 L

----- The youth sub-minimum wage: proposals of the 98th Congress, by William G. Whittaker. [Washington] Oct. 30, 1984. 57 p.
CRS Report 84-185 E

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The minimum wage: its relation to incomes and poverty

In March 1985, one in five hourly wage workers paid at or below the Federal minimum wage of \$3.35 per hour lived in households with incomes below U.S. poverty levels

RALPH E. SMITH AND BRUCE VAVRICHEK

Federal minimum wage legislation provides a floor on the hourly wage rate that employers are allowed to pay most workers. First enacted as part of the Fair Labor Standards Act of 1938, this statute now requires a wage of at least \$3.35 per hour for the almost 90 percent of nonsupervisory civilian workers to whom the act applies. Although the minimum wage has been increased numerous times since it was established, it has remained unchanged since January 1981. Because prices and wages have risen since that time, the real value of the minimum wage has fallen.

In recent years, several proposals have been made to change the minimum wage, including increasing it for all workers, reducing it for younger workers just getting started in the labor market, and eliminating it. These alternatives are based on differing views about the effects of the minimum wage at its current level. Some people believe it is too low to provide low-wage workers with an adequate standard of living, while others maintain that the present minimum limits employment opportunities—especially for young workers—by artificially raising wage costs to employers.¹

One issue relevant to debates on the minimum wage is the relation between that wage and poverty. Proponents of increasing the minimum wage argue that it should be at least high enough to provide above-poverty earnings to workers with families to support. This article investigates empirical evidence about the relationship among low wage rates, income levels, and the incidence of poverty using data from

the March 1985 Current Population Survey (CPS). Unlike wage surveys based on payroll and other business records of employers, this household survey also provides information on the demographic and social characteristics of the workers, as well as their income and poverty status in the preceding calendar year.²

Background of the minimum wage

Historically, changes in the minimum wage provisions of the Fair Labor Standards Act have consisted primarily of increases in the wage rate and expansions in coverage.³ The minimum wage, which was originally set at \$0.25 per hour in 1938, reached \$1 per hour in 1956, \$2 per hour in 1974, and the current level of \$3.35 in 1981. (See table 1.) Coverage originally was limited to workers directly engaged in interstate commerce, or in the production of goods for interstate commerce, but has been expanded considerably. In 1985, about 73 million nonsupervisory workers—or almost 90 percent of that work force—were subject to the minimum wage. Major groups currently not subject to the minimum wage include executive, administrative, and professional personnel; employees in some small firms; and, of course, the self-employed.

The remainder of this section analyzes the history and current status of the minimum wage by considering its relation to average prices and wages in the economy, and to Federal poverty thresholds.

Table 1. Minimum wage rates under the Fair Labor Standards Act of 1938, 1938-85

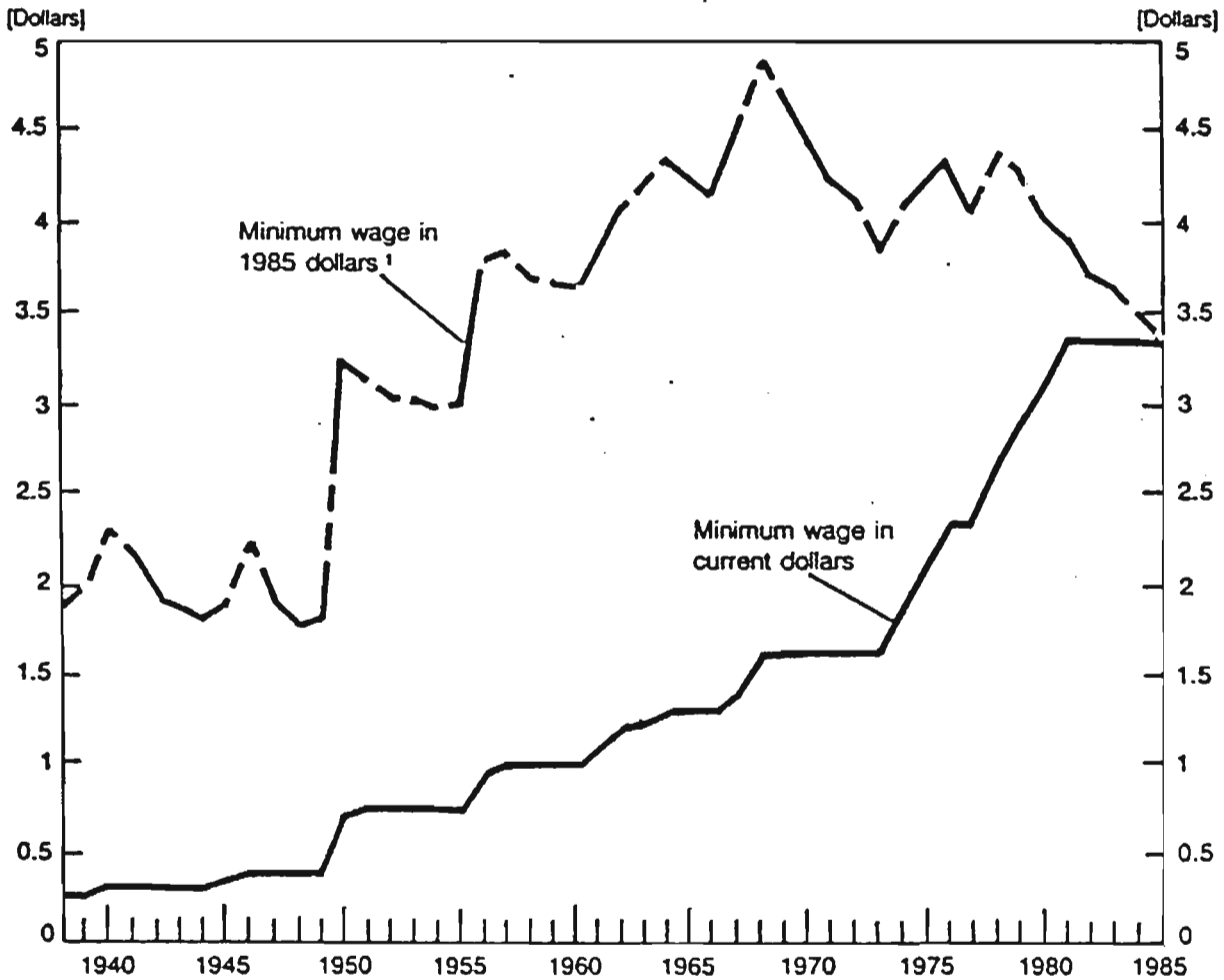
Effective date	Minimum wage	Effective date	Minimum wage
October 24, 1938 ...	\$0.25	February 1, 1968	\$1.60
October 24, 1939 ...	0.30	May 1, 1974	2.00
October 24, 1945 ...	0.40	January 1, 1975	2.10
January 25, 1950 ...	0.75		
March 1, 1956	1.00	January 1, 1976	2.30
September 3, 1961 ..	1.15	January 1, 1978	2.65
September 3, 1963 ..	1.25	January 1, 1979	2.90
February 1, 1967 ...	1.40	January 1, 1980	3.10
		January 1, 1981	3.35

Source: Social Security Administration, *Social Security Bulletin, Annual Statistical Supplement, 1984-85*, p. 68.

analyzing the real purchasing power of the wage over time, and by examining its relation to average wages.

The purchasing power of the minimum wage—that is, its value after taking account of inflation, here measured with the Consumer Price Index—has fluctuated considerably over time, but today is less than at any time since the mid-1950's. In 1985 dollars, the minimum wage was worth just under \$2 per hour when the legislation was enacted in 1938. (See chart 1.) By 1968, the real value of the wage had reached a high of nearly \$5 per hour, but by 1985, it had declined to \$3.35. In the 5-year period between January 1981—when the minimum wage was set at \$3.35—January

Chart 1. Minimum wage rate in current and constant (1985) dollars, 1938-85



¹ The minimum wage in constant 1985 dollars is equal to that wage divided by the Consumer Price Index (CPI), where the CPI is adjusted to equal 1.00 in 1985. CPI data for 1938-77 are for urban wage earners and clerical workers; beginning in 1978, CPI data are for all urban consumers.

NOTE: In years when the minimum wage changed, the wage in this chart represents the weighted average of the old and new rates.

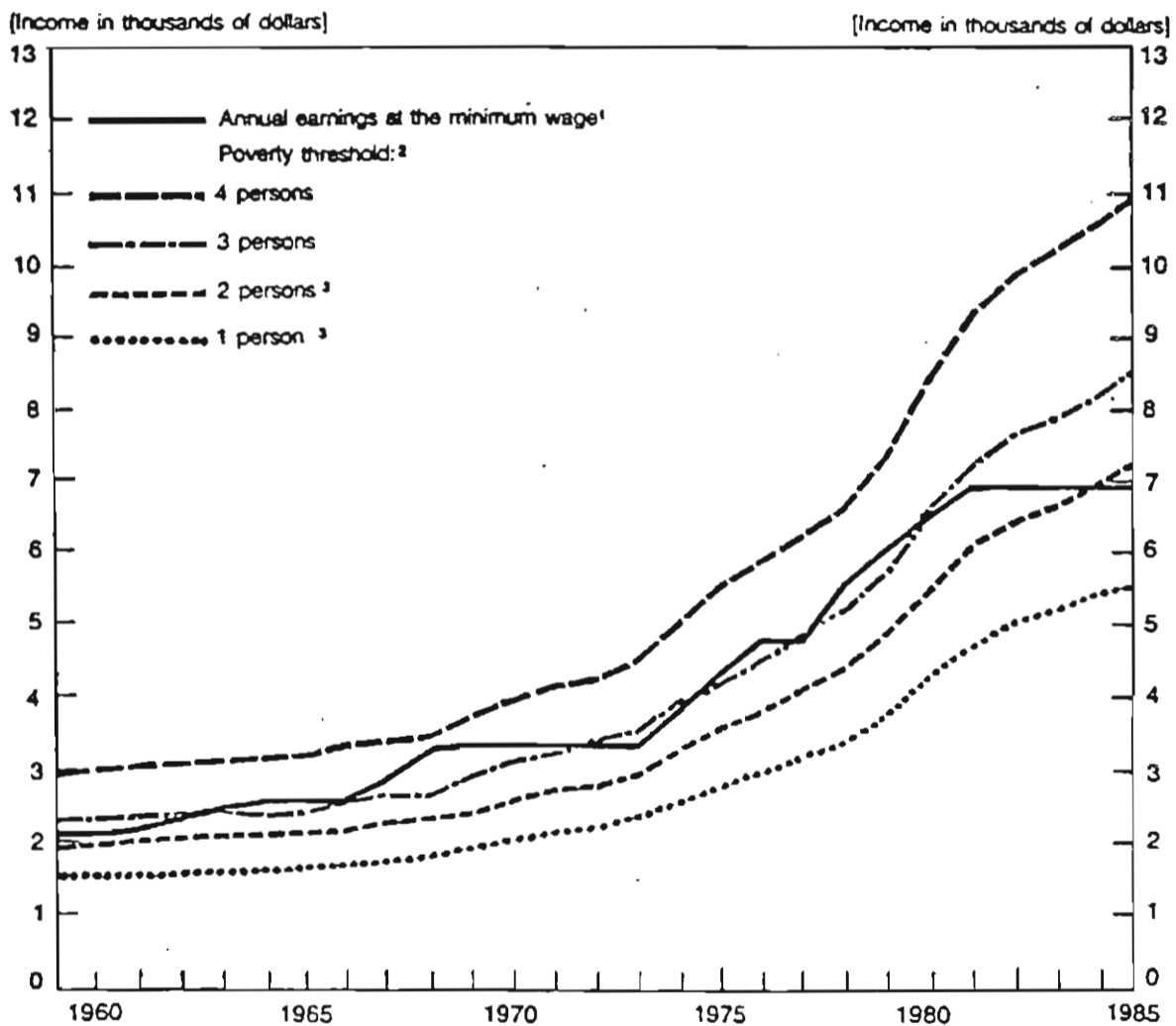
1986, average prices increased by about 26 percent. To have the same purchasing power it had had at the start of 1981, the minimum wage would have had to have been about \$4.22 per hour in January 1986.

In recent years, the minimum wage also has fallen as a share of average wages. After hovering around 50 percent of average hourly earnings in private nonagricultural industries during the 1950's and 1960's, the minimum averaged just over 45 percent in the 1970's. By 1985, it had declined to about 39 percent of average wages. Comparisons with the broad private nonfarm series are less useful in the early years, however, when minimum wage coverage was considerably more limited.

Relationship to poverty thresholds. Another perspective on the minimum wage comes from comparing the earnings of a minimum wage worker with the Federal poverty thresholds published by the Bureau of the Census. The thresholds—first estimated in the early 1960's, and updated annually to account for inflation—reflect the consumption requirements of families based on their size and composition. In 1985, poverty thresholds ranged from \$5,160 for a single elderly person to an average of \$22,010 for families with nine or more members.⁴

During most of the 1960's and 1970's, a person working full time, year round at the minimum wage would have received an income roughly equal to the poverty threshold

Chart 2. Poverty thresholds of income and annual earnings at the minimum wage, 1959-85



¹ Annual earnings are for a worker employed 40 hours per week for 52 weeks per year.

² For families of two or more persons, reported poverty thresholds are actually weighted averages of different thresholds for family size.

for a three-person family, as shown in chart 2. Full-time, year-round earnings at the minimum wage have declined relative to poverty thresholds since then, however, because these thresholds are adjusted to account for changes in prices, while the minimum wage has not increased since 1981.

A person working 40 hours per week for 52 weeks at the minimum wage would have earned about \$7,000 in 1985. This income level was well above the poverty threshold for individuals living alone and about equal to the thresholds for two-person families, but was well below the thresholds for families of three or more people.

The minimum wage and family incomes

In March 1985, more than 5 million workers were paid at or below the Federal minimum wage.⁵ Data from the March 1985 CPS were used to examine the total incomes of these workers, and particularly the extent to which they were poor—that is, living in families with total cash incomes below Federal poverty thresholds. This relationship between a worker's wage rate and his or her poverty status depends on a number of factors, including the number of hours worked per year, the amount of other income received by the worker and other family members, and the applicable poverty threshold for the worker's family.

This analysis is complicated by several limitations of the data on wage rates and incomes. The most important constraint is that the information on poverty pertain to 1984, while data on wage rates relate to March 1985. The CPS does not provide sufficient information about the total number of hours worked by employed people in 1984 to yield good estimates of their hourly wage rates during that year. Only in the case of workers who were employed full time, year round is it possible to estimate hourly wage rates; even then, the estimate is imprecise because the exact number of hours worked each week is not known. Because of these limitations, the relation between hourly wages and poverty can only be approximated, either by linking March 1985 wage rates with 1984 poverty status, or by relating an estimate of the worker's hourly wage rate in 1984 to his or her poverty status in that year. For the following analysis, each of these methods was applied.

An additional limitation of the analysis is that, in any month, only one-quarter of the respondents in the full CPS sample are asked the questions about their hourly earnings. Thus, the sampling errors associated with population estimates derived from the responses in a single month are larger than those that would result from asking the entire CPS sample the same questions.⁶ To test the robustness of our findings, we repeated the entire analysis of the linkage be-

Table 2. Workers paid hourly rates, by 1984 family income, and by March 1985 hourly earnings

Family income in 1984	Total	March 1985 wage rate			
		Below \$3.35	\$3.35	\$3.35- \$4.35	Over \$4.35
Number of workers (in thousands)					
Total	52,110	1,510	3,690	8,610	37,300
Below poverty 100-149 percent of poverty line	3,890	310	680	1,340	1,560
150 percent or more of poverty line	4,250	210	430	1,130	2,490
	43,970	990	2,580	7,150	33,250
Percent distribution within 1985 wage group					
Total	100.0	100.0	100.0	100.0	100.0
Below poverty line	7.5	20.8	18.5	13.9	4.2
100-149 percent of poverty line	8.2	13.7	11.6	11.7	6.7
150 percent or more of poverty line	84.4	65.6	69.8	74.4	89.2
Percent distribution within 1984 income group					
Total	100.0	2.9	7.1	18.4	71.6
Below poverty line	100.0	8.1	17.6	34.3	40.0
100-149 percent of poverty line	100.0	4.9	10.1	26.5	58.6
150 percent or more of poverty line	100.0	2.3	5.9	16.3	75.6

NOTE: Due to rounding, sums of percentage distributions may not equal 100.

SOURCE: Authors' tabulations of data from the March 1985 Current Population Survey.

Minimum wage workers and poverty. As shown in table 2, 10 percent of all workers who were paid by the hour in March 1985 reported being paid at or below the minimum wage.⁷ Roughly 7 percent (about 3.7 million workers) reported being paid exactly \$3.35 per hour, and 3 percent (about 1.5 million) reported earning less than that amount.

Most of the workers paid at or below the minimum wage had not been poor in the previous year. Among those paid exactly \$3.35 in March 1985, 18.5 percent (680,000) were in families whose incomes in 1984 were below the relevant poverty thresholds; 11.6 percent had incomes between 100 percent and 150 percent of the poverty line; and the remaining 69.8 percent had incomes well above the poverty line. The distribution of income was similar among workers paid below the minimum wage.

Even so, the likelihood of being poor was higher for workers with low wage rates. Among the 5.2 million workers who reported being paid at or below the minimum wage in March 1985, about 1 million (19.2 percent) were in families that would have been classified as poor in 1984. Among the 9.6 million workers paid between \$3.36 and \$4.35 an hour, 1.3 million (13.9 percent) would have been so classified. The 1984 poverty rate among the 37.3 million higher-paid workers was lower yet (4.2 percent).

Examination of some of the characteristics of workers paid at or below the minimum wage—henceforth termed "minimum wage workers"—and the activities of

Table 3. Selected characteristics of poor and nonpoor workers paid hourly rates, March 1985

Characteristics	Number of workers paid hourly rates (in thousands)					Poverty rate (in percent) ¹		
	Total	Paid at or below \$3.35		Paid over \$3.35		Total	Paid at or below \$3.35	Paid over \$3.35
		Poor	Total	Poor	Total			
Total	60,000 52,110	0,000 1,000	0,000 5,200	0,000 2,890	00,000 46,910	00.0 7.5	00.0 19.2	00.0 6.2
Age and sex:								
Teenagers	4,970	210	1,670	310	3,300	10.4	12.5	6.3
Adult men	24,080	300	1,340	1,280	22,740	6.5	22.0	5.5
Adult women	23,080	490	2,190	1,320	20,860	7.9	22.5	6.3
Employment status: ²								
Full-time	37,420	360	1,610	1,820	35,610	6.1	22.4	5.4
Part-time	14,610	630	3,590	940	11,020	10.8	17.7	6.6
Other workers in family:								
None	18,350	700	1,590	2,040	16,760	14.9	44.3	12.2
One or more	33,760	300	3,620	850	30,140	3.4	6.2	2.8

¹ Percentages are calculated based on estimates prior to rounding. Source: Authors' tabulations of data from the March 1985 Current Population Survey.
² Information about the number of hours worked in March 1985 was not provided for about 70,000 workers.

Table 4. Work experience, presence of other workers in family, and poverty thresholds of poor and nonpoor workers paid hourly rates, March 1985

Characteristics	Number of workers paid hourly rates (in thousands)					Poverty rate (in percent) ¹		
	Total	Paid at or below \$3.35		Paid over \$3.35		Total	Paid at or below \$3.35	Paid over \$3.35
		Poor	Total	Poor	Total			
Total	52,110	1,000	5,200	2,890	46,910	7.5	19.2	6.2
Work experience in 1984:								
Full-time, year-round	28,760	120	940	740	27,830	3.0	12.7	2.7
Part-time, year-round	5,310	150	800	280	4,510	7.7	18.6	5.7
Full-time, part-year	8,300	250	930	970	8,360	13.2	27.1	11.6
Part-time, part-year	7,220	320	1,990	670	5,230	13.8	16.3	12.8
No employment	1,510	150	540	250	870	26.7	28.2	25.9
No other workers in family in 1984:								
Poverty threshold \$10,500 or more	16,190	710	1,600	2,000	14,590	16.8	44.5	13.7
Other workers in family in 1984:								
Poverty threshold \$7,000-\$8,499	2,720	200	330	650	2,400	51.3	61.7	27.2
Poverty threshold \$10,500 or more ²	35,910	280	3,600	890	32,310	3.3	7.9	2.7
Poverty threshold \$10,500 or more	18,180	150	2,120	650	16,060	4.4	7.0	4.1

¹ Percentages are calculated based on estimates prior to rounding. Source: Authors' tabulations of data from the March 1985 Current Population Survey.

Table 5. Selected characteristics of poor and nonpoor persons who worked full time, year round, 1984

Characteristics	Number of year round paid employees who worked on full-time schedules (in thousands) ¹					Poverty rate (in percent) ²		
	Total	Paid less than \$7,000		Paid at least \$7,000		Total	Paid less than \$7,000	Paid at least \$7,000
		Poor	Total	Poor	Total			
Total	59,620	550	2,240	510	57,380	1.8	24.3	0.9
No other workers in family:								
Total	20,680	400	820	350	19,860	3.6	48.7	1.8
Poverty threshold less than \$7,000	13,700	230	570	0	13,140	1.7	39.7	0.0
Poverty threshold \$7,000-\$8,499	3,520	90	140	70	3,380	4.4	63.8	2.0
Poverty threshold \$10,500 or more ³	3,460	90	110	280	3,350	10.5	75.4	6.3
Other workers in family:								
Total	38,940	150	1,420	160	37,510	0.8	10.3	0.4
Poverty threshold less than \$7,000	10,650	30	360	0	10,290	0.3	7.9	0.0
Poverty threshold \$7,000-\$8,499	10,690	30	350	10	10,340	0.3	6.0	0.1
Poverty threshold \$10,500 or more ³	17,590	90	710	150	16,880	1.4	12.7	0.9

¹ Workers recorded as having been employed for pay (other than self-employed) at least 50 weeks in 1984, and not more than 1/4 of these weeks on a part-time schedule.
² There were no poverty thresholds between \$8,500 and \$10,500. The average poverty threshold for a four-person family in 1984 was \$10,629.

one other member held a job in the survey reference month. (See table 3.) Even though 70 percent of the minimum wage employees worked only part time in March, most minimum wage earners lived in families in which there were other workers. Teenagers held almost one-third of all jobs paying at or below the minimum wage in March 1985.

Minimum wage workers in general were employed fewer hours and more intermittently than were other workers, but were just as likely to be in families in which other members worked during the year. (See table 4.) Looking at the 1984 employment experience of workers making the minimum wage or less in March 1985, only 18 percent (940,000) reported having worked full time, year round, compared with 59 percent of the workers with wage rates above the minimum. Likewise, more than 10 percent of the minimum wage workers in March 1985 had not worked for pay in 1984, compared with only 2 percent of the other hourly workers.

Among the 1 million minimum wage workers who were poor by 1984 standards, only 12 percent had worked full time, year round in that year; 73 percent had worked part time or part year or both; and the remaining 15 percent did not report any paid employment. Thus, even though the poverty rate among year-round, full-time workers employed at or below the minimum wage was almost 13 percent, there were only 120,000 poor workers in this situation.

The likelihood of a minimum wage worker being poor in 1984 also was closely linked to the employment status of other family members. As shown in table 4, minimum wage workers who were the only jobholders in their families had a poverty rate of 44.5 percent, compared with 7.9 percent for those with other employed family members. This comparison was more dramatic for those in families of four or more people (who had poverty thresholds of \$10,500 or more)—61.7 percent versus 7.0 percent.

Low annual earnings and poverty. Examination of the poverty status of full-time workers with low annual earnings provides further information about the relationship between low wages and poverty, and confirms the critical roles of family size and the presence of other workers in the family in determining whether a low-wage earner will be poor. For this part of the analysis, persons who reported being em-

ployed full time, year round in 1984 were counted as low-wage workers if they earned less than \$7,000. This amount would correspond to the earnings of someone who worked all year, 40 hours each week, and was paid the minimum wage.

The Bureau of the Census reported that in 1984 there were 70.4 million people who worked at least 50 weeks primarily on full-time schedules (that is, 35 hour or more per week). Nearly 2.1 million of these workers were poor.⁸ Detailed examination of the data revealed, however, that 8 million of these people, including more than 800,000 poor workers, reported that their primary activity was self-employment, or that they had worked without pay. The incomes of these workers would not be directly affected by a change in the minimum wage. Another 2.8 million full-time employees, including almost 200,000 of the poor workers, worked on part-time schedules during at least 6 weeks of the year.⁹

Among the remaining 59.6 million workers who reported that they had worked primarily for others in 1984 and that they had worked year round and mostly full time, 1.1 million had total family incomes below the poverty line. (See table 5.) This number is much smaller than the 2.1 million poor workers cited above, and indicates a poverty rate of 1.8 percent among these full-time, year-round workers.

Half of the year-round, full-time workers who were poor (550,000) reported earning less than \$7,000 in 1984. These workers were probably earning average hourly wages of no more than the minimum wage rate.¹⁰ Their poverty rate was 24.3 percent, compared with 0.9 percent for workers with higher earnings.

The likelihood of being poor also depended heavily on the number of other members of the worker's family who were employed and on the level of the family's poverty threshold. For example, among the 820,000 low-wage workers who had no other earners in their families, almost half were poor, whereas only one-tenth of their counterparts who were in families with other workers were poor. In each group, the poverty rate was highest among workers in families with poverty thresholds of at least \$10,500. Among the higher-paid workers, too, the greatest incidence of poverty was among those in families with these poverty thresholds. □

—FOOTNOTES—

¹ Raising the cost to employers of low-wage workers can reduce the number of those workers hired and the number of hours they are employed. For example, studies reviewed by staff of the Minimum Wage Study Commission typically estimated that a 10-percent increase in the minimum wage would result in a reduction in teenage employment of between 1 percent and 3 percent. Raising the minimum wage was estimated to have a smaller effect on adult employment, although this effect is even less certain. See *Report of the Minimum Wage Study Commission*, vol. 1 (Washington, May 1981), ch. 2; and Charles Brown, Curtis Gilroy, and

² For more information, see Earl F. Mellor and Steven E. Haugen, "Hourly paid workers: who they are and what they earn," *Monthly Labor Review*, February 1986, pp. 20-26. Responses to the questions about hourly wages, combined with the regular information collected monthly about members of households in the CPS sample, provide the basis for tabulations published by the Bureau of Labor Statistics on hourly wage rates of wage and salary workers by selected characteristics. The hourly wage rates reported do not include tips, premium pay for overtime, bonuses, or commissions.

Under typical overtime provisions, employers are required to pay workers at least one and one-half times the regular wage rate for work in excess of 40 hours in a workweek. (This requirement applies not only to low-wage workers, but to all workers subject to the provisions of the act.)

⁴ In 1985, the poverty threshold for a single nonelderly person was \$3,590. For a two-person family, the threshold was \$7,230 if the householder was age 15 to 64, and \$6,510 if the householder was age 65 or older. The thresholds for three- and four-person families were \$8,570 and \$10,990, respectively, regardless of the age of the householder.

⁵ Workers could legally be paid less than \$3.35 per hour if they were not subject to the minimum wage or if they were subject to a special lower rate. Workers also might inaccurately report their wage rates.

⁶ One way of reducing this source of sampling error would be to use annual averages of the responses—as was done in the analysis by Mellor and Haugen cited above (footnote 2). The standard errors for the monthly estimates are about 3.5 times the size of the standard errors for the corresponding annual estimates. This was not feasible for the current study, however, because it was necessary to match the hourly earnings responses to the income questions that are asked only in March.

⁷ Data on hourly wage rates are available only for the 52.1 million workers paid on an hourly basis. In March 1985, a total of 105.8 million

people were employed, including 96.2 million wage and salary workers.

⁸ *Current Population Reports, Consumer Income Series*, P-60, no. 149 (Bureau of the Census, August 1985), p. 27.

⁹ About 700,000 poor employees who worked primarily full time, year round worked part time for between 6 and 10 weeks, and 120,000 worked part time for at least 11 weeks in 1984. For those who worked less than a full year on a full-time basis, it is difficult to distinguish between low annual earnings associated with low hourly wage rates and those associated with low total hours. Therefore, these workers were excluded from the analysis.

¹⁰ To be included in this group, persons must have reported working at least 50 weeks, including no more than 5 weeks on part-time schedules. Most of them (84 percent) reported that they did not work any weeks on a part-time schedule. Those who worked all 52 weeks for 40 hours per week at the minimum wage would have earned \$6,968.

The difference between the previous estimate of 120,000 poor among full-time, year-round workers who reported hourly wage rates of no more than \$3.35 and these numbers could result from errors in responses, changes in wage rates, or low earnings among workers who were not paid on an hourly basis.

100TH CONGRESS
1ST SESSION

H. R. 79

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to index it to 50 per centum of the average hourly wage in the private sector.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1987

Mr. BLAGGI introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To amend the Fair Labor Standards Act of 1938 to increase the minimum wage and to index it to 50 per centum of the average hourly wage in the private sector.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Minimum Wage Equity
5 Act of 1987".

6 SEC. 2. INCREASE IN THE MINIMUM WAGE RATE.

7 Section 6(a)(1) of the Fair Labor Standards Act of 1938
8 (29 U.S.C. 206(a)(1)) is amended by striking out "and not
9 less than" and all that follows in that section and inser-

1 during the period beginning January 1, 1981, and ending
2 June 30, 1987, not less than \$3.85 an hour beginning July
3 1, 1987. Starting March 1, 1988 and every year on March 1
4 thereafter, the minimum hourly wage rate shall be increased
5 by seven percent until that rate is set at 50 per centum of the
6 average hourly earnings rate for the total private, production,
7 and nonsupervisory labor force as calculated by the Bureau of
8 Labor Statistics of the United States Department of Labor
9 for the fourth quarter of the immediately preceding year.

10 **SEC. 3. INDEXING THE MINIMUM WAGE RATE.**

11 Section 6(b) of the Fair Labor Standards Act of 1938
12 (29 U.S.C. 206(b)) is amended to read as follows:

13 "(b) on March 1 of the year following the year in which
14 the minimum hourly wage rate is first set at 50 per centum of
15 the average hourly earnings rate for the total private, pro-
16 duction, and nonsupervisory labor force, and on every March
17 1 thereafter, the minimum hourly wage rate is to be adjusted
18 to maintain the rate at 50 per centum of the average hourly
19 earnings rate for the total private, production, and nonsuper-
20 visory labor force as calculated by the Bureau of Labor Sta-
21 tistics for the fourth quarter of the immediately preceding
22 year."

100TH CONGRESS
1ST SESSION

H. R. 649

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1987

MR. GONZALEZ introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. INCREASE IN MINIMUM WAGE.

4 (a) SECTION 6(a)(1).—Section 6(a)(1) of the Fair Labor
5 Standards Act of 1938 (29 U.S.C. 206(a)(1) is amended to
6 read as follows:

7 “(1) effective January 1, 1988, not less than the
8 wage rate determined under subsection (b);”.

9 (b) SECTION 6(b).—Section 6(b) of such Act is amended
10 to read as follows:

1 “(b) The wage rate referred to in section 6(a)(1) is \$3.35
2 an hour increased as follows:

3 “(1)(A) Effective January 1, 1988, and January 1
4 of each succeeding calendar year, the wage rate in
5 effect during the preceding calendar year under subsec-
6 tion (a)(1) shall be increased—

7 “(i) by 5 per centum of such smaller percent-
8 age as may be required not to exceed the wage
9 rate described in subparagraph (B), plus

10 “(ii) the change in the consumer price index,
11 as determined for urban wage earners and clerical
12 workers by the Bureau of Labor Statistics of the
13 Department of Labor, for the fiscal year ending in
14 the preceding calendar year over the consumer
15 price index, as so determined, for the fiscal year
16 ending in the calendar year immediately before
17 such preceding calendar year,
18 until the wage rate described in subparagraph (B) is
19 attained.

20 “(B) The wage rate referred to in subparagraph
21 (A) is one-half the average hourly earnings of produc-
22 tion or nonsupervisory workers on private nonagricul-
23 tural payrolls as determined by the Bureau of Labor
24 Statistics of the Department of Labor.

1 “(2) Effective January 1 next succeeding the Jan-
2 uary 1 when the wage rate described in paragraph
3 (1)(B) is attained and each succeeding January 1, the
4 wage rate in effect during the preceding calendar year
5 under subsection (a)(1) shall be increased by the same
6 percentage as the average hourly earnings of produc-
7 tion or nonsupervisory workers on private nonagricul-
8 tural payrolls as determined by the Bureau of Labor
9 Statistics of the Department of Labor for the fiscal
10 year ending in the preceding calendar year increased
11 over the average hourly earnings for such workers for
12 the fiscal year ending in the calendar year immediately
13 before such preceding calendar year.”.

14 **SEC. 2. CONFORMING AMENDMENTS.**

15 (a) SECTION 6(a)(3).—Section 6(a)(3) of the Fair Labor
16 Standards Act of 1938 is amended by striking out “or sub-
17 section (b)”.

18 (b) SECTION 6(e).—Subsection (e) of section 6 of such
19 Act is amended—

20 (1) in paragraph (1), by striking out “subsection
21 (b) of this section” and inserting in lieu thereof “sub-
22 section (a)(1)”; and

23 (2) in paragraph (2), by striking out “subsection
24 (b)” and all that follows in such paragraph and insert-

1 (c) SECTION 6(f).—Subsection (f) of such section is
2 amended by striking out “section 6(b)” each place it occurs
3 and inserting in lieu thereof “subsection (a)(1)”.

4 (d) SECTION 7(f)(1).—Section 7(f)(1) of such Act is
5 amended by striking out “or (b)”.

6 (e) SECTION 8(b).—Section 8(b) of such Act is amended
7 by striking out “or 6(b)”.

8 (f) SECTION 18(b).—Section 18(b) of such Act is amend-
9 ed by striking out “(except that the wage rate provided for in
10 section 6(b) shall apply to any employee who performed serv-
11 ices during the workweek in a work place within the Canal
12 Zone)”.

100TH CONGRESS
1ST SESSION

H. R. 659

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

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1987

Mr. KLECZKA (for himself, Mr. FRANK, Mr. CONYERS, Mr. WILSON, Mr. KASTENMEIER, Mr. OWENS of New York, Mr. BROWN of California, Mr. TEAXLEE, Mr. BONTOR of Michigan, Mr. MARTINEZ, Mr. LIPINSKI, Mr. SABO, Mr. EDWARDS of California, Mr. MFUME, Mr. DELLUMS, Mr. DOWNEY of New York, Mr. MARKEY, Mr. LEVIN of Michigan, and Mr. CROCKETT) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Minimum Wage Inflation
5 Adjustment Act of 1987".

6 SEC. 2. INCREASE IN MINIMUM WAGE.

7 Section 6(a)(1) of the Fair Labor Standards Act of 1938
8 (29 U.S.C. 206(a)(1)) is amended by striking out "and not

1 less than" and all that follows in that section and inserting in
2 lieu thereof the following: "not less than \$3.35 an hour
3 during the period beginning January 1, 1981, and ending
4 December 31, 1987, not less than \$3.85 an hour during the
5 year beginning January 1, 1988, and not less than \$4.35 an
6 hour after December 31, 1988, except as otherwise provided
7 in this section;".

○

100TH CONGRESS
1ST SESSION

H. R. 1834

To amend the Fair Labor Standards Act of 1938 to restore the minimum wage to a fair and equitable rate and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 26, 1987

Mr. HAWKINS (for himself, Mr. WILLIAMS, Mr. BIAGGI, Mr. OWENS of New York, Mr. SOLARZ, Mr. MARTINEZ, Mr. LOWBY of Washington, Mr. FORD of Michigan, Mr. KILDEE, Mr. HAYES of Illinois, Mr. PERKINS, and Mr. VISCLOSKY) introduced the following bill; which was referred to the Committee on Education and Labor

MAY 28, 1987

Additional sponsors: Mr. MURPHY, Mr. FAUNTROY, Mr. CLAY, Mr. FORD of Tennessee, Mr. SAWYER, Mr. KOLTER, Mr. DELLUMS, Mr. BERMAN, Mr. RODINO, Mr. SMITH of Florida, Mr. ATKINS, Mr. ACKERMAN, Mr. LEWIS of Georgia, Mr. WALGREEN, Mr. COYNE, Mr. LEVINE of California, Mr. MORRISON of Connecticut, Mr. STUDDS, Mr. BOBSKI, Mr. LEVIN of Michigan, Mr. MCCLOSKEY, Mr. MURTHA, Mr. FAZIO, Mr. OBERSTAR, Mr. FRANK, Mr. EDWARDS of California, Mr. WHEAT, Mr. CROCKETT, Mr. TORRES, Mr. KLECZKA, Mr. DWYER of New Jersey, Mr. ROYBAL, Mr. HOYER, Mr. FOGLIETTA, Mrs. BOXER, Mr. TORRICELLI, Mr. DIXON, and Mr. ANNUNZIO

A BILL

To amend the Fair Labor Standards Act of 1938 to restore the minimum wage to a fair and equitable rate and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 SECTION 1. SHORT TITLE.

2 This Act may be cited as the "Minimum Wage Restora-
3 tion Act of 1987".

4 SEC. 2. RESTORATION OF MINIMUM WAGE.

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

8 "(1) except as otherwise provided in this section,
9 not less than \$3.35 an hour during the period ending
10 December 31, 1987, not less than \$3.85 an hour
11 during the year beginning January 1, 1988, not less
12 than \$4.25 an hour during the year beginning January
13 1, 1989, not less than \$4.65 an hour during the year
14 beginning January 1, 1990, and after December 31,
15 1990, not less than the minimum wage rate determined
16 in accordance with subsection (b);".

17 (b) INDEX.—Subsection (b) of such section is amended
18 to read as follows:

19 "(b) Effective January 1, 1991, and January 1 of each
20 succeeding year, the minimum wage rate in effect under sub-
21 section (a)(1) shall be revised so that the rate is equal to 50
22 percent of the average private, nonsupervisory, nonagricul-
23 tural hourly wage as determined by the Bureau of Labor Sta-
24 tistics of the Department of Labor for the previous Novem-

100TH CONGRESS
1ST SESSION

H. R. 1189

To amend the Fair Labor Standards Act of 1938 to provide an increase in the minimum wage under that Act and to adjust that wage to equal one half the average private hourly wage and to establish a lower wage for employees under age 22.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 19, 1987

Mr. TRAFICANT introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

To amend the Fair Labor Standards Act of 1938 to provide an increase in the minimum wage under that Act and to adjust that wage to equal one half the average private hourly wage and to establish a lower wage for employees under age 22.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "Fair Labor Standards
5 Amendments of 1987".

1 SEC. 2. INCREASE IN MINIMUM WAGE.

2 (a) INCREASE.—Section 6(a)(1) of the Fair Labor
3 Standards Act of 1938 (29 U.S.C. 206(a)(1)) is amended to
4 read as follows:

5 “(1) except as otherwise provided in this section,
6 not less than \$3.35 an hour during the period ending
7 December 31, 1987, and not less than \$4.00 an hour
8 after December 31, 1987, as adjusted in accordance
9 with subsection (b);”.

10 (b) ADJUSTMENT.—Section 6(b) of the Fair Labor
11 Standards Act of 1938 (29 U.S.C. 206(b)) is amended to read
12 as follows:

13 “(b) Effective April 1, 1989, the wage rate in effect
14 under subsection (a)(1) shall be increased by \$.35. Every 15
15 months after the date of such increase such wage rate shall
16 be increased until such wage rate equals 50 percent of the
17 average hourly wage for the total private, production, and
18 nonsupervisory labor force as established by the Bureau of
19 Labor Statistics of the Department of Labor. The increases
20 under the preceding sentence shall be at the rate of \$.35 per
21 increase or, in the case of the last such increase, such smaller
22 amount as may be required so that the limit prescribed by the
23 preceding sentence is not exceeded. After the date the wage
24 rate prescribed by subsection (a)(1) equals 50 percent of the

1 rate shall be adjusted annually so that it is equal to 50 per-
2 cent of such wage."

3 SEC. 3. WAGES FOR PERSON BELOW THE AGE OF 22.

4 Section 14 of the Fair Labor Standards Act of 1938 (29
5 U.S.C. 214) is amended by adding at the end the following:

6 "(e)(1) Effective January 1, 1988, and notwithstanding
7 section 6, any individual who is under the age of 19 and who
8 is employed on a part-time basis shall for such part-time em-
9 ployment be paid not less than \$3.35 an hour.

10 "(2) Effective January 1, 1988, and notwithstanding
11 section 6 and subsection (b) of this section, any individual
12 who is at least 19 and under the age of 22 and who, in
13 accordance with regulations of the Secretary, provides satis-
14 factory proof of being a full-time student shall be employed at
15 not less than \$3.35 an hour during the period such individual
16 is such a student.

17 "(3) Effective April 1, 1989, the wage rate in effect
18 under paragraphs (1) and (2) shall be increased by \$.20.
19 Every 15 months after the date of such increase such wage
20 rate shall be increased until such wage rate equals 83 percent
21 of the wage limit prescribed by section 6(b). The increases
22 under the preceding sentence shall be at the rate of \$.20 per
23 increase or, in the case of the last such increase, such smaller
24 amount as may be required so that the limit prescribed by the

1 rate prescribed by paragraphs (1) and (2) equals 83 percent of
2 the wage limit prescribed by section 6(b), such wage rate
3 shall be adjusted annually so that it is equal to 83 percent of
4 such limit.”

○

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100TH CONGRESS
1ST SESSION

H. R. 1209

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

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1987

Mr. FORD of Tennessee (for himself and Mr. MFUME) introduced the following bill; which was referred to the Committee on Education and Labor

A BILL

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

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That section 6(a)(1) of the Fair Labor Standards Act of 1938
4 (29 U.S.C. 206(a)(1)) is amended to read as follows:

5 “(1) except as otherwise provided in this section,
6 not less than \$3.35 an hour during the period ending
7 August 31, 1987, not less than \$4.25 an hour during
8 the year beginning September 1, 1987, not less than
9 \$4.65 an hour during the year beginning September 1,
10 1988, not less than \$4.25 an hour during the year beginning

, 2

1 ginning September 1, 1989, and not less than \$5.20 an
2 hour after August 31, 1990;".

○



OMI

GUAM ELECTION COMMISSION
Territory of Guam
P.O. Box BG
Agana, Guam 96910
(671)477-9791/2/3



April 15, 1988

The Honorable Herminia D. Dierking
Chairperson, Committee on Ways & Means
Nineteenth Guam Legislature
P.O. Box CB-1
Agana, Guam 96910

Acknowledged Receipt

Received by: J. Cruz
Date: 4/25/88 Time: 16:58

Dear Senator Dierking:

In appeal to the Commission's supplemental budget request for \$71,225 vetoed in Bill 24, we request re-consideration for funding availability in the same amount to conduct a special run-off election (if necessary) as previously justified.

As explained in our budget submission, a run-off election will be determined based on the outcome of the Washington Delegate Race in the November 8, 1988 General Election. If none of the candidates receive a majority of the votes cast for office in this election, a run-off will have to be held on the fourteenth day thereafter, or November 22, 1988. Such being the case, funding will have to be available by October 1, 1988.

Additionally, we would like to apprise you of an initiative proposal to prohibit all forms of gambling that was filed with the Commission on April 7, 1988. We are now faced with the possibility this initiative may qualify for ballot placement at the November 8, General Election. As a consequence, the Commission will need additional funding for this submission. Although we were recently appropriated \$45,500 for a previous initiative submission, we expect an increase in expenses particularly, in the areas of overtime; automatic data processing; printing, duplicating and copying services; advertisement; and supplies. An additional sum of \$14,500 justified in the enclosure will be needed in Fiscal Year 1989.

The Commission looks to your Committee to assist with our budgetary needs. We hope to seek favorable results in order to carry out our obligations.

As always, please feel free to contact this office should you have any questions.

Sincerely,

ELAINE G. MANGLONA
Acting Executive Director

Enclosures

INITIATIVE MEASURE - 2

BUDGET SUMMARY

PERSONNEL SERVICES

Overtime

< \$ 3,000 >
1,900

< \$ 3,000 >
1,900

CONTRACTUAL SERVICES

Automatic Data Processing

1,000

Printing, Duplicating and Copying Services

< 5,000 >
4,000

Advertisement - Publication

3,000

8,000
~~9,000~~

SUPPLIES AND MATERIALS

Supplies

< 2,500 >
2,100

2,100
2,500

TOTAL

< \$14,500 >

12,000

FISCAL YEAR - 1989

Supplemental Budget Submission

INITIATIVE MEASURE - 2

PERSONNEL SERVICES - \$3,000

Overtime - \$3,000

Overtime funding is needed to compensate the Commission's employees who work in excess of the eight hour work day to verify petitions; print; pre-count and package Official Voters Pamphlets for an estimated 41,000 voters. Overtime is also necessary for the tabulation of an additional submission.

CONTRACTUAL SERVICES - \$9,000

Automatic Data Processing (Computer Technical Services) - \$1,000

Technical assistance for a ballot layout and programming is required in order to conform with the specifications of the AIS 315 Ballot Reader.

Printing, Duplicating & Copying Services - \$5,000

To provide Official Voters Pamphlets and other educational and instructional materials.

Advertisement - \$3,000

To provide public notices pursuant to Section 208 to inform the general public of the Ballot Title of the Initiative submission as well as the sample ballot.

SUPPLIES AND MATERIALS - \$2,500

Additional supplies and materials will be needed for the preparation and actual process of the Initiative submission.



Chambers of
Paul J. Abbate
Presiding Judge

Superior Court of Guam

Judiciary Building

110 West O'Brien Drive

Agana, Guam 96910

(671) 472-8861/5

Telephone: (671) 472-8856/8

APR 20 1988

Senator Herminia D. Dierking
Chairperson, Committee on Ways
and Means
Nineteenth Guam Legislature
P. O. Box CB-1
Agana, Guam 96910

Acknowledged Receipt

Received By: J. Cruz
Date: 4/21/88 Time: 11:00

Dear Senator Dierking:

Subject: Fiscal Year 1988 Budget
Reappropriation Request

Enclosed for legislative consideration is the Superior Court's reappropriation request for FY 1988 in the amount of \$265,000 as unanimously approved by the Judicial Council during its April 17, 1988 regular meeting.

This intra-judicial branch's request for reprogramming of funds addresses three (3) line items of appropriations, i.e., Personnel Services, Operating Expenses, and Capital Outlay, as follow:

Personnel Services

The total amount requested under Personnel Services is \$103,659. Of this amount, \$68,059 is needed for salary adjustments; \$20,434 for the Presiding Judge's estimated lump sum payment of accrued annual leave; \$5,858 for Overtime to cover the after hours work required to generate the data base files in the automation of our appropriations, payroll and trust funds accounts; \$319 for Night Differential; and \$8,989 for the Government of Guam's retirement contribution for these requests.

Operating Expenses

Our request of \$87,477 for Operating Expenses represents \$13,500 for the new Presiding Judge's off-island travel and training costs; \$65,707 for contractual services ranging from rental of office equipment, miscellaneous printing needs, dues and paid subscriptions, summer employment for Law Clerk Trainees

Letter to Senator Dierking
FY1988 Budget Reappropriation Request
4/20/88
Page two

and other services to include Court Reporter, Programmer, Westlaw computerized legal research and automation technical assistance from the National Center for State Courts (NCSC); and \$1,270 for equipment.

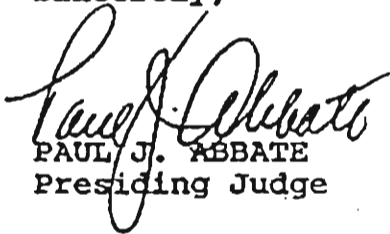
Capital Outlay

This line item appropriation will need \$80,864 to replace six (6) official vehicles which have exceeded their useful life, as well as obsolete equipment, new equipment and the renovation for a jury deliberation room.

These requests are essential for fulfilling the Judiciary's mandated service delivery for the remainder of Fiscal Year 1988.

Your favorable consideration and continued assistance is deeply appreciated.

Sincerely,


PAUL J. ABBATE
Presiding Judge

Enclosures

cc: Administrative Director
Speaker, Nineteenth Guam Legislature
Chairman, Committee on Justice, Judiciary
and Criminal Justice
Chairman, Committee on Federal, Foreign
and Legal Affairs

Section _____ Chapter VIII of Public Law 19-10
 is hereby amended to read: "CHAPTER VIII
 Superior Court of Guam Fiscal Year 1988 Appropriations.

SUPERIOR COURT OF GUAM

	General Fund	Other Fund	Federal Fund	TOTAL
A. For Administration				
1. Personnel Services	\$ 510,320 486,023			\$ 510,320 486,023
	(20.0 FTE)			(20.0 FTE)
2. Operating Expenses	426,286 444,742			426,286 444,742
3. Lease of Office Space	128,463 128,988			128,463 128,988
4. Utilities				
a. Power	104,000 156,000			104,000 156,000
b. Water/Sewer	4,100 9,600			4,100 9,600
c. Telephone	31,796 38,796			31,796 38,796
5. Capital Outlay	70,266 27,812			70,266 27,812
6. Miscellaneous				
a. Personnel Development	1,818			1,818
b. Contingency Fund	3,500			3,500
TOTAL	\$ 1,280,549 \$ 1,292,279			\$ 1,280,549 \$ 1,292,279
For Financial Management				
L. Personnel Services	\$ 243,012 227,039			\$ 243,012 227,039
	(9.0 FTE)			(9.0 FTE)
2. Operating Expenses	3,527 7,173			3,527 7,173
3. Capital Outlay	4,426 2,300			4,426 2,300
4. Miscellaneous				
a. Personnel Development	2,030			2,030
TOTAL	\$ 252,995 \$ 238,542			\$ 252,995 \$ 238,542

C. For Courts/Ministerial Offices

1. Personnel Services	\$ 1,815,685	\$ 1,815,685
	-\$ 1,794,440	-\$ 1,794,440
	(63.0 FTE)	(63.0 FTE)
2. Operating Expenses	66,769	66,769
	-67,673	-67,673
3. Contingency Fund	10,000	10,000
4. Jury Services	390,000	390,000
	-400,000	-400,000
5. Court Appointed Legal Service	350,000	350,000
6. Personnel Development	90	90
7. Capital Outlay	29,455	29,455
	-20,300	-20,300
TOTAL	\$ 2,661,999	\$ 2,661,999
	-\$ 2,642,503	-\$ 2,642,503

D. For Marshal's Office

1. Personnel Services	\$ 583,389	\$ 583,389
	-\$ 599,292	-\$ 599,292
	(23.0 FTE)	(23.0 FTE)
2. Operating Expenses	6,253	6,253
3. Capital Outlay	6,037	6,037
	-8,697	-8,697
4. Miscellaneous		
a. Personnel Development	675	675
TOTAL	\$ 596,354	\$ 596,354
	-\$ 614,917	-\$ 614,917

E. For Probation Services

1. Personnel Services	\$ 936,359	\$ 936,359
	-\$ 933,812	-\$ 933,812
	(36.0 FTE)	(36.0 FTE)
2. Operating Expenses	23,845	23,845
	-30,205	-30,205
3. Utilities		
a. Telephone	635	635
4. Capital Outlay	10,247	10,247
	-6,440	-6,440
TOTAL	\$ 971,086	\$ 971,086
	-\$ 971,092	-\$ 971,092

F. For Judicial Council

1. Operating Expenses	\$ 16,953	\$ 16,953
2. For the Stipends of the Judicial Council as required by Section 121 of the Civil Procedure Code of Guam	3,550 4,800	3,550 4,800
TOTAL	\$ 20,503 \$ 21,753	\$ 20,503 \$ 21,753

G. For Board of Law Examiners

1. Operating Expenses	\$ 10,730	\$ 10,730
2. For the Stipends of the Board of Law Examiners as required by Section 28015 of the Government Code of Guam	2,400 4,800	2,400 4,800
TOTAL	\$ 13,130 \$ 15,530	\$ 13,130 \$ 15,530

GRAND TOTAL SUPERIOR COURT OF GUAM

\$ 5,796,616

\$ 5,796,616



Chambers of
Paul J. Abbate
Presiding Judge

Superior Court of Guam

Judiciary Building
110 West O'Brien Drive
Agana, Guam 96910

Telephone: (671) 472-5951/5
(671) 472-5958/8

April 28, 1988

Honorable Franklin Quitugua
Speaker, Nineteenth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Mr. Speaker:

Before you are four (4) measures which the Judicial Council has approved for appropriate legislative action.

All these measures are essential to our timely delivery of quality services.

Two measures seek authorization pursuant, in part, to Touche Ross audit recommendation, to establish trust accounts for the distribution of jury and appointed counsel payments.

Another measure which also impacts on current fiscal appropriations, requests for the reprogramming of funds in order to meet current and projected obligations this fiscal year as well as replacement of vehicles and equipment which have far exceeded their useful life, are obsolete and have received repair estimates that approximate or exceed half their respective replacement costs.

Finally, the fourth measure seeks legislative concurrence, by statute, to approve the loan agreement undertaken by the Judicial Council for the eleven million dollars Farmers Home Administration (FmHA)-direct insured loan.

We have rescheduled the bid opening for the construction of the Judicial Center for May 13. We anticipate to announce the bid award within the following week. However, not a spade can be thrust into the ground until the loan has been closed by FmHA.

A critical pending action is the measure before you for the Legislature's concurrence.

Acknowledged Receipt

Received By: J. Gray

Date: 4/29/88


Time: 10:50am

Speaker Quitugua
April 28, 1988
Page 2

Your favorable consideration for the earliest possible deliberation on these measures is requested.

Thank you for your continued support in our efforts to advance the programs of the Judiciary.

Sincerely,


PAUL J. ABBATE
Presiding Judge

Enclosures

cc: Senator Dierking
Senator Lujan
Senator Santos



Superior Court of Guam

JUDICIARY BUILDING • 110 W. O'BRIEN DRIVE
AGANA, GUAM 96910
TELEPHONE: (671) 472-8956/5

R. Arlene Santos

Deputy Administrative Director of the Courts

May 10, 1988

Senator Herminia D. Dierking
Chairperson, Committee on Ways
and Means
Nineteenth Guam Legislature
Post Office Box CB-1
Agana, Guam 96910

Dear Senator Dierking:

In reply to your verbal request for additional \$1,500.00 to be allocated to the off-island travel, please be informed that this amount could be made up from the lapses under local travel for the Probation Division making a total reappropriation request of \$15,000.00. Our request is adjusted to reflect the change on the attached. Item A.2, operating expenses is increased by \$1,500.00 and Item E.2, operating expenses is decreased by the same amount.

Should you have any questions, please call me.

Sincerely,

R. ARLENE SANTOS
Acting Administrative Director
of the Courts

Enclosure

cc: Speaker, Nineteenth Guam Legislature
Chairman, Committee on Justice, Judiciary
and Criminal Justice
Chairman, Committee on Federal, Foreign
and Legal Affairs

CHAPTER VIII

Superior Court of Guam Fiscal Year 1988 Appropriations.

SUPERIOR COURT OF GUAM

	General Fund	Other Fund	Federal Fund	TOTAL
For Administration				
1. Personnel Services	\$ 510,320 \$ 486,023 (20.0 FTE)			\$ 510,320 \$ 486,023 (20.0 FTE)
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c. Telephone	31,796 38,796			31,796 38,796
5. Capital Outlay	70,266 22,812			70,266 22,812
6. Miscellaneous				
a. Personnel Development	1,818			1,818
b. Contingency Fund	3,500			3,500
TOTAL	\$ 1,282,049 \$ 1,292,279			\$ 1,282,049 \$ 1,292,279
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2. Operating Expenses	22,345	22,345
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3. Utilities		
a. Telephone	635	635
4. Capital Outlay	10,247	10,247
	-6,440-	-6,440-
TOTAL	\$ 969,586	\$ 969,586
	-\$ 971,092-	-\$ 971,092-

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1. Operating Expenses	\$ 16,953		\$ 16,953
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TOTAL	\$ 13,130 \$ 15,530		\$ 13,130 \$ 15,530

GRAND TOTAL SUPERIOR COURT OF GUAM

\$5,796,616		\$5,796,616
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Introduced

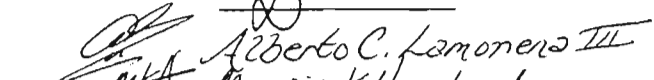
NINETEENTH GUAM LEGISLATURE
1987 (First) Regular Session

SEP 28 '87

Bill No. 596(LS)

Introduced by

D Parkinson



MKS Marcia K Hartsock

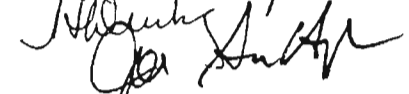
JB J.G. BAMBA

M. RUTH



J. M. RIVERA

F.J.H. Quitugno



AN ACT TO REPEAL AND REENACT SECTION 46004 OF
THE GOVERNMENT CODE OF GUAM RELATIVE TO THE
MINIMUM WAGE LAW.

BE IT ENACTED BY THE PEOPLE OF THE TERRITORY OF GUAM:

Section 1. section 46004 of the Government Code of Guam is hereby repealed and reenacted to read as follows:

"Section 46004. Every employer shall pay each person employed by him wages at not less than the schedule indicated below.

(a) For employers with less than twenty-five (25) employees, the minimum wage shall be Three Dollars and Seventy Five Cents (\$3.75). This shall take effect sixty (60) days after the enactment of this Act.

(b) For employers with twenty-five (25) employees or more:

(1) From March 1, 1988 until September 30, 1988, the minimum wage shall be Three Dollars and Seventy Five Cents (\$3.75).

(2). After October 1, 1988, the minimum wage shall be Four Dollars (\$4.00) per hour.

c. Section 46019 of the Government Code of Guam shall continue to apply to future increases whenever there is an increase in the federal minimum wage laws. Any such increase amounts shall be added to the above schedules.

d. Every employer employing an alien or aliens who have not been lawfully admitted to the United States for permanent residence by the United States Department of Justice shall pay all U.S. citizens and permanent residents doing the same or substantially similar work wages in an amount equal to or greater than the wages paid to the non-resident alien(s) doing the same or substantially similar work. This subsection shall not apply to any construction projects which are in progress on the effective date of this act or for which construction contracts have been signed prior to the date of this Act becomes law.

(e) This section shall be effective effective upon enactment.
