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GRADUALLY RAISING THE MINIMUM WAGE TO $15: GOOD FOR WORKERS, GOOD FOR BUSINESSES, AND GOOD FOR THE ECONOMY

HEARING

BEFORE THE

COMMITTEE ON EDUCATION
AND LABOR
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTEENTH CONGRESS

FIRST SESSION

HEARING HELD IN WASHINGTON, DC, FEBRUARY 7, 2019

Serial No. 116–2

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U.S. GOVERNMENT PUBLISHING OFFICE
35–268 WASHINGTON : 2019

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GRADUALLY RAISING THE MINIMUM WAGE TO $15: GOOD FOR WORKERS, GOOD FOR BUSINESSES, AND GOOD FOR THE ECONOMY

Thursday, February 7, 2019
House of Representatives,
Committee on Education and Labor,
Washington, DC.

The committee met, pursuant to notice, at 10:17 a.m., in room 2175, Rayburn House Office Building, Hon. Robert C. "Bobby" Scott (chairman of the committee) presiding.

Present: Representatives Scott, Davis, Grijalva, Courtney, Fudge, Sablan, Bonamici, Takano, Adams, DeSaulnier, Norcross, Jayapal, Morelle, Wild, Harder, McBath, Schrier, Underwood, Hayes, Shalala, Levin, Omar, Trone, Stevens, Lee, Trahan, Castro, Foxx, Roe, Thompson, Walberg, Guthrie, Grothman, Stefanik, Allen, Smucker, Banks, Walker, Comer, Cline, Fulcher, Taylor, Watkins, Wright, Meuser, Timmons, and Johnson.

Staff present: Tylease Alli, Chief Clerk; Nekea Brown, Deputy Clerk; Ilana Brunner, General Counsel; David Dailey, Senior Counsel; Emma Eatman, Press Aide; Mishawn Freeman, Staff Assistant; Carrie Hughes, Director of Health and Human Services; Eli Hovland, Staff Assistant; Eunice Ikene, Labor Policy Advisor; Ariel Jona, Staff Assistant; Kimberly Knackstedt, Disability and Education Policy Advisor; Stephanie Lalle, Deputy Communications Director; Bertram Lee, Policy Counsel; Andre Lindsay, Staff Assistant; Richard Miller, Director of Labor Policy; Max Moore, Office Aide; Udochi Onwubiko, Labor Policy Counsel; Veronique Pluviose, Staff Director; Carolyn Ronis, Civil Rights Counsel; Dianna Ruskowsky, Finance and Personnel Advisor; Banyon Vassar, Deputy Director of Information Technology; Cyrus Artz, Minority Parliamentarian; Marty Boughton, Minority Press Secretary; Courtney Butcher, Minority Coalitions and Members Services Coordinator; Akash Chougule, Minority Professional Staff Member; Rob Green, Minority Director of Workforce Policy; John Martin, Minority Workforce Policy Counsel; Sarah Martin, Minority Professional Staff Member; Hannah Matesic, Minority Legislative Operations Manager; Kelley McNabb, Minority Communications Director; Alexis Murray, Minority Professional Staff Member; Brandon Renz, Minority Staff Director; Ben Ridder, Minority Legislative Assistant; Meredith Schellin, Minority Deputy Press Secretary and Digital

Advisor; Heather Wadyka, Minority Staff Assistant; and Lauren Williams, Minority Professional Staff Member.

Chairman SCOTT. The Committee on Education and Labor will come to order. I want to welcome everyone today and note that a quorum is present. The committee meeting today is a legislative hearing on testimony on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Pursuant to committee rule 7(c), opening statements are limited to the chair and ranking member. This allows us more time to hear from our witnesses and provides members more time to ask questions. I recognize myself now for the purpose of making an opening statement.

Today we are here for a legislative hearing on the Raise the Wage Act, H.R. 582, a proposal to gradually raise the minimum wage to $15 an hour. I want to welcome and thank our distinguished witnesses for being with us today and for agreeing to testify.

Raising the minimum wage is one of the most hotly contested and intensely studied of all labor practices. All the time and research dedicated to this topic has produced a clear consensus: Gradually raising the minimum wage is good for workers, who experience a better standard of living; good for businesses, which benefit from having more customers and less turnover; and good for the economy, which is strongest when we lift working people out of poverty and build a thriving middle class.

Before we discuss where we are going, it is important to reflect on where we are today. After 10 years of no increase in the Federal minimum wage, minimum wage workers have suffered a 17 percent pay cut due to inflation. Today's minimum wage workers making $7.25 an hour have less buying power than the minimum wage worker had in the 1960's.

The result is that the Federal minimum wage is no longer serving its purpose. According to a recent study, there is no place in America where a full-time worker who is paid the current Federal minimum wage can afford a modest two-bedroom apartment. One in nine American workers are paid wages that leave them in poverty even if they worked full time year-round. An individual earning the current minimum wage working full time earns only about $15,080 a year, less than the Federal poverty level for a family of two.

Do we have a chart?

This shows the poverty level and it shows the median wage and where the minimum wage has been.

My Republican colleagues are eager to warn the so-called consequences of raising the minimum wage to $15, but they ignore the consequences of inaction over the last 10 years.

If Congress fails to raise the minimum wage by mid-June it will be longest period of time without an increase since the Federal minimum wage was created 80 years ago. During that time, millions of workers working full time have been forced to live in poverty. The only radical thing about the bill is it is so long overdue.

By several standards, the proposal is a reasonable approach in restoring the value of the minimum wage. First, the erosion of the

minimum wage after adjustments for inflation has meant that over the last five decades workers at the low end of the scale have drifted further away from the middle class.

As the chart on the screen indicates, in 1968—back to the same chart—the inflation-adjusted minimum wage used to be a little over 50 percent of the median hourly worker's wages for an individual working full time. Now, at $7.25 an hour, it is just a third of the median wage.

Had the 1968 minimum wage simply grown with the rate of increases in average wages, it would be $12 and 6 million fewer people would be living in poverty.

Second, the minimum wage has not kept up with increases in productivity. Between 1973 and 2017, workers' productivity grew by 77 percent while their wages grew by 12 percent. The widening gap in how much workers produce and how much they are paid is one major factor contributing to the historic income inequality we experience today.

If the minimum wage had kept up with worker productivity, it would be about $20 an hour today. Workers do not just deserve higher pay, they have earned that higher pay.

Finally, by the time the minimum wage reaches $15 an hour in 2024, an individual working full time with a family, including two children, will finally be able to earn enough to exceed the poverty threshold for a family of four.

We now have an opportunity—and a responsibility—to restore the value of the minimum wage, lifting millions of hardworking people out of poverty, and grow the economy in Main Street America.

The Raise the Wage Act does three things. First, it gradually increases the minimum wage in six steps to $15 by 2024. Second, it ensures every worker covered by the law is paid at least the full minimum wage by creating one fair wage for all workers. Third, by tying future increases to median wages, the bill ensures that future increases in the Federal minimum wage are determined by economics and not politics.

A report published this week by the Economic Policy Institute details the sweeping benefits this bill will have for workers across the country. For example, if we pass the Raise the Wage Act, close to 40 million workers will receive a raise, including two-thirds of America's working poor and parents of over 14 million children.

This bill will stimulate the local economy across the country. Whereas the Republican tax bill gave the largest benefits to those who needed it the least, this puts money directly in the hands of those who are most likely to spend it in their communities. Over the 6-year phase-in period, the increase in the minimum wage should generate about $120 billion in additional wages, which will flow back into local businesses.

Every time we propose raising the minimum wage, unfortunately, opponents repeat a similar set of talking points that have been repeated and contradicted by evidence and research.

Today, I am confident that we will hear dire predictions about job losses that will result from gradually raising the minimum wage, but the overwhelming majority of research from both left-and

right-leaning labor economists find few, if any, job loss when we gradually raise the minimum wage.

For example, a widely acclaimed study published by the National Bureau of Economic Research and coauthored by one of our witnesses examined 138 minimum wage increases between 1979 and 2016. This study found that the overall number of low wage jobs remained essentially unchanged over 5 years following the increase, and there was no evidence of disemployment when considering higher levels of minimum wage.

The evidence clearly demonstrates that the Raise the Wage Act is a reasonable proposal and will lift millions of workers out of poverty.

We now hear calls for a regional minimum wage, but, unfortunately, the reality is, by 2024, $15 an hour is the least a person would need to afford the basic essentials anyplace in America. According to the MIT Living Wage Calculator, single working parents today, even in the poorest counties in the country, need at least $20 an hour to cover basic costs.

Workers should not be forced to work at poverty level wages regardless of where they live. A low-cost region should not be forced to continue to lag behind the rest of our economy.

H.R. 582 will begin to restore the original intent of the Fair Labor Standards Act, to ensure that all workers have a minimum living standard. And as President Roosevelt stated: "Our Nation, so richly endowed with natural resources and with a capable and industrious population, should be able to devise ways and means of ensuring to all of our working men and women a fair day's pay for a fair day's work."

Today's hearing is an opportunity to examine facts and evidence. Raising the minimum wage to $15 an hour by 2024 in all regions is good for workers, good for businesses, and good for the economy. This hearing is a first step toward passing a bill that reflects our shared belief that no one working full time should be living in poverty.

And I thank you.

And does the Ranking Member want to speak now or in a minute? I can introduce the witnesses.

[The statement of Chairman Scott follows:]

Prepared Statement of Hon. Robert C. "Bobby" Scott, Chairman, Committee on Education and Labor

Today, we are here for a legislative hearing on the Raise the Wage Act, H.R. 582, a proposal to gradually raise the minimum wage to $15. I want to welcome and thank our distinguished witnesses for agreeing to testify here today.

Raising the minimum wage is one of the most hotly debated and intensely studied labor policies. All the time and research dedicated to this topic has produced a clear consensus: Gradually raising the minimum wage is good for workers who experience a better standard of living; good for businesses which benefit from having more customers and less turnover, and good for the economy which is strongest when we lift working people out of poverty and build a thriving middle class.

But before we discuss where we are going, it's important to reflect on where we are today. After 10 years with no increase in the Federal minimum wage, minimum wage workers have suffered a 17 percent pay cut due to inflation. Today's minimum wage worker making $7.25 an hour has less buying power than a minimum wage worker had in the 1960's.

The result is that the Federal minimum wage is no longer serving its purpose. There is no place in America where a full-time worker who is paid the current Federal minimum wage can afford the basic essentials. One in nine American workers

are paid wages that leave them in poverty, even if they worked full-time and year-round. An individual earning the current Federal minimum wage of $7.25 an hour and working full-time earns only $15,080 annually, less than the Federal poverty level for a family of two.

My Republican colleagues are eager to warn of the so-called consequences of gradually raising the minimum wage to $15, but they ignore the consequences of inaction over the last 10 years. If Congress fails to raise the Federal minimum wage by mid-June, it will be the longest period of time without an increase since the Federal minimum wage was created 80 years ago.

During that time, millions of people working full-time have been forced to live in poverty. The only thing radical about this bill is that it is so long overdue.

By several standards, this proposal is a reasonable approach to restoring the value of the minimum wage.

First, the erosion of the value of the minimum wage after adjustments for inflation has meant that, over the last five decades, workers at the low-end of the wage scale have drifted farther away from the middle class.

As the chart on the screen illustrates, in 1968, the inflation-adjusted minimum wage was a little over 50 percent of the median hourly workers' wages for an individual working full time. Today, at $7.25 per hour it is just a third of the median hourly wage of $22.36. Had the 1968 minimum wage simply grown with the rate of increases in average wages, it would be nearly $12 today and 6 million fewer Americans would be living in poverty.

Second, the minimum wage has not kept up with increases in productivity. Between 1973 to 2017, workers' productivity grew by 77 percent, while their hourly wages grew by just 12 percent. The widening gap between how much workers produce and how much they are paid is one major factor contributing to the historic income inequality we experience today. If the minimum wage had kept up with worker productivity, it would be about $20 an hour today. Workers do not just deserve higher pay, they have earned higher pay.

Finally, by the time the minimum wage reaches $15 in 2024, an individual working full time with a family and two children will finally be able to earn enough to exceed the poverty threshold for a family of four.

We now have an opportunity and a responsibility to restore the value of the minimum wage, lift millions of hardworking people out of poverty and grow the economy in Main Street America.

The Raise the Wage Act achieve three key goals:

First, it gradually increases the minimum wage in six steps to $15 by 2024.

Second, it ensures that every worker covered under the law is paid at least the full Federal minimum wage by creating one fair wage for all workers.

And third, by tying future increases to median wages, this bill ensures that future increases to the Federal minimum wage are determined by economics, and not politics.

A report published this week by the Economic Policy Institute details the sweeping benefits this bill would have for workers across the country.

If we pass the Raise the Age Act, close to 40 million workers would receive a raise. This includes:

* Twenty-three million women,
* Thirty-eight percent of Black workers and 33 percent of Hispanic workers,
* Two-thirds of America's working poor, and
* The parents of over 14 million children.

This bill will also stimulate local economies across the country. Whereas the Republican tax bill gave the largest benefits to those who needed it the least, this bill puts money directly into the hands of those who are most likely to spend it in their communities. Over the 6-year phase in period, the increase in the minimum wage would generate $120 billion in additional wages, which will flow back into local businesses.

Every time we propose raising the minimum wage, opponents repeat a familiar set of taking points that have been repeatedly contradicted by evidence and research.

Today, I am confident we will hear dire projections about job losses that would result from gradually raising the minimum. But the overwhelming majority of research from both left-and right-leaning labor economists find few, if any jobs are lost when gradually raising the minimum wage. For example, a widely acclaimed study published by the National Bureau of Economic Research, and co-authored by one of our witnesses, examined 138 minimum wage increases since 1979 and 2016. This study found that the overall number of low-wage jobs remained essentially unchanged over 5 years following the increase, and there was no evidence of disemployment when considering higher levels of minimum wages.

The evidence clearly demonstrates the Raise the Wage Act is a reasonable proposal that would lift millions of workers out of poverty.

We will also hear calls today for a regional minimum wage.

But unfortunately, the reality is that by 2024 $15 an hour is the least a person would need to afford the basic essentials in anyplace in the country. According to the MIT living wage calculator, single working parents today, even in the poorest counties in the country, need at least $20 an hour to cover basic costs. Workers should not be forced to work for poverty-level wages, regardless of where they live. And lower-cost regions should not be forced to continue to lag behind the rest of our economy."

H.R. 582 will begin to restore the original intent of the Fair Labor Standards Act: to ensure all workers have a minimum living standard. As President Roosevelt Stated, "Our nation so richly endowed with natural resources and with a capable and industrious population should be able to devise ways and means of insuring to all our working men and women a fair day's pay for a fair day's work"

Today's hearing is an opportunity to examine the facts and evidence. Raising the minimum wage to $15 by 2024 in all regions is good for workers, good for businesses, and good for the economy. This hearing is the first step toward passing a bill that reflects our shared belief that no one working full-time should be living in poverty.

Thank you and I now yield to the Ranking Member, Dr. Foxx.

Ms. FOXX. That would be wonderful, Mr. Chairman. Thank you.

Chairman SCOTT. Thank you.

I will recognize the Ranking Member in just a second, but first I will introduce our witnesses for the first panel.

The Honorable Dr. William Spriggs serves as chief economist for the AFL–CIO and is a professor in and formerly chair of the Department of Economics at Howard University. Formerly, he served as Assistant Secretary for the Office of Policy at the U.S. Department of Labor.

Mr. Terrence Wise is a father of three who works for McDonald's. He has been fighting for $15 and a union for over 3 years and has become a voice for the movement, an inspiration for other low-wage workers. Mr. Wise has worked in the fast food industry since he was 16 years old and he hails from Kansas City, Missouri.

Mr. Douglas Holtz-Eakin is the president of American Action Forum. From 2003 to 2005, he was the sixth Director of the Congressional Budget Office. He has conducted extensive research in areas of applied economic policy, econometric methods, and entrepreneurship.

Dr. Ben Zipperer is an economist with the nonpartisan Economic Policy Institute. His areas of expertise include the minimum wage, inequality, and low-wage labor markets. He has published research in widely respected publications, including the Industrial and Labor Relations Review and the National Bureau of Economic Research.

I appreciate all of the witnesses for being here and look forward to your testimony. Let me remind the witnesses that we have read your testimony and they will appear in full in the record.

Pursuant to committee rule 7(d) and the committee practice, each of you is asked to limit your oral presentation to 5 minutes. Let me remind the witnesses that pursuant to Title 18 of U.S. Code Section 1001, it is illegal to knowingly and willfully falsify any Statement, representation, writing, document, or material fact presented to Congress or otherwise conceal or cover up a material fact.

Before you begin your testimony, please remember to press the button on your microphone in front of you so that the light will

turn on and the members can hear you. As you speak, the light in front of you will turn green. After 4 minutes, it will turn yellow, indicating that you have 1 minute remaining. When it turns red, I would ask you to please wrap up your testimony.

We will let the entire panel make presentations before we move to member questions. When answering a question, please remember, once again, to turn your microphone on.

And before the witnesses, do you want to speak now?

Ms. FOXX. Yes.

Chairman SCOTT. Before the witnesses speak, I will recognize the distinguished Ranking Member, Dr. Foxx.

Ms. FOXX. Thank you, Mr. Chairman. And I apologize for being a little late. Many of us went to the National Prayer Breakfast this morning, and it went a little longer than usual. So we were a little slow in getting back. And I apologize. I promise you, I would not be late for a less worthy cause.

Over the last several years, the far left has begun to call for extreme social policies that were until recently considered too radical for the mainstream. But as the far left has become more frenetic, they have begun to demand headline-grabbing but unworkable policies, like free college, universal health care, and a more than doubling of the Federal minimum wage from $7.25 an hour to $15 an hour.

Liberal activists are trying to sell a radical minimum wage hike as a benefit to working-class Americans. They claim it will redistribute wealth and provide poor Americans with a, quote, "living wage," end quote. This is an empty promise, the likes of which we have not heard since the famous health care sales job of 2009: If you like the plan you have, you can keep it.

Raising the Federal minimum wage to $15 will not help anyone make ends meet. It will redistribute poverty, eliminate jobs, and deeply harm American workers, businesses, and the U.S. economy at large.

When the comparatively less extreme proposal of a Federal minimum wage hike to $10.10 was on the table in 2014, the nonpartisan Congressional Budget Office estimated that the difference, $2.85, would cost 500,000 jobs and could have destroyed up to a million jobs.

The CBO has yet to determine what the $7.75 hike under discussion today would do, but logic follows that the consequences for workers and small businesses would be even more severe.

Economists, including those who have graciously given us so much of their time today, can provide the numbers and projections and graphs we all need to see to have an informed discussion.

But we must keep in mind that we are talking about people. We are talking about the very people that Members of Congress on both sides of the aisle claim they want to serve. Workers in entry level jobs, workers without a GED or skill certificate, and tipped employees would bear the brunt of job losses caused by this mandate.

A recent study by the National Federation of Independent Business found that raising the minimum wage to $15 would destroy 1.6 million jobs and 615,000 able-bodied individuals would be pushed out of the work force by the year 2029. This is not the fu-

ture Americans want, and they deserve to know the truth behind the talking point.

More than half of the private sector work force goes to work each day at a small business, and these are the workplaces that would struggle the most under this mandate. Many job creators would be forced to reduce workers' hours, let employees go, or close their doors for good. It would also lead to accelerated workplace automation, something many Democrats oppose.

The NFIB study also found that raising the minimum wage to $15 an hour would result in a $2 trillion reduction in real economic output, a $980 billion reduction in real GDP, and a $103 billion reduction in personal disposable income.

The title of this hearing aims to focus this discussion on the impact this mandate would have on workers, businesses, and the economy. It conveniently leaves out students—and with good reason. Eighty-three percent of economists agree that raising the minimum wage to $15 an hour would have a negative impact on youth employment.

According to the Bureau of Labor Statistics, 2.3 percent of hourly workers are paid at or below minimum wage—2.3 percent of hourly workers are paid at or below minimum wage. Almost half of those workers are under the age of 25. These are individuals at the start of their careers or filling part-time or summer jobs.

With the Democrats' proposal, we run the risk of seeing these types of jobs eliminated altogether. That means even fewer young Americans will leave educational institutions or join the work force with minimal work experience.

Not every kid is lucky enough to have a parent who pays for his or her cell phone and other expenses. We need to give them a chance to build their skills, build a life, and hope that someday very soon they run for Congress.

Since January 2017, the number of job opportunities available across the country has swelled from 5.6 million to more than 7 million. And thanks to the Republican Tax Cuts and Jobs Act, wages are up and experiencing sustainable, organic growth.

We want that strong economic growth to continue. Mandating a $15 minimum wage would have serious negative consequences for students, workers, and small businesses.

I yield back, Mr. Chairman, and thank you again for your patience.

[The statement of Mrs. Foxx follows:]

Prepared Statement of Hon. Virginia Foxx, Ranking Member, Committee on Education and Labor

Over the last several years, the far-left has begun to call for extreme social policies that were, until recently, considered too radical for the mainstream. But as the far-left has become more frenetic, they have begun to demand headline-grabbing but unworkable policies like free college, universal health care, and a more than doubling of the Federal minimum wage from $7.25 an hour to $15 an hour.

Liberal activists are trying to sell a radical minimum wage hike as a benefit to working class Americans. They claim that it will redistribute wealth and provide poor Americans with a "living wage." This is an empty promise the likes of which we have not heard since the famous healthcare sales job of 2009: "if you like the plan you have, you can keep it." Raising the Federal minimum wage to $15 will not help anyone make ends meet. It will redistribute poverty, eliminate jobs, and deeply harm American workers, businesses, and the U.S. economy at large.

When the comparatively less-extreme proposal of a Federal minimum wage hike to $10.10 was on the table in 2014, the nonpartisan Congressional Budget Office estimated that the difference—$2.85—would cost 500,000 jobs and could have destroyed up to 1 million jobs. The CBO has yet to determine what the $7.75 hike under discussion today would do, but logic follows that the consequences for workers and small businesses would be even more severe.

Economists, including those who have graciously given us so much of their time today, can provide the numbers and projections and graphs we all need to see to have an informed discussion. But we must keep in mind that we're talking about people. We're talking about the very people that Members of Congress on both sides of the aisle claim they want to serve. Workers in entry-level jobs, workers without a GED or skills certificate, and tipped employees would bear the brunt of job losses caused by this mandate.

A recent study by the National Federation of Independent Business found that raising the minimum wage to $15 would destroy 1.6 million jobs, and 615,000 able-bodied individuals would be pushed out of the work force by the year 2029. This is not the future Americans want, and they deserve to know the truth behind the talking point.

More than half of the private sector work force goes to work each day at a small business, and these are the workplaces that would struggle the most under this mandate. Many job creators would be forced to reduce workers' hours, let employees go, or close their doors for good. It would also lead to accelerated workplace automation, something that many Democrats oppose.

The NFIB study also found that raising the minimum wage to $15 an hour would result in a $2 trillion reduction in real economic output, a $980 billion reduction in real GDP, and a $103 billion reduction in personal disposable income.

The title of this hearing aims to focus this discussion on the impact this mandate would have on workers, businesses, and the economy. It conveniently leaves out students, and with good reason. Eighty-three percent of economists agree that raising the minimum wage to $15 an hour would have a negative impact on youth employment.

According to the Bureau of Labor Statistics, 2.3 percent of hourly workers are paid at or below minimum wage. Almost half of those workers are under the age of 25. These are individuals at the start of their careers or filling part-time or summer jobs. With the Democrats' proposal, we run the risk of seeing these types of jobs eliminated altogether. That means even fewer young Americans will leave educational institutions or join the work force with minimal work experience.

Not every kid is lucky enough to have a parent who pays for his or her cell phone and other expenses. We need to give them the chance to build their skills, build a life, and hope that someday very soon, they run for Congress.

Since January 2017, the number of job opportunities available across the country has swelled from 5.6 million to more than 7 million. And thanks to the Republican Tax Cuts and Jobs Act, wages are up and experiencing sustainable, organic growth.

We want that strong economic growth to continue. Mandating a $15 minimum wage would have serious negative consequences for students, workers, and small businesses.

Chairman SCOTT. Thank you very much.

We will now hear from Dr. Spriggs.

STATEMENT OF THE HONORABLE WILLIAM E. SPRIGGS, PROFESSOR, DEPARTMENT OF ECONOMICS, AND CHIEF ECONOMIST, HOWARD UNIVERSITY AND AFL–CIO, WASHINGTON, DC

Dr. SPRIGGS. Thank you, Chair and Ranking Member Foxx and members of the committee, for the opportunity to testify before the committee today on gradually raising the Federal minimum wage.

I am pleased to offer this testimony on behalf of the AFL–CIO, America's house of labor, representing the working people of the United States, and based on my expertise as a professor in Howard University's Department of Economics and as a former Assistant Secretary for Policy in the Department of Labor.

I want to start by stating clearly that the AFL–CIO endorses this legislation.

The response of American policymakers from the Great Depression was more than stopping the economic slide. The policy concern was that the Great Depression launched a downward spiral in wages and prices, a deflation that stunted economic recovery.

Many of the policies that were put in place back then assured the Great Recession would not repeat the Great Depression. Unemployment insurance and Social Security proved essential stopgaps to the slide in household incomes in 2008 and 2009.

Today, despite record job growth over a record period, the response of wages has been stingy. Productivity continues to grow, but wages have struggled to stay ahead of very modest inflation. The result is labor's share of income continues to slide. America needs a raise.

What Congress and President Roosevelt did in the face of the Great Depression was to reforge and perfect our Union, just as Abraham Lincoln and the Republican Party perfected the American Union by ending slavery. A New Deal was struck to ensure that a government of the people could be for the people. Going forward, a new American value would be enshrined: Work would have dignity and working hard would pay.

It is a little over 9 years since Congress has raised the minimum wage, as the chair mentioned. It is time for a raise.

Since 1938, Congress expanded coverage and improved standards of the original bill. It created a healthy and expanding economy. Those original components in the 1938 bill had exemptions that, however, were not benign. They have had long-lasting effects in creating substantial racial and gender inequalities.

The reason for those initial exclusions of agricultural workers and domestics was so specific to the South in the 1930's and 1940's because 57 percent of America's farm population lived in the South and 51 percent of its agricultural workers were African American.

The reason the exclusion was so devastating to African Americans is that from 1930 to 1940, 40 percent of Southern Blacks were in agriculture. Because many Latino workers at the time in the Southwest were agricultural workers, this also hurt Latino workers.

This same Southern exceptionalism argument was raised in the fight for the Fair Labor Standards Act, except in the guise of a regional wage variation.

The Fair Labor Standards Act passed in 1938 under President Roosevelt established a minimum wage of $0.25 an hour effective October 24, 1938. The act called for minimum wage to increase to $0.40 an hour October 1945. Raises since then have required amendments to the act.

Early votes on raising the minimum wage showed the national consensus on raising the wage and the importance of maintaining a decent floor of wages. That first increase, the biggest increase in the raise of the minimum wage of 87 percent, was approved by 90 percent—90 percent—of House Republicans.

To fix the gap that was caused by excluding agricultural workers and domestic workers, in 1966 House Republicans voted 60 percent to close that gap and raise the wage. That was the biggest raise

when you look at the workers who have been excluded, agricultural workers who predominantly lived in the rural South.

Congress' purpose was to prevent competition based on lowering wage cost. It was to ensure that we would do this based on competition, on rising productivity.

You have a chance here to live up to the legacy of Congresswoman Mary Norton, the first Democrat woman in Congress who chaired this committee, the first woman to chair this committee, who forged ahead on this legislation, to make sure that all workers would rise, there would not be a regional differentiation.

You have the chance to live up to the legacy of Adam Clayton Powell, the first African American to chair this committee, to extend the coverage to agricultural and domestic workers.

You have the opportunity to live up to the legacy of Congresswoman Shirley Chisholm, the first African American woman to serve in Congress, who made sure that domestic workers would see coverage.

You have a chance to return the minimum wage to a decent wage that enshrines American values that work will pay, that all workers will have dignity. This act gives you that opportunity to fulfill that legacy.

[The statement of Dr. Spriggs follows:]

Statement of William E. Spriggs

"The Recurring Struggle of the Minimum Wage"

testimony prepared for the

U.S. House of Representatives Education and Labor Committee

116th Congress, First Session

Hearing on

Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy

February 7, 2019

Thank you for the invitation to testify before your committee regarding the *Raise the Wage Act* (H.R. 582), legislation to raise the federal minimum wage. I am pleased to offer this testimony on behalf of the AFL-CIO, America's house of labor, representing the working people of the United States; and based on my expertise as a professor in Howard University's Department of Economics and as a former Assistant Secretary for Policy in the Department of Labor. I want to state clearly that the AFL-CIO endorses this legislation.

It is a little over nine and one-half years since Congress raised the federal minimum wage--the second longest period since the Fair Labor Standards Act of 1938 became law. If by June 15, Congress does not act, the record will be broken. Today, my testimony will recall the history of the passage of the Federal Labor Standards Act. I will draw particular attention to the lengthy debates driven by racial animus from Southern Democrats to understand disparities created by the compromises made to pass that legislation in 1938. In addition, I discuss why the Civil Rights community of that era objected to regional minimum wages. Since then, Congress has expanded coverage and improved standards, and those improvements helped create a healthy expanding economy. The erosion of those standards on wages, overtime protection and the right to collective bargaining have made it harder for the U.S. economy to deliver rising living standards for all Americans.

Those original compromises, however, were not benign. They have had long lasting impacts in creating substantial racial and gender inequalities. Before the FLSA became law, many of those compromises had already become the framework of labor law protections; first in the passage of the National Labor Relations Act and the Social Security Act in 1935. One of

those compromises, fought ardently by the Civil Rights movement of that era, was the exclusion of agricultural and most service workers, especially domestics, from labor law protections. Those exclusions, argued for by Southern Democrats with heightened animus toward African Americans, lowered labor standards in the South by excluding a large share of its workforce; and of course, reinforced the ugly racial norms of the South by locking out African American workers from protections under these federal laws. The reason this exclusion was so specific to the South is that during the 1930 to 1940 period, 57 percent of America's farm population lived in the South, and 51 percent of its agricultural workers were African American. The reason the exclusion was so devastating to African Americans is that from 1930 to 1940, the share of Southern Blacks in agriculture and domestic service was over 40 percent; during a period many Blacks migrated out of the South.[1] Because many Latino workers were agricultural workers at the time, this also hurt Latino workers. This same Southern exceptionalism argument was raised in the fight for the FLSA, but instead in the guise of regional wage variations that had been promoted within a predecessor law--the National Industrial Recovery Act. But, on the issue of regional minimum wages, the Civil Rights community would prevail, and single federal minimum wage became law. It is one of the victories that made the New Deal an equalizing force.

I. Understanding the Context of the FLSA

The Great Depression put downward pressure on wages and prices, and the continued threat of deflation was understood as a problem in creating a sustained recovery. An early attempt to boost wages, the National Industrial Recovery Act, passed in 1933 was ruled unconstitutional in 1935. That Act included a wage setting mechanism to prevent the continued downward spiral in wages, and demand. Originally Southern Democrats argued for racially disparate wage standards but compromised to instead have regional and occupational standards that could have the effect of maintaining racial disparities. The Fair Labor Standards Act of 1938 was successful in addressing the Constitutional issues raised by the National Recovery Administration, establishing a floor for wages, establishing a regular work week by mandating over-time wage rates and prohibited the use of child labor.

[1] Sean Farhang and Ira Katznelson, "The Southern Imposition: Congress and Labor in the New Deal and Fair Deal," *Studies in Amer. Political Dev.* 19 (Spring 2005), 15.

The Fair Labor Standards Act (FLSA), passed in June 1938 under President Roosevelt, established a minimum wage of $0.25 an hour, effective October 24, 1938. The Act called for the minimum wage to reach $0.40 an hour by October 25, 1945. Raises since then have required amendments to the Act. Raising the minimum wage is not something Congress has done lightly. Since June 1938, Congress has voted only nine times to raise the minimum wage. Yet, the early votes on raising the minimum wage showed the national consensus on the importance of the minimum wage and the need to maintain a decent floor for wages.

Congressional Votes to Raise the Minimum Wage

Year	President	House Republicans' Pct. Yeas	Pct. Increase in Minimum Wage
2007	George W. Bush	41.41%	40.78%
1996	Bill Clinton	40.26%	21.18%
1989	George H. W. Bush	79.40%	26.90%
1977	Jimmy Carter	12.10%	45.70%
1974	Richard Nixon	85.60%	43.80%
1966	Lyndon Johnson	60.50%	28.00%
1961	John Kennedy	19.30%	25.00%
1955	Dwight Eisenhower	87.20%	33.30%
1949	Harry Truman	91.40%	87.50%

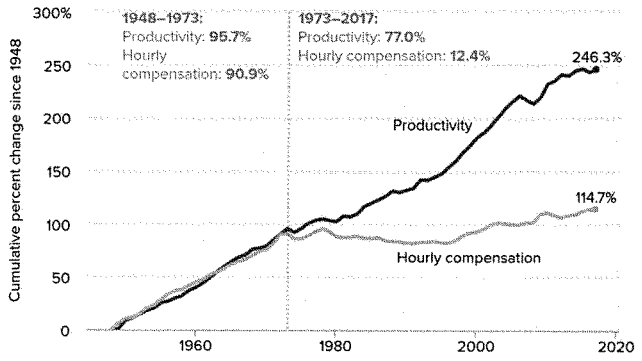
Except for the minimum wage raises under Presidents Kennedy and Jimmy Carter, in its first 51 years raising the minimum wage was viewed as a bi-partisan matter—receiving strong support from House Republicans and Democrats. Most notably, in 1949, the first update to the FLSA, over 90 percent of the House Republicans voted for the largest percent increase in the minimum wage Congress has passed. Republicans and Democrats as President have signed laws increasing the minimum wage.

It would be just as easy to suggest that since 1977, the minimum wage has become a contentious issue, and the old bi-partisan coalition aimed at insuring a decent wage for all workers has faded into a partisan battle. The Post World War II view of protecting the purchasing power of workers on a bipartisan basis, both through meaningful labor standards and protecting unions has been lost. An economy that use to deliver rising wages based on rising productivity has given way to stagnant wages and a growing gap between wages and productivity (Figure 1) and higher levels of unemployment (Figure 2).

Figure 1

The gap between productivity and a typical worker's compensation has increased dramatically since 1973

Productivity growth and hourly compensation growth, 1948–2017

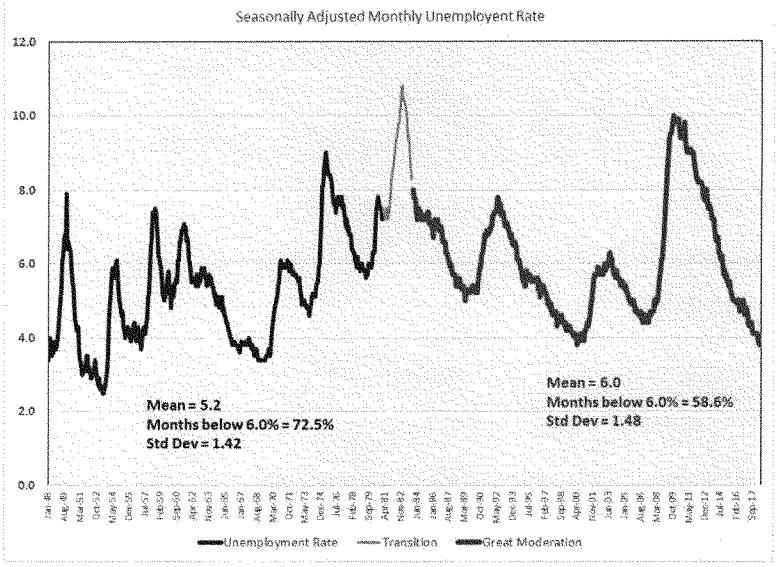


Notes: Data are for compensation (wages and benefits) of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

Source: EPI analysis of unpublished Total Economy Productivity data from Bureau of Labor Statistics (BLS) Labor Productivity and Costs program, wage data from the BLS Current Employment Statistics, BLS Employment Cost Trends, BLS Consumer Price Index, and Bureau of Economic Analysis National Income and Product Accounts

Updated from Figure A in *Raising America's Pay: Why It's Our Central Economic Policy Challenge*

Figure 2



In revisiting how the minimum wage in the FLSA took shape, the preamble to the FLSA of 1938 tells us how Congress viewed the economic problem:

> (a) The Congress hereby finds that the existence, in industries engaged in commerce or in the production of goods for commerce, of labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general wellbeing of workers (1) causes commerce and the channels and instrumentalities of commerce to be used to spread and perpetuate such labor conditions among the workers of the several States; (2) burdens commerce and the free flow of goods in commerce; (3) constitutes an unfair method of competition in commerce; (4) leads to labor disputes burdening and obstructing commerce and the free flow of goods in commerce; and (5) interferes with the orderly and fair marketing of goods in commerce.
>
> (b) It is hereby declared to be the policy of this Act, through the exercise by Congress of its power to regulate commerce among the several States, to correct and as rapidly as practicable, to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power.[2]

[2] Act of June 25, 1938 (Fair Labor Standards Act), Pub. L. 75-718, 52 Stat 1060, June 25, 1938, p. 1060 https://www.loc.gov/law/help/statutes-at-large/75th-congress/session-3/c75s3ch676.pdf

Congress' purpose was to prevent competition based on lowering wage costs, based on the understanding that the uneven bargaining power between workers and employers could lead to workers accepting wages too low to maintain a decent standard of living. Testimony heard by Congress, including from business owners, argued that such competition hurt the economy by lowering purchasing power, and let firms profit by increasing demand for government relief. Lengthy testimony was given by Isadore Lubin, Commissioner of the U.S. Bureau of Labor Statistics on an extensive study of lower wage working American families to understand their living conditions. Special focus was given to whether the wages of the workers allowed them to buy the minimal recommended diet, and to access basic needs like indoor plumbing and electricity. Here, is one of Commisioner Lubin's key findings:

> "Food is the most indispensable factor in the family budget. The average family spends about one-third of its income on food. This means about $8 a week for an average family of four persons. Now, what can the worker's family get for its $8? We find that the market basket is heavily weighted with flour, potatoes, bread, and pork. It is only as family incomes increase that they can enjoy the luxury of green vegetables and fresh fruits, a greater variety of meats and larger quantities of milk and eggs. Despite the importance of milk to the health of our youngsters, let us not forget that 4 out of every 10 families consume less than 2 quarts of milk per person per week. The fact is that when we compare the amount of money spent for food by families of employed workers, with the retail cost of the items that are necessary to maintain a minimum adequate diet, we find that in some cities a third of the employed workers' families do not have enough money to buy the foods that are necessary for minimum adequate diet."

The study also pointed to understanding how a boost in the wages of those workers would translate into increased demand for clothing, and thus demand for textile workers.[3] The close attention to wages that would boost workers to a standard of living to meet basic needs, explains why during the Post World War II consensus the federal minimum wage could support a family above poverty. It is only when the minimum wage became a partisan issue in the 1980s that the minimum wage lost its relationship to living standards (Figure 3). Since 1980, the once strong relationship between an expanding economy, falling unemployment and lower poverty levels became weak. Improvements in the living standards of lower income working families no longer comes from work, but from transfers, primarily through Medicaid and Medicare. The expansion of the 1980s made little progress on lowering poverty, as did the expansion from 2001 to 2008.

[3] Statement of Isadore Lubin, Fair Labor Standards Act of 1937: Joint Hearings Committee on Education and Labor, United States Senate, and the Committee on Labor, House of Representatives, Seventy-Fifth Congress First Session, on S. 2475 And H. R.7200, Bills To Provide For the Establishment of Labor Standards in Employments in and Affecting Interstate Commerce and for Other Purposes (Part 1 of 3), June 2 To June 5, 1937. Pages 309-363.

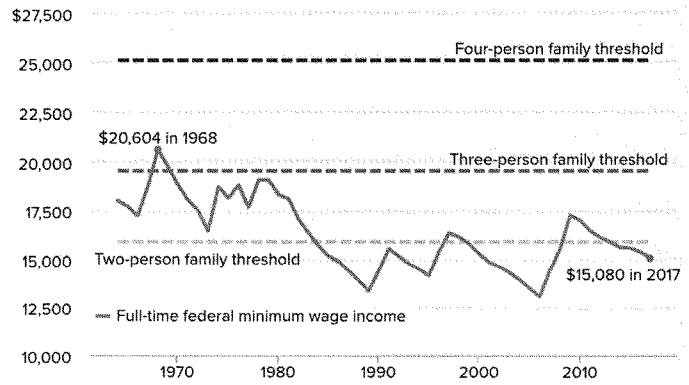
The notable exception was the 1990s. The expansion since the Great Recession has only lowered poverty rates since record months of job growth were first reached in 2015 and five states raised their state minimum wage laws so for the first time ever, over half the states were above the federal $7.25 an hour minimum wage (Figure 4).

Economic research suggests a significant portion of wage inequality that grew in the 1980s between earners at the bottom ten percent of the wage distribution and median wage earners was because the federal minimum wage was unchanged between 1981 and 1990.[4] Further, declines in the purchasing power of the minimum wage are also significant in explaining the growth in overall income inequality, as measured by the Gini coefficient, a broad measure of income inequality.[5]

Figure 3

The federal minimum wage is currently a poverty wage

Annual wage income for a full-time federal minimum wage worker compared with various poverty thresholds (2017$), 1964-2017

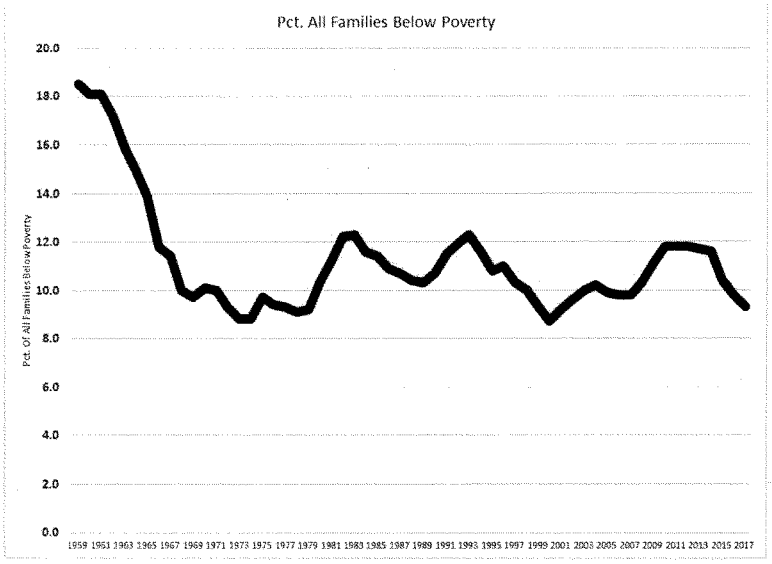


Source: Economic Policy Institute https://www.epi.org/publication/the-erosion-of-the-federal-minimum-wage-has-increased-poverty-especially-for-black-and-hispanic-families/

4. David H. Autor, Alan Manning & Christopher L. Smith, The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment, 8 Am. Econ. J. Applied Econ. 58 (2016); John DiNardo, Nicole M. Fortin & Thomas Lemieux, Labor Market Institutions and the Distribution of Wages, 1973—1992: A Semiparametric Approach, 64 Econometrica 1001 (2016); David S. Lee, Wage Inequality in the United States During the 1980s: Rising Dispersion or Falling Minimum Wage?, 114 Q.J. of Econ. 977 (1999).

5. FLORENCE JAUMOTTE & CAROLINA OSORIO BUITRON, INT'L MONETARY FUND, INEQ. AND LAB. MKT. INST. (2015), https://www.imf.org/external/pubs/ft/sdn/2015/sdn1514.pdf; Evelyn Lamb, *Ask Gini: How to Measure Inequality*, SCI. AM. (Nov. 12, 2012), https://www.scientificamerican.com/article/ask-gini/.

Figure 4



II. Issues in Passing the Federal Labor Standards Act

A key issue argued in the hearings in 1937, was to address the proposal of regional variation in the minimum wage. The careful testimony of Robert Johnson, the president of Johnson & Johnson was very telling. His company, the maker of surgical dressings like bandages and gauze, owned and operated textile mills in the North and the South. This gave Johnson a clear knowledge of the implication of letting the minimum wage be lower in the South. Yet, he was clear that the wage needed to be a federal wage. First, it is important to note that this corporate president understood the fallacy of wages designed to lower costs and the needs of the economy to have a vibrant market place gained through well paid workers could not be aligned.

> "The prosperity of all American industry and commerce rests in the final analysis of the buying power of the masses and therefore we have a direct and selfish interest in the welfare of these people. Of course, it is difficult for men who are devoting every hour of their lives to the development of a private business to see clearly the relation between the prosperity of their own business and the prosperity of the Nation as a whole. .... Liberal-

> minded business leaders throughout the country believe in the principle of shorter hours and higher wages and while some years ago the number of such men was unfortunately too few, today their ranks are being augmented each week."[6]

Johnson, as did others, questioned whether we had areas of low cost living, or areas of low wages. His view was the nation's economy could only be healthy by raising the wages and the living standards everywhere. His testimony was explicit about differences in his mills in the South and the North and how overall costs varied because of the quality of machines and the efficiency of management.

Yet, a subtext in the discussion arguing for regional cost of living adjustments was open discussion of whether costs of living differed by race, as the concept of sub-minimums confused being low-income with low costs-of-living. Here was an exchange between BLS Commissioner Lubin and Congressman Ramspeck (D-GA):

> "Representative Ramspeck: What is the idea of this comparison of the white and colored wages here in your chart?
>
> Mr. Lubin: Those are not wages. They are actual family income. In making a study of the cost of living in those areas where the colored population was an important part of the population we made studies of both the black families and the white families.
>
> Representative Ramspeck: Did you find any difference in the cost of living?
>
> Mr. Lubin: The actual cost of living?
>
> Representative Ramspeck: Yes.
>
> Mr. Lubin. Well, they both pay about the same price for a loaf of bread, they both pay the same price for the same suit of clothes, they both pay the same price for the same pair of shoes. In terms of the prices they paid for the things they bought they had to pay the same prices as the white people.
>
> Representative Ramspeck. What about the rents?
>
> Mr. Lubin. For the same kind of a house that the white families got they had to pay the same rent."[7]

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[6] Statement of Robert Johnson, President of Johnson & Johnson, FAIR LABOR STANDARDS ACT OF 1937: JOINT HEARINGS COMMITTEE ON EDUCATION AND LABOR UNITED STATES SENATE AND THE COMMITTEE ON LABOR HOUSE OF REPRESENTATIVES SEVENTY-FIFTH CONGRESS FIRST SESSION BEFORE THE ON S. 24.75 and H. R. 7200 BILLS TO PROVIDE FOR THE ESTABLISHMEN LABOR STANDARDS IN EMPLOYMENTS IN AND AFFECTING INTERSTATE COMMERCECE AND FOR OTHER PURPOSES (PART 1 to 3) JUNE 2 to June 5, 1937. Pages 91-125

[7] FAIR LABOR STANDARDS ACT JOINT HEARINGS, P. 349

In the floor debate, Southern Democrats were clear on their fear that equal treatment of white and African American workers would threaten the subordinate role of African Americans in the South. Representative Edward Cox (D-GA) stated:

> "...organized Negro groups of the country are supporting [the FLSA] because it will . . . render easier the elimination and disappearance of racial and social distinctions, and . . . throw into the political field the determination of the standards and the customs which shall determine the relationship of our various groups of people in the South."[8]

The initial proposal for the Fair Labor Standards Act followed the framework established by the NIRA. The NIRA allowed for wages to be set by occupation and region. The Civil Rights community feared the FLSA continuing that pattern by including regional and occupation, because the NRA wage codes repeatedly pushed back wages for Black workers.

The frustration with the New Deal and protections for African American workers came from battles over the NLRA and Social Security.[9] Southern firms lobbied to pay different wages by race under the NIRA.[10] While encoding a racial wage difference was rejected in drafting language for NIRA, the Act did adopt occupation and regional categories for wages that netted a disproportionate effect similar to that of the racial categories.[11] The experience of NIRA showed that Southern Democrats would cooperate with the New Deal if it did not threaten racial order in the South.[12] The compromise reached with the Social Security Act to create a new federal income insurance program at the price of excluding a disproportionate share of African American workers was one that had already been reached with the passage of NIRA.[13]

Yet, African American leaders voiced strong opposition to the disparate impacts of the Social Security Act and other provisions of the New Deal.[14] Ira De A. Reid, of the National

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[8] *Congressional Record,* 75th Cong., 2nd sess., 1937, 82:442 (appendix) as quoted by Farhang and Katznelson, *supra* at note 1.

9. Editorial, *Social Security—For White Folk*, 42 CRISIS 80 (1935; Juan F. Perea, *The Echoes of Slavery: Recognizing the Racist Origins of the Agricultural and Domestic Worker Exclusion from the National Labor Relations Act*, 72 OHIO ST. L.J. 104-105 (2011).

10. *Id.*

11. *Id.* at 104–06.

12. *Id.* at 99.

13. *Id.* at 125; *see also* Ira Katznelson, Kim Geiger & Daniel Kryder, *Limiting Liberalism: The Southern Veto in Congress, 1933–1950*, 108 POL. SCI. Q. 283, 284–85 (1993) (mapping the political compromises made by Democrats through legislative veto). Richard Rodems & H. Luke Shaefer, *Left Out: Policy Diffusion and the Exclusion of Black Workers from Unemployment Insurance*, 40 Soc. Sci. Hist. 385, 388 (2016); Larry DeWitt, *The Decision to Exclude Agricultural and Domestic Workers from the 1935 Social Security Act*, 70 Soc. Security Bull. 49, 52 (2010); Gareth Davies & Martha Derthick, *Race and Social Welfare Policy: The Social Security Act of 1935*, 112 Pol. Sci. Q. 217, 217 (1997).

14. Raymond Wolters, *The New Deal and the Negro*, *in* THE NEW DEAL 175 (John Braeman, Robert H. Bremmer

Urban League, doubted the willingness of the National Recovery Administration to break the Southern "code" or racial wage disparities.[15] George Edmund Haynes, who had helped co-found the National Urban League, testified to the United States Senate and House on the Social Security Act, pointing to the disparate impact of giving states responsibility for administering unemployment insurance and Aid to Families with Dependent Children provisions and to the disparate impact of the exclusion of agricultural and domestic workers from Social Security's benefits.[16] His piece, *Lily-White Social Security*, for the NAACP's magazine *Crisis*, clearly showed his view about these exclusions.[17] Charles Hamilton Houston, head of the NAACP Legal Defense Fund (LDF), testified before the United States House on behalf of the NAACP LDF and the NAACP, making points about the disparate share of African Americans who would be excluded because they were either sharecroppers, and therefore not employees under the Act, agricultural workers, or domestics.[18] He further argued that the low pay earned by African Americans made tying benefits to wages a double penalty for African American workers who faced wage discrimination on the job.[19] The NAACP's editorial on the Act, put it simply as *Social Security—for White Folk.*[20]

The Joint Hearings on the Fair Labor Standards Act heard testimony from John P. Davis, of the National Negro Congress, explaining how the NRA occupation titles and geographic divisions were drawn arbitrarily to create racial wage gaps. Here is what Davis testified:

> "I have had a deal of experience with the N. R. A. I have carefully studied its several hundred codes. I appeared at more than a hundred of its code hearings. I studied in the field the effects of scores of these codes on Negro workers; and I wish now briefly to give to this committee the benefit of that experience. In the period of N. R. A. code hearings Negro workers were helpless to defend themselves against demands made, especially by representatives of southern industry, for longer hours and lower wages for those occupations, industries, and geographical divisions of industries in which the predominant, labor supply was Negro. Unorganized and without perceptible collective-bargaining power, the Negro worker was soon singled out by pressure groups of employers as the legitimate victim for all manner of various differentials.

& David Brody eds., 1975) (discussing criticism of the New Deal and several of its programs by the NAACP and other African American leaders).

[15] Ira De A. Reid, "Black Wages for Black Men," OPPORTUNITY 12 (March 1934) 78.

16. Economic Security Act: Hearings on H.R. 4120 Before the H. Comm. on Ways and Means, 74th Cong. 108 (1935).

17. George Edmund Haynes, *Lily-White Social Security*, 42 CRISIS 85 (1935).

18. Perea, *supra*, note 9 at 112–13.

19. *Id.*

20. Editorial, *Social Security– For White Folk*, 42 CRISIS 80 (1935).

> In some 670 N. R. A. codes four major types of differentials were created. The first was the occupational differential established in the cotton textile code. Outside crews and cleaners were first denied the benefits of a minimum-wage or maximum-hours provision and later, after much pressure, granted a wage of $3 a week less than the $12 a week minimum wage for the South. This differential bore no relationship to previously existing wage scales for the industry between this group of workers and other textile workers. The only reason for it was that most of the workers in this occupation were Negro and were unorganized. The occupational differential was used as a device to discriminate against scores of thousands of Negro workers in some 60 industries.
>
> The next type of differential adopted in N. R. A. codes was that of the geographical differential. The fallacious reasoning was that it cost less to live in the South. But an examination of N. R. A. codes reveals the blunt fact that this differential was used primarily to deny benefits of minimum wages to Negro workers. First of all, the dividing line between the North and South varied from code to code, depending on the geographical location of the industry and the number of Negro workers employed in any particular area. In the fertilizer industry 94 percent of the labor supply is Negro. The State of Delaware was defined in this code to be in the South, where it was said it cost less to live and where, therefore, lower wages could be paid. But in 669 other codes Delaware was said to be in the North and subject to higher wage minima. ...
>
> You referred, Congressman Dunn, to the steel industry, and to the Jones-Laughlin plant. Now, that the workers have collective bargaining, with Negro members in the union, collective bargaining will take care of the wage scales, without the aid of legislation. The organized workers will see to that. But in the N. R. A. code, in the steel industry, you had precisely this situation: Some 81 percent of the workers in the steel industry in Jefferson County, Ala., are Negro, and the percentages are rapidly, decreasing as you go further north. If you study the steel code which was adopted and which was in force during the N. R. A., you will see that a wage differential was directed against Jefferson County, Ala. They had some 12 or 16 of such geographical divisions graded precisely on the basis of the number of Negro workers in the several areas. ...
>
> In these facts there rests a warning. Poverty is a highly contagious disease. Once you permit employer-pressure groups to secure exemptions and differentials affecting half a million Negro workers, you will find that the very exploitative conditions you hope to cure by this bill will not be cured. Instead, the growing impoverishment of Negro workers will be the ugly cancer preventing the improvement of the lot of a much larger number of white workers."[21]

Davis feared the lobbying power of those who relied on Black labor to extend exemptions. Perhaps the most blatant were the several voices heard by the Joint Committee Hearing on the Fair Labor Standards Act from the turpentine industry. From the 1880s, the turpentine industry was notorious for its use of forced labor and the violation of peonage laws. Several federal investigations led to convictions of turpentine mill camp owners for violation of

[21] FAIR LABOR STANDARDS ACT JOINT HEARING, p. 571-574.

peonage laws.[22] Of course, all members of the committee were not naïve to the reputation of that industry as we can see from this exchange:

> "Representative Wood: Do you know anything about the turpentine business in Florida? Do you represent them too?
>
> Mr. Langdale: Yes; I represent them through the belt.
>
> Representative Wood: I understood they took the Negroes off the train there and arrested them for vagrancy and forced them to work on the turpentine farm. Do you know anything about that?
>
> Mr. Langdale: No, sir; I do not know that. As I say, my association represents the producers over the entire belt.
>
> Representative Wood: Do you know of any practice like that?
>
> Mr. Langdale: No, sir
>
> Representative Wood: Do you know of it ever having been done?
>
> Mr. Langdale: In Florida?
>
> Representative Wood: Take the Negro and white men sometimes off the train, arrest them for vagrancy, and force them to work on the turpentine farm?
>
> Mr. Langdale: I am sure that is not done, because if they are convicted they would be sent to the penitentiary, or some place, and they would have to work on the roads.
>
> Representative Wood: This is just vagrancy, they are not going to the penitentiary for vagrancy.
>
> Mr. Langdale: No, sir; they could not do that in Florida. I know that is not done in Florida.
>
> Representative Wood: You do not know anything about that?
>
> Mr. Langdale: I am sure that is not done, though."[23]

Davis echoed sentiments from the Black community overall, that too much of the New Deal efforts excluded protections for Black workers. H.J. Ford, who also testified to the Joint Committee Hearing on the Fair Labor Standards Act, also felt the NRA ended up with racial wage differences. Ford would conclude his remarks to the Hearing:

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[22] Jerrell H. Shofner, Forced Labor in the Florida Forests 1880-1950, JOURNAL OF FOREST HISTORY 25 (January 1981): 14-25. Aaron Kyle Reynolds, A LONG QUAVERING CHANT: PEONAGE LABOR CAMPS IN THE RURAL-INDUSTRIAL SOUTH 1905-1965, Ph.D. Dissertation, University of Texas-Austin, (May 2013). Robert N. Lauriault, From Can't to Can't: The North Florida Turpentine Camp, 1900-1950, THE FLORIDA HISTORICAL QUARTERLY 67 (January 1989): 310-328.

[23] FAIR LABOR STANDARDS JOINT HEARING, p. 1036-1037.

"We suggest that there be no geographical or sectional wage differentials or no employee class differentials based on race or color."[24]

In the final version of the bill, the AFL pushed for a single federal standard, aligning it with the Civil Rights community on that point. David Dubinsky, head of the International Ladies' Garment Workers' Union, commenting on proposals for lower regional wages for the South famously quipped that Southern congressman should therefore be paid less, too.

In June 1937, when the chair of the House Labor Committee, William Connery (D-MA) died, Representative Mary Norton (D-NJ), the first woman member of the Democratic Caucus in the House became the chair. As the first woman to chair this committee, she led the fight for the passage of the Fair Labor Standards Act of 1938, with no regional minimum wages—a single federal minimum wage. Despite earlier defeats, the Civil Rights community won on that point in the FLSA. But, the Southern Democrats did not give up that easily. The bill was held up twice in the House Rules Committee, which Southern Democrats controlled. The Rules Committee refused to get the bill to the House floor for a vote. Ever persistent, Representative Norton fought her male colleagues and worked to get the needed signatures of a majority of House members through a discharge petition to force the bills release to the House floor for a vote. Her tenacity insured that the FLSA would protect the whole country.

III. A Lasting Impact of Disparate Racial Impact from lack of Labor Protection

Those who argue that the issue of excluding agricultural workers should not be viewed from a racial lens point to the fact that while roughly 65% of African Americans were excluded by the Social Security Act, African Americans actually comprised only about 23% of the agricultural and domestic workforce that was excluded from benefits.[25] The odd issue here is that more Whites had to suffer a loss of Social Security benefits to achieve the elimination of African Americans from the program. In the end, this exclusion affected 27% of Whites.[26] The lack of coverage meant the potential loss of about $143 billion (in 2016 dollars) in Social Security Benefits to African American families, and close to $15 billion to Latino families. The elderly who continued to work most likely absorbed these losses as diminished health and quality of life; reduced

[24] FAIR LABOR STANDARDS ACT JOINT HEARING, p. 865

25. DeWitt, *supra* note 13, at 53.

26. *Id.*

consumption for those unable to work; or lost education by children who worked to help support the elderly.[27]

When Congress amended the Fair Labor Standards Act in 1966 to expand coverage to agricultural, restaurant, nursing home and other service sector workers, one of the largest concerns raised in 1938 by Black witnesses to the committee was finally addressed. The vote in Congress was bi-partisan, 60.5 percent of House Republicans voted for its passage. This was a major accomplishment of this Committee and was done while Congressman Adam Clayton Powell served as chair, the first African American to chair the Committee.

The impact of closing that gap was swift and significant. There were close to 9.1 million Americans who gained protection under the FLSA by the 1966 Amendment, about 21 percent of the American workforce.[28] Under the 1966 amendments, nearly one third of Black workers finally gained protection from the FLSA, compared to 18 percent of whites. Because a disproportionate share of African American workers remained in those excluded industries, the impact of the increases in the minimum wage helped to level the playing field for African American workers. The size of the minimum wage increase, and finally protecting a larger share of African Americans alone closed 20 percent of the Black-White earnings and income gap.

Estimates based on the differential impact of the 1966 Amendments by industry and wage levels within industry done by economists Ellora Derenoncourt and Claire Montialoux give a clear indication of how important the minimum wage protection was in setting wage floors.[29] They point to the large disadvantage that especially Black workers had in the industries that were not protected by the FLSA; their wages were significantly below the minimum wage that would protect them. As a result, the workers received an average 34 percent wage hike; and despite that substantial increase, Derencourt and Montialoux found modest to positive job gains in the industries that came under FLSA protection. Further, wage increases in all FLSA protected industries after the inclusion of the newly expanded 1966 covered industries were are similar through the 1970s. The researchers further tested their results, comparing those states that did not have state minimum wage laws with those that did when the 1966 Amendments expanded coverage. Again, they found

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27. David Stoesz, *The Excluded: An Estimate of the Consequences of Denying Social Security to Agricultural and Domestic Workers* 9 (Ctr. for Soc. Dev., Working Paper No. 16-17, 2016).

[28] Expansion of Minimum Wage Law Approved, CQ ALMANAC, 1966, https://library.cqpress.com/cqalmanac/document.php?id=cqal66-1300503

[29] ELLORA DERENONCOURT and CLAIRE MONTIALOUX, *Minimum Wages and Racial Inequality* (November 2018) http://clairemontialoux.com/files/montialoux_jmp_2018.pdf

that thought the wage effect was most binding where states did not have their own state minimum wage law, there were still no significant decreases in employment. Perhaps Derencourt and Montialoux's most interesting finding is that the FLSA coverage greatly reduced pay differences between whites and African Americans in the newly covered industries. In fact, 80 percent of the proportion of the racial wage gap that closed because of the expansion of the FLSA came within the newly protected industries.

In practical terms, the poverty rate for African American children in families fell from a staggering 65.6 percent in 1965 to 39.6 percent in 1969 after the minimum wage expansion in coverage and increase to its highest value in real terms. That caused the most rapid decline in childhood poverty experienced by African Americans. It would set a benchmark for African American child poverty that would not be broken until 1996.

As with the estimate of the gaps in Social Security coverage, examining the expansion of FLSA coverage in 1966 allows for a clear understanding of how costly the racial disparities can be to racial justice. For almost 28 years, the black-white wage gap was 20 percent larger than need be, simply from the compromise of which industries were protected under the FLSA of 1938.

IV. The Work Ahead

We can consider the initial disparities, perhaps as the price paid to move the policies forward. In the end, Social Security and the FLSA closed their coverage gaps. Still, work was needed to be done. It took Congresswoman Shirley Chisholm, the first African American woman to serve in Congress, to close an important gap in the 1970s, by fighting to expand coverage for domestic workers.[30] So, in the long run, the policies now are much fairer.

But, there is remaining the compromise made in the 1966 Amendments to extend coverage to restaurant workers that enshrined a lower and separate minimum wage for "tipped" workers. While concerns over racial fairness defeated regional wage differences in 1938, it came at the cost of excluding large numbers of African American agricultural and service workers; the compromise to finally protect restaurant workers lost an important protection—particularly for women-- by cementing a lower tipped wage. The origins of paying service workers with tips, rather than wages,

[30] Premilla Nadasen *Citizenship Rights, Domestic Work, and the Fair Labor Standards Act* J. OF POLICY HIST. *24* (February 2012) 74-94.

is not innocuous. Like so many arguments for substandard working regulations, it too has a history tied to racism and the weak bargaining power of Black workers.[31]

Congress has a chance, after such a long period, to return American labor institutions to those that correlated rising productivity with rising wages and improved family incomes. In doing so, it has a chance to insure it does not repeat past errors, making compromises that exacerbate racial and gender wage gaps. Many economists now seriously consider the phenomena of monopsony wage behavior to be a growing problem.[32] Firms can extend their market power by creating non-compete agreements to limit worker mobility, or by constantly changing working hours to prevent workers from getting another job.[33] The minimum wage continues to be vital for workers who do not benefit from the strength to bargain collectively for wages.

The American people have sensed the unjust nature of firms paying lowing wages. Americans have spoken loudly. Some have done so through ballot initiatives to boost their state or local minimum wage, and others have done so through their state legislators and city councils. Most states have now set their minimum wages above the federal minimum wage, acting ahead of Washington, DC gridlock.

Unfortunately, an ugly reality remains. Because just about half of African American workers live in those states where the minimum wage remains the federal minimum wage of $7.25 an hour a regional minimum wage would undoubtedly repeat a lower level of protection for African American workers. The gender wage gap would close from an increase in the minimum wage, and because the majority of African American workers are women, this is also a vital component in closing the black-white household income gap. Consequently, a sub-$15 an hour regional wage based on a false sense of differences in costs of living, would exacerbate racial wage differences by having lower minimum wages for a disproportionately high share of African American workers. These states are also states with so-called "Right-to-Work" provisions that weaken collective

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[31] Saru Jayaraman, *Forked: a New Standard for American Dining* (Oxford University Press: New York, 2016)
[32] Alan Manning, *Monopsony in Motion: Imperfect Competition in Labor Markets* (Princeton University Press: Princeton, NJ, 2005)
[33] José Azar, Ioana Marinescu and Marshall Steinbaum, "Labor Market Concentration" (December 2017) NBER Working Paper No. 24147. Niki Dickerson Von Lockette and William E. Spriggs, "Wage Dynamics and Racial and Ethnic Occupational Segregation among Less-Educated Men in Metropolitan Labor Markets," THE REV. OF BLACK POL. ECONOMY, 43 (Issue 1): 35-56. Alan Kreuger and Eric Posner, *A Proposal for Protecting Low-Income Workers from Monopsony and Collusion*, Policy Proposal 2018-05 (The Hamilton Project: Washington, DC, February 2018) http://www.hamiltonproject.org/assets/files/protecting_low_income_workers_from_monopsony_collusion_krueger_posner_pp.pdf

bargaining and so provide less protection for workers' voice. The same states have lower replacement rates for unemployment insurance and lower shares of unemployed workers who have access to unemployment benefits. Further, these are states with the fewest state inspectors to enforce labor standards. A victory that the Civil Rights community of 1938 thought it won by beating back regional wage differences, could suddenly be taken back by those now promoting a regional sub-minimum wage.

New research has shown that the computer age and Amazon and ushered in a swift movement to national pricing. The effect of online shopping is that Walmart and Amazon compete in cyberspace and move prices quickly to be competitive with each other. But, most notably, Walmart does not have different prices for different regions of the country. And, the prices shown online reflect in-store pricing. There is little justification going forward for the case of regional living conditions justifying low wages.[34]

As in 1966, raising the minimum wage to reach $15 an hour would have a disparate benefit to African Americans and go a long way to close racial wage and income gaps. Equally important, raising the minimum wage to reach $15 an hour and finally equalizing the minimum for "tipped" workers would go a long way in closing the gender wage gap.

A large part of what is tearing America apart is a lack of understanding amongst us. When policies make the playing field uneven, unfortunately workers cannot always see why outcomes from hard work are so different. People who make less can be demonized to appear lazy. The inability of some workers to "play by the rules" and work hard to get ahead sets those who do succeed against those who fail. Yet, the disturbing truth is that not everyone plays by the same rules. At this time, it is important for Congress to seriously repair divisions; and, that requires looking to see whether rules exacerbate disparities. The other Black witness before the Joint Committee Hearing on the Fair Labor Standards Act in 1937 was Edgar G. Brown, who championed the legislation, but wanted enshrined several times in the Act language to ensure that the provisions of the act protect workers "regardless of race, creed, color or previous condition." Brown further argued that, as the original bill proposed a board to review the wages, that the

[34] ALBERTO CAVALLO, "More Amazon Effect: Online Competition and Pricing Behaviors," presented at the Kansas City Federal Reserve Economic Symposium, Jackson Hole, WY (August 10, 2018) https://www.kansascityfed.org/~/media/files/publicat/sympos/2018/papersandhandouts/825180810cavallopaper.pdf?la=en

language explicitly call for diversity on the board to insure representation of women and African Americans.[35]

The call for fairness remains valid. The need to return to our broader shared values that work must pay, and workers be rewarded for their efforts must be lifted. The *Raise the Wage Act* (H.R. 582) is legislation that puts America back on its path that playing by the rules and working hard is what we champion. So, this legislation, ending the tipped wage differential and without a sub-$15 an hour regional minimum is something the AFL-CIO heartedly endorses as supporting American workers.

[35] Statement of Edgar G. Brown, President, United Government Employees, Inc., FAIR LABOR STANDARDS ACT JOINT HEARNING, p. 986-988.

Chairman SCOTT. Thank you.
Mr. WISE.

STATEMENT OF MR. TERRENCE WISE, SHIFT MANAGER, MCDONALD'S, INDEPENDENCE, MO

Mr. WISE. Thank you, Chairman Scott and Ranking Member Foxx and members of the committee. Thank you for the opportunity to testify today.

My name is Terrence Wise, and I am a 39-year-old second-generation fast food worker from Kansas City, Missouri, and I am honored to speak with you today about the Raise the Wage Act.

I began fighting for $15 an hour and a union 6 years ago, because I knew just asking my boss for a raise and benefits wouldn't do. I felt the struggle of raising a family on low wages my whole life.

It began in South Carolina. I grew up in government housing with my two brothers and sister. My mother worked full time at Hardee's for 30 years, and my dad served as a cook in the military. My mom would wake me up at 4 a.m. early before she left for Hardee's, and it was my job to get my siblings up and ready to go to school. It was also my job to be home when the mailman arrived to sign for the food stamps.

Even with two full-time incomes and food stamps, my family still had to skip meals. One winter, I didn't even have a coat until my guidance counselor at school gave me one from the lost and found. Hardworking people with two full-time incomes shouldn't live like this in the richest Nation on earth.

I was a great student, and by the eighth grade I was in all advanced placement classes. My teachers were saying things like, "Terrence, you are going to be great. You are going to do good things." I wanted to be a Gamecock at the University of South Carolina. I was going to be a writer. But I went to work at the age of 16 to try to help my family survive.

One day I came home from school, there were no lights, no food in the fridge. So I got my first job at Taco Bell, making $4.25 an hour, but I knew my family needed the money desperately. My first paycheck was 150 bucks, and it all went on the light bill. One job wasn't enough, so I got a second job at Wendy's.

I tried to balance both work and school. I had all A's in my classes. But I started falling asleep in classes. And now teachers were asking me, "Terrence, what is wrong?" I told them I was working two jobs, had to survive. I didn't need AP Calculus to run the numbers at home. It wasn't enough to survive. It wasn't even enough for basic necessities.

I had left school and my dream of college, and at 17 I dropped out and became a full-time worker, and I have been working in fast food ever since.

Now I have a family of my own. I have three daughters, ages 17, 15, and 13, and my fiancee is a home healthcare provider. Neither one of us make enough money to make ends meet, and I have worked two jobs most of my life. I would leave for Burger King at 2 o'clock, then leave from there and arrive at McDonald's and work the overnight shift, 10 p.m. to 6 a.m. I couldn't get my jobs to line

up with my off days, so sometimes I would work weeks without a day off.

My family has been homeless, despite my two incomes and my fiancee's. We have endured cold winters in Kansas City, homeless in our purple minivan. I would see my daughters in the back tossing and turning.

Try waking up in the morning and getting ready for school and work in the parking lot. That is a memory I can never take away from my children and something a parent should never have to go through. You should not have multiple jobs in the United States and nowhere to sleep.

I work for McDonald's, the second largest employer in America, and I still rely on food stamps and Medicaid. Like other working people in America fighting for $15 and a union, I want to stand on my own. I want to provide my girls with three meals a day and give them the opportunities I didn't have.

This movement has changed our entire country. Many people didn't believe $15 an hour was possible, but it has become a reality for 22 million workers across the country.

Seventy-five percent of voters in Kansas City voted for a $15 minimum wage in 2017. Workers won that victory by taking big, bold action, like going on strike. We even slept on the steps of city hall for a week in our Fast for $15.

It was a huge victory for us until the State legislature preempted the minimum wage, returning it to $7.65. Missouri voters increased the minimum wage in 2018, but we are still not achieving $15 an hour, the minimum we need to support our families. That is why we need Congress to take action to raise the Federal minimum wage.

I often imagine what $15 an hour would mean for me and my family. It would mean I could keep food on the table, we wouldn't have to worry about doing homework in the dark, and I could get the girls school supplies whenever they needed them.

But what would $15 an hour really mean? It means that my daughters could meet their grandmother for the first time. She lives in South Carolina and we just have never been able to afford to travel to meet her.

Low-wage workers like me will continue to organize and fight for economic justice. My coworkers and I have lifted our voices from the steps of city hall in Kansas City, at the White House, and now here today on Capitol Hill.

Everyone who works in this country deserves access to the promise that America made to each and every one of us—life, liberty, and the pursuit of happiness—and $15 an hour brings us closer to living out our values as a Nation. The Raise the Wage Act will do just that, and I urge members of this committee to raise the wage, you know. Act quickly to pass this bill.

Thank you, and I look forward to answering any questions.

[The statement of Mr. Wise follows:]

"Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Testimony of Terrence Wise presented to the Education and Labor Committee, U.S. House of Representatives, February 7, 2019

Chairman Scott, Ranking Member Foxx, and Members of the Committee, thank you for the opportunity to testify. My name is Terrence Wise. I'm a 39 year old, second generation fast food worker from Kansas City, Missouri. I am honored to speak with you about the Raise the Wage Act (H.R.582), the bill to raise the federal minimum wage to $15.

I began fighting for $15 and a Union six years ago, because I knew that just asking the boss for a raise and benefits wasn't enough. I felt the struggle of raising a family on low wages my whole life. It all began in South Carolina. I grew up in government housing with my two brothers and a sister. My mother worked full time at Hardee's for 30 years. My dad also served in the military as a cook.

My mom would wake me up at 4am when she left for Hardee's. I had to get my siblings off to school. It was also my job to get the mail and sign for food stamps from the postman. Even with two full-time incomes and food stamps, our family had to skip meals. One winter I didn't even have a coat until my guidance counselor gave me one from the lost and found. Hardworking people with two full-time incomes shouldn't live like this, in the richest nation on earth.

I was a great student and by the eighth grade was in advanced placement classes. My teachers said, "Terrence you're going to do great things. You can be anything." I wanted to be a Gamecock at the University of South Carolina. I was going to be a writer.

But I went to work at age 16 to try to help my family survive. One day I came home from school, there were no lights or food in the fridge and I couldn't do homework without food and lights.

So I went and got my first job at Taco Bell. I only made $4.25 an hour, which I believe was the minimum wage at the time[1] but I knew my family needed the money -- desperately. My first paycheck was $150. It went to the light bill. One job wasn't enough. So I got a second job at Wendy's to bring in more money for my family.

I tried to balance both work and school. I had As in AP History, English, Science, and Math. I started falling asleep in class. My teachers asked, "Terrence, what's wrong?" I told them I was working two jobs.

I didn't need my AP Calculus to run the numbers at home. There simply wasn't enough money for basic necessities. I had left school and my dream of college behind. At 17, I became a full-time worker and was left with no other choice but to dropout of school.

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[1] Tax Policy Center. State Minimum Wage Rates. 1983-2014. https://www.taxpolicycenter.org/sites/default/files/legacy/taxfacts/content/pdf/state_min_wage.pdf

I've been working in fast food ever since.

Now, I have a family of my own. My fiancée is a home health care provider and we have three daughters--ages 17, 15, and 13. She takes care of some of the most vulnerable people in our society. Neither of us make enough money to make ends meet. I've worked two jobs most of my life.

I'd leave for work at Burger King at 2pm and then work the overnight shift at McDonald's from 10pm until 6am. Working 70 hours was a normal work week for me. I couldn't get my two jobs to line up with my off days. Sometimes I'd work for weeks without a day off.

Working for poverty wages doesn't just harm me. They hurt my whole family when I would only get to see my children when they were asleep.

My family has been homeless despite two incomes. We've endured freezing temperatures in our purple minivan. I'd see my daughters' eyes wide open, tossing and turning, in the back seat. Try waking up in the morning and getting ready for work and school in a parking lot with your family of five. That's something a parent can never forget and a memory you can never take away from your children. You should never have multiple jobs in the United States and nowhere to sleep.

I work for McDonald's, the second largest private employer in the world[2] and still rely on food stamps and Medicaid. Like other working people in America fighting for $15 and a Union, I want to stand on my own. I want to provide my girls with three meals a day and give them the opportunities I didn't have.

This is what generational poverty in America looks like. It's what our movement is fighting to end. It's why I joined the Fight for $15 and a Union six years ago. I'm fighting to ensure my mother's past and my present is not my daughters' future.

This movement has changed my life and empowered my entire family. My daughters march on the front lines with me during strikes and rallies in the Fight for $15 and a Union. They understand what it means to fight for justice and do whatever it takes.

This movement has also changed our city, state and country. Many people didn't believe that $15 was possible. But $15 an hour has become a reality for 22 million workers across the country.[3]

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[2] McCarthy, Niall. 2015. Forbes. "The World's Biggest Employers." https://www.forbes.com/sites/niallmccarthy/2015/06/23/the-worlds-biggest-employers-infographic/#7f1ebbbf686b

[3] Lathrop, Yannet. 2018. "Impact of the Fight for $15: $68 billion in Raises, 22 million Workers." https://www.nelp.org/publication/impact-fight-for-15-2018/

75% of voters in Kansas City voted for a $15 minimum wage in 2017.[4] Workers won that victory by taking big, bold, and dramatic actions like going on strike, marching, and sleeping on the steps of City Hall for a week in our "Fast for $15." It was a huge victory for us until the state legislature pre-empted the minimum wage, returning it to $7.65.[5] Missouri voters increased the minimum wage in 2018 but we're still not achieving $15 per hour -- the minimum we need to support our families.[6] That's why we need Congress to take action immediately to raise the federal minimum wage.

I often imagine what $15 an hour would mean for me and my family. I wouldn't have to worry about providing the basic necessities for my family. We could keep food on the table. No one would have to worry about doing homework in the dark. I could get them the school supplies whenever they need them.

With a $15 living wage, I could afford to take them out to do something fun. Honestly, the last time I went on a date with my fiancée, was to see the movie 'Matrix'. That was in 1999.[7] Valentine's Day is next week and I want to buy each of the women in my life some flowers. I'm afraid that I won't be able to afford a single rose.

But what would $15 really mean? It would mean my daughters could meet their grandmother for the very first time, because we could afford to travel to South Carolina to visit her.

We know that there is more work to do. Low wage workers like me, will continue to organize and fight so all working people have economic justice. My coworkers and I have lifted our voices from the steps of City Hall in Kansas City to the White House, and right here on Capitol Hill today.

Everyone who wakes up and works in our country deserves access to the promise that America made to each and every one of us: "life, liberty, and the pursuit of happiness." $15 brings us closer to living out our values as a nation. The Raise the Wage Act will do just that.

I urge the members of this Committee to support the Raise the Wage Act and act quickly to pass this bill.

Thank you and I look forward to your questions.

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[4] City of Kansas City, MO. Election Summary Report. August 8, 2017. https://www.kceb.org/useruploads/8817/Election_Summary_Official_8-17.pdf

[5] Smith, Aaron. 2017. CNN Money. "Kansas City wants a higher minimum wage. Missouri is blocking it." https://money.cnn.com/2017/08/09/news/kansas-city-minimum-wage/index.html

[6] Collins, Leslie. 2018. Kansas City Business Journal. "Minimum wage increase will put Missouri among top 10 states." https://www.bizjournals.com/kansascity/news/2018/11/07/minimum-wage-increase-will-put-missouri-among-top.html

[7] IMDb. The Matrix. 1999. https://www.imdb.com/title/tt0133093/

Chairman SCOTT. Thank you.

Dr. Holtz-Eakin, good to see you.

STATEMENT OF DR. DOUGLAS HOLTZ-EAKIN, PRESIDENT, AMERICAN ACTION FORUM, WASHINGTON, DC

Mr. Holtz-Eakin. Good to see you, Chairman Scott, Ranking Member Foxx, members of the Committee. It is a privilege to be here today. I am going to make three very simple points and then I look forward to your questions.

The first point is that the labor market is working very well right now, with increased work, especially for those with low skills and marginal attachment to the labor force, and rising real wages.

The second is that increasing the minimum wage to $15 would damage these employment prospects, and the preponderance of the research evidence comes down on that side.

Then the third point is that, for those who deservedly would like to help those in poverty while working, the minimum wage is very poorly targeted to solve that problem.

Let me go through those.

The U.S. labor market is working very well right now. There were 304,000 jobs created in January. There have been over 13 million jobs created in the past 5 years. The unemployment rate is down to 4 percent and has been even lower recently. At the moment, there are more job openings, 6.9 million, than there are unemployed people, 6 million, and that has been true since March 2018.

The U.S. labor market has been able to create that many jobs by the miracle of pulling into the labor market and into productive work people who had not been participating. The overall labor force participation rate has jumped from its low of 62.4 percent to 63.2. For prime age workers, it has rebounded by two full percentage points and is up to 82.6 percent.

I think most importantly, the number of discouraged workers, those who have just given up looking, has dropped in half over the past 5 years, from nearly 900,000 to 420,000.

At the same time, we are seeing real wages grow. There is a flood of people into the labor market. Real wages are now growing at 3 percent a year. That is a very successful story and one that I think that members of the committee should be proud of.

Going forward, if we are to raise the minimum wage to $15, the preponderance of the research evidence that I go through in my written testimony, and I will be happy to elaborate in the Q&A, it would indicate that it would hurt the employment prospects, especially of those people you care about the most, those with little skills, little experience, least attachment to the labor market. This is often not taking the form of the caricature of throwing someone out of their job, but simply denying the employment growth that would give people an opportunity in the future.

I think it is important to note that the nonpartisan Congressional Budget Office reaches the conclusion that raising the minimum wage hurts employment prospects. It is their job to present to you, as the Members of Congress, the consensus of the research literature, and that is exactly the consensus that they find.

I think it is important as well to note that more than doubling the minimum wage is an enormous change, and previous research will probably give us little guidance as to the magnitude of the impact. That is outside of the range of historical experience. Its damage is likely to be much, much greater than previous studies have shown.

And the combination of the large increase and then indexing the minimum wage to the median wage sends a strong signal to employers that these jobs, the ones for those with low skills, marginal attachment to the labor force, little education, are jobs that they are going to be unable to have going forward. They are going to replace them with automation and other means. So, the employment prospects are probably even more damaging than previous indications.

The last point is that, if you care about those in poverty who are working, as you should, the minimum wage is a poor instrument to address that problem. Eighty percent of minimum wage workers are not in poverty, and one-third of the young who earn the minimum wage are living with their parents and are in households that make more than $100,000.

Knowing the wage a person makes does not tell you about the characteristics of their household, and as a result, only 6.7 percent of the benefits of a $15 minimum wage would go to those who are in poverty. This is not a good instrument for solving that problem.

And the key economic fact that it is important for the Committee to remember when they discuss this is that passing a law to make the minimum wage $15 doesn't mean there is any more money. You have to go get that money from somebody else.

So, to get the money for someone who has a job, you are going to have to deny someone else a job and effectively take money from people who are looking for work and give it to people who have work. That seems like an incredibly perverse redistribution, one I would encourage the Committee not to take.

Thank you.

[The statement of Mr. Holtz-Eakin follows:]

Employment and Earnings Effects of Raising the Federal Minimum Wage to $15 per Hour

Testimony presented to the

U.S. House of Representatives
Committee on Education and Labor

Douglas Holtz-Eakin, President*
American Action Forum

February 7, 2019

*The views expressed here are my own and do not represent the position of the American Action Forum. I thank Ben Gitis for his tremendous assistance in preparing this testimony.

Introduction

Chairman Scott, Ranking Member Foxx and members of the Committee, I am pleased to have the opportunity to appear today to discuss the employment and earnings implications of raising the federal minimum wage to $15 per hour. My testimony will focus on three key points:

- In recent years, the U.S. labor market has experienced profound growth: Businesses are continuing to create jobs at a strong pace, the unemployment rate is at the lowest levels in decades, wages are rising, and millions of workers are returning to the labor force.

- More than doubling the federal minimum wage to $15 per hour would threaten to undermine this progress by putting millions of jobs at risk.

- A $15 per hour minimum wage would impose such job loss while, at best, providing minimal assistance to low-income workers. At worst, however, reductions in jobs and work hours could be so severe that earnings among low-income workers could, on net, decline.

I will discuss each of these points in additional detail.

The Labor Market Today

Today's discussion of the minimum wage is occurring while the labor market continues to improve in remarkable ways. Just last week, the Bureau of Labor Statistics (BLS) announced that the economy added 304,000 jobs in January.[1] After years of anemic growth following the Great Recession, the labor market finally began to strengthen in 2014 and has been adding jobs at a strong pace ever since. In total, since the end of 2013, the U.S. economy has added 13.2 million jobs.[2]

In just the past two years, the economy has added over 5.1 million jobs. Remarkably, this strong pace of job creation has continued even as the unemployment rate fell below 4 percent to the lowest rates in decades.[3] Starting in 2018, there have even been more job openings than unemployed workers. The number of job openings rose to 6.6 million in March 2018,[4] surpassing the 6.5 million unemployed workers in the country.[5] Job openings then continued to rise, peaking at 7.1 million in October 2018. The latest data indicate that in November 2018, there were 900,000 more job openings than unemployed workers, at 6.9 million and 6 million, respectively.

With unemployment so low, how have employers still been able to add jobs at such a strong rate? After years of declining labor force participation, Americans are finally

reentering the labor force. Following the Great Recession, the U.S. labor force participation rate declined substantially. In particular, the participation rate fell from 66 percent in December 2007, the beginning of the recession, to a low of 62.4 percent in September 2015.[6] Much of this decline has been attributed to demographics, as the Baby Boomer generation enters retirement.[7] The participation rate among 25-to-54-year-olds, however, had also been in decline for nearly two decades. Specifically, the prime-age labor force participation rate fell by 4 percentage points from 84.6 percent in January 1999 to 80.6 percent in September 2015.[8]

Starting in 2015, however, labor force participation began to rebound. As of January 2019, the total U.S. labor force participation rate stands at 63.2 percent, the highest rate since 2013. With Baby Boomers retiring, labor force participation is on the rise because millions of younger workers are finally returning to work. As of January 2019, the labor force participation rate of prime-age workers has increased to 82.6 percent, the highest in nearly a decade.[9]

Discouraged workers are also reentering the workforce and finding jobs. Discouraged workers are those who wish to work, but are not in the labor force because they have given up on looking for a job. There were 861,000 discouraged workers in 2013.[10] By 2018, that number was slashed in half to 423,000.[11]

Finally, wages are starting to grow again. The best measure of earnings is the BLS's Employment Cost Index (ECI). According to the ECI, annual growth in private sector total compensation has accelerated over the past two years. At the end of 2018, total compensation increased 3 percent over the previous year, the largest rise since 2008. The rise in total compensation was largely driven by an increase in wages and salaries, which at the end of 2018 were up 3.1 percent over the prior year.[12]

The Damage from a $15 per Hour Federal Minimum Wage

While the intentions of raising the minimum wage are honorable, half a century of economic research concludes that minimum wage hikes come at significant costs to the very low-wage workers the policy is intended to help, in the form of job loss or slower job creation. In 1981, the Minimum Wage Study Commission, a commission Congress created to examine closely the benefits and consequences of the federal minimum wage, published a comprehensive review of academic research from 1959 to the early 1980s.[13] The commission concluded, "time-series studies typically find that a 10 percent increase in the minimum wage reduces teenage employment by one to three percent."[14]

In their 2008 book, David Neumark and William Wascher performed a comprehensive review of over 100 minimum wage studies published since the early 1990s. Although the studies they reviewed have a wide range of estimates, the economists found that almost

two-thirds indicate that increasing the minimum wage negatively effects employment, especially among low-skill workers. Meanwhile, less than 8 percent of the studies found that raising the minimum wage boosts employment. The economists took their review a step further by evaluating the strategies used in each study and highlighting the research with the most credible empirical methods. Among the studies with the most credible evidence, 85 percent indicate that minimum wage hikes reduce employment.[15]

Since the publication of that book in 2008, more research has emerged demonstrating that minimum wage hikes harm low-income workers in a variety of other ways, such as job loss,[16, 17, 18, 19] a slowdown in hiring,[20] increasing prices,[21] firms replacing low-skilled workers with more productive workers,[22] and firms shutting down all together.[23]

Yet, few studies have gauged the effects of the far more dramatic policy under consideration by this committee. The Raise the Wage Act would more than double the minimum wage from $7.25 to $15 per hour by 2024.[24] The federal government has never implemented a minimum wage hike of this magnitude and only a few cities are beginning to implement $15 per hour minimum wages. It cannot be understated, however, that a minimum wage increase this large (over 100 percent) poses a major disruption to the U.S. labor market. Unfortunately, the low-wage workers the policy is intended to help would be the very ones who would most suffer these consequences.

In 2015, the American Action Forum (AAF), in collaboration with the Manhattan Institute, performed a Congressional Budget Office-style analysis of raising the federal minimum wage to $15 per hour by 2020,[25] as proposed by the Pay Workers a Living Wage Act.[26] Using the most recent academic literature, the study found that a $15 per hour federal minimum wage would result in a loss of 3.3 million to 16.8 million jobs, with a middle estimate of 6.6 million jobs lost.

The middle estimate is based on a study by Jonathan Meer and Jeremy West, which found that minimum wage increases substantially slow job growth.[27] Since the 2015 AAF-Manhattan Institute study, however, Meer and West revised their study for publication in an academic, peer-reviewed journal. The revisions indicate that the negative labor market effects are significantly larger than the AAF-Manhattan Institute study reported. Additionally, since the 2015 publication, several states implemented their own minimum wage increases above the federal minimum wage of $7.25 per hour.

Updating the middle estimate so that it accounts for the revision in the Meer and West study and does not count the job losses associated with all recent state minimum wage increases, reveals that the Raise the Wage Act ($15 per hour by 2024) would result in a loss of 9.6 million jobs. For perspective, the U.S. economy has added 10.2 million jobs since the end of 2014. Thus, raising the federal minimum wage to $15 per hour by 2024 could eliminate nearly all jobs created over the past four years.

The job losses associated with minimum wage increases are also apparent at the state and local level. As previously mentioned, in recent years a number of states have enacted laws raising the minimum wage. In 2018, for instance, 12 states and the District of Columbia implemented new laws to raise the minimum wage. Like the Raise the Wage Act, a number of the state wage laws are quite dramatic. In California, for instance, the minimum wage is rising 50 percent, from $10 to $15 per hour, by 2022. In Maine, the minimum wage will have increased by 60 percent once the new law is fully implemented in 2020. And for most of New York's population, the minimum wage will have increased by 66.7 percent once fully implemented.

A 2018 AAF report estimated that the incremental minimum wage increases implemented in 2018 alone could cost 261,000 jobs.[28] Once these laws are fully phased in, the state minimum wage increases could result in a loss of 1.7 million jobs. The job losses range from 3,000 in Vermont to nearly 700,000 in California.

Additionally, accounting for all recent minimum wage increases in these states since 2012 results in even larger labor market consequences. California, the District of Columbia, New York, and Rhode Island each began phasing in their current minimum wage laws soon after they finished phasing in separate minimum wage increases, effectively extending previous minimum wage raises even further. Accounting for the entire minimum wage increases occurring in these states since 2012 leads to even larger estimated job losses, totaling 2.6 million. Over 75 percent of the lost jobs will occur in California and New York, which are the most populous states and are mandating the largest minimum wage increases.

Negative labor market effects of minimum wage hikes are also apparent at the local level. A 2016 AAF study found that restaurant employment suffered in the major metropolitan areas that increased the minimum wage in 2015.[29] Not only did restaurant employment grow slower in these metropolitan areas than in the rest of their respective states, growth rates actually decelerated in the metropolitan areas while in the rest of their states they accelerated. Table 1 summarizes the results.

Table 1: Change in Restaurant Employment Growth in Metro Areas with Minimum Wage Increase in 2015

Year	**Metro Area with Minimum Wage Increase in 2015**	**Rest of State**
2014	4.2%	3.4%
2015	1.6%	4.0%
Percentage Point Change	-2.7	0.6

In 2014, before the minimum wage increases, overall restaurant employment in these metropolitan areas grew 4.2 percent, while jobs grew 3.4 percent in the rest of their respective states. In direct contrast, in 2015, after these cities raised their minimum wages, restaurant employment grew consistently slower than in the rest of the states in which the cities are located. Restaurant employment in these metropolitan areas only grew 1.6 percent in 2015, while it grew 4.0 percent in the rest of the states. Overall, in 2015 restaurant employment in all of these metropolitan areas combined grew 2.7 percentage points slower than in 2014. Meanwhile in the rest of their states it grew 0.6 percentage point faster. This shift indicates that despite restaurant job growth accelerating in the states where these metropolitan areas are located, restaurant employment growth in the metropolitan areas with minimum wage hikes still suffered.

Likely worsening the effect on job growth, a number of these cities boosted the "tipped" minimum wage by eliminating the tip credit. While intended to boost pay for tipped workers, eliminating the tip credit does not make the most vulnerable better off. Under all labor laws, between cash wages and tips, tipped workers are already guaranteed at least the same minimum wage as everyone else. If the combination of a worker's tips and the cash wages received by the employer is less than the entire minimum wage, the employer must make up the difference, guaranteeing that all tipped workers make at least the full minimum wage. For the lowest earning tipped workers, eliminating the tip credit makes little difference in their take-home pay. Thus, removing the tip credit only places another burden on restaurant businesses without improving the livelihoods of low-income workers. This likely leads businesses to further cut hours, jobs, or hiring.[30]

Finally, independent research on Seattle's $15 per hour minimum wage demonstrates that the new law has been destructive for the city's low-wage workers. University of Washington (UW) researchers—hired by the Seattle City Council to analyze the new law—found that the minimum wage increase caused 6.8 percent of low-wage workers to lose their jobs, meaning that 10,000 workers in Seattle have lost their jobs.[31] In a follow up study, the UW researchers found that Seattle also experienced an 8 percent reduction in job turnover and a significant decline in hiring.[32]

A $15 per Hour Minimum Wage Would Do Little to Help Low-Income Workers, and May Even Make Them Worse Off

Evidence on the federal and local level indicates that raising the minimum wage is an ineffective way to assist low-income workers. Hourly wages do not effectively identify economic well-being, as minimum wage workers are from families across the income distribution. While some minimum wage workers are in poverty, the vast majority are not. For instance, 80 percent of those who make the federal minimum wage of $7.25 per hour are not in poverty. Meanwhile, over one-third of minimum wage workers are young adults

who still live with their parents. The incomes of those families average more than $100,000.[33]

Thus, raising the federal minimum wage to $15 per hour would result in significant job loss in order to provide minimal benefits to low-income workers. When examining the effect of raising the federal minimum wage to $15 per hour, the AAF-Manhattan Institute study found that only 6.7 percent of the net change in wage earnings would go to workers in poverty, according to the middle estimate. Twice as much, 14.7 percent, would go to workers with family incomes over six-times the poverty threshold.[34] Consequently, at best, a $15 per hour minimum wage will only marginally help low-income workers.

At worst, however, evidence indicates that the job losses from increasing the federal minimum wage, particularly all the way to $15 per hour, could cause low-wage workers' earnings, on net, to *decline*. For instance, a 2014 study by Jeffrey Clemens and Michael Wither examined what happened to low-wage workers the last time the federal government raised its minimum wage—from $5.15 per hour in 2007 to $7.25 per hour in 2009.[35] Using data from the Survey of Income and Program Participation, they focused on how the minimum-wage hike affected employment and income among those whom the minimum wage hike affected most: low-wage workers earning below $7.50 per hour.

Clemens and Wither found that the job losses among these low-wage workers were so severe that their earnings, on net, declined. From 2006 to 2012, employment in this group fell by 8 percent, translating to about 1.7 million jobs. The minimum-wage hike also increased the probability of working without pay (e.g., unpaid internships) by 2 percentage points. Most important, the reduction in employment and paid work caused net average monthly incomes for low-wage workers to fall by $100 during the first year after the minimum wage increase and by an additional $50 in the following two years.

Evidence also indicates that in addition to costing 10,000 low-wage workers their jobs, Seattle's $15 per hour minimum wage caused work hours among low-wage workers to fall by so much that their monthly earnings declined. In particular, the 2017 UW study concluded that Seattle's minimum wage increase boosted the average wage rate among low-wage workers by just 3.1 percent or $0.44 per hour. Unfortunately, this modest wage increase was entirely offset by declines in work hours. The UW researchers find that Seattle's minimum wage law has caused low-wage work hours to decline by 9.4 percent. Consequently, even among the low-wage workers who are still employed and earn slightly higher wages, their average monthly earnings, on net, declined by $125 per month because they lost so many work hours. When combining the lost work hours with the 10,000 lost jobs, the 2017 UW study concluded that Seattle's $15 minimum wage law *reduced* total income paid to the city's low-wage workers by $120 million per year.[36, 37]

UW's 2018 follow up study on Seattle further highlights just how little the city's $15 per hour minimum wage law helped workers.[38] The 2018 study found that among the workers who were are already employed before the city's minimum wage rose, earnings rose by only $8 to $12 per week. Sadly, one-quarter of those additional earnings came from Seattle workers finding additional jobs outside the city. Finally, the entirety of those wage increases went to workers with the most experience. Those with "below median" experience saw no increase in earnings. This latest UW study highlights that the workers who faired the best through Seattle's minimum wage increase experienced marginal benefits at best.

Conclusion

With strong job creation, workers coming back to the labor force, and wages rising, the U.S. labor market is in the midst of a period of profound growth. More than doubling the federal minimum wage to $15 per hour, however, could impose job loss so severe that it sets the labor market back several years. At best, a $15 per hour federal minimum wage would provide minimal assistance to low-income workers. At worst, however, the labor market consequences could be so severe that earnings among low-wage workers could, on net, decline.

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Chairman SCOTT. Thank you.
Dr. ZIPPERER.

STATEMENT OF DR. BEN ZIPPERER, ECONOMIST, ECONOMIC POLICY INSTITUTE, WASHINGTON, DC

Mr. ZIPPERER. Chairman Scott, Ranking Member Foxx, and members of the committee, thank you for the opportunity to testify on the importance and necessity of increasing the minimum wage to $15 per hour.

Raising the national minimum wage is well overdue. Workers paid today's Federal minimum wage are, after adjusting for inflation, paid 29 percent less than their counterparts 50 years ago. This is despite the fact that, as the figure on the monitor shows, the Nation's productivity has doubled over that time period. Had the minimum wage kept pace with labor productivity over that time period, the minimum wage today would be worth more than $20 per hour instead of the $7.25 it is today.

Gradually increasing the national minimum wage to $15 by 2024, as proposed by the Raise the Wage Act of 2019, is an important corrective to our failure to raise the minimum wage. The proposal automatically indexes future minimum wage increases to median wage growth, so that low-wage workers will share a common trajectory of wage growth with a broader labor market.

Finally, gradually phasing out the separate lower wage for tipped workers will help to eliminate disparities in labor protections between tipped workers and the rest of the labor force.

My colleague David Cooper at the Economic Policy Institute has estimated that raising the minimum wage to $15 by 2024 would lift the pay of about 40 million workers. Affected workers who work year-round would receive a raise on the order of about $3,000 per year. This is enough to make a tremendous difference in the life of a preschool teacher, a bank teller, a fast food worker, more than half of whom earn less than $15 per hour today.

Minimum wages are one of the most well-studied topics in economics. Although there sometimes appears to be much controversy over the size of the employment effects of the minimum wage, the weight of recent evidence shows that minimum wages have worked exactly as intended, by raising wages without substantial negative consequences on employment.

In a review of all research published in the 15 years since 2001, the economists Paul Wolfson and Dale Belman found that the average estimated employment effect was very small.

In addition, in research I coauthored with Sylvia Allegretto, Arindrajit Dube, and Michael Reich, we found that studies using the most high-quality, credible research designs also found small to no employment effects.

These findings, taken together, suggest that both the average study, as well as the best research, show that there has been little downside to raising minimum wages.

Current research also suggests that even the highest minimum wages our country has experienced have helped raise wages without reductions in employment. In new research on 138 State-level minimum wage increases I coauthored with Doruk Cengiz,

Arindrajit Dube, and Attila Lindner, we found that the highest minimum wages we studied did not adversely affect employment.

Important new scholarship by Ellora Derenoncourt and Claire Montialoux also demonstrates that the highest national minimum wages the United States has experienced significantly raised wages without reducing the employment of low-wage workers.

Because the evidence shows that there has been little downside to both minimum wages in general and also even to minimum wages at their highest points in U.S. history, larger increases in the minimum wage are economically justified.

Larger increases are also necessary because workers in every region of the country will soon need at least $15 per hour in wage income in order to pay for basic necessities. My colleagues at the EPI have developed a concept of family budgets to delineate how much a family will need to earn every year in order to pay for basic necessities.

By 2024, in all areas across the United States, even a single adult with no children will need to be earning more than $15 per hour in order to achieve a modest but adequate standard of living, according to their family budget.

As a result, anything less than a $15 minimum wage by 2024 will not adequately carry out this key purpose of the Fair Labor Standards Act, which is to, and I quote, "to protect the Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life."

Minimum wages have long been an effective tool for maintaining adequate pay, but the failure to adequately raise the Federal minimum wage has denied American workers significant improvements in their standard of living.

By raising the Federal minimum wage to $15 by 2024, we will finally deliver a much-needed boost in wage income and increase the value of the minimum wage to a level that ensures the lowest wages we pay workers are not poverty wages.

[The statement of Mr. Zipperer follows:]

Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy

Dr. Ben Zipperer
Economic Policy Institute

February 7, 2019

Testimony before the
U.S. House of Representatives
Committee on Education and Labor

Chairman Scott, Ranking Member Foxx and members of the committee, thank you for the opportunity to testify today on the importance and necessity of increasing the minimum wage to $15 per hour.

My name is Ben Zipperer and I am an economist at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank that believes every working person deserves a good job with fair pay, affordable health care, and retirement security. To achieve this goal, EPI conducts research and analysis on the economic status of working America.

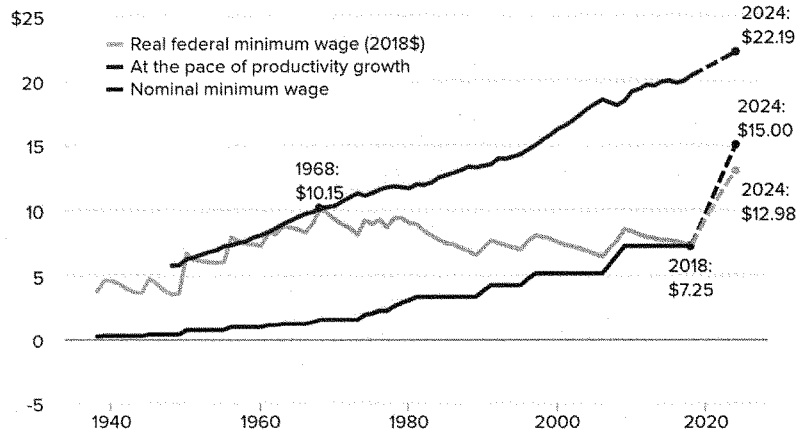
I am an economist, with particular expertise in the minimum wage and low-wage labor markets. My testimony establishes that

- A national $15 minimum wage by 2024 is an important corrective to ensure that low-wage workers share the benefits of economic growth.
- The bulk of recent economic research on the minimum wage, as well as the best scholarship, establishes that prior increases have had little-to-no negative consequences and instead have meaningfully raised the pay of the low-wage workforce.
- Minimum wage workers and low-wage workers generally are mostly adults, and are also disproportionately women and people of color.
- Workers in every region of the country will soon need $15 per hour to maintain a modest but adequate standard of living.

We can afford to pay the lowest paid workers more than they were paid 50 years ago

Raising the national minimum wage is well overdue. Workers today paid the federal minimum wage of $7.25 an hour are, after adjusting for inflation, paid 29 percent less than their counterparts fifty years ago. This is despite the fact, the economy's capacity to deliver higher wages has doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. As Figure 1 shows, had the minimum wage kept pace with labor productivity growth since 1968, this year it would be more than $20 per hour. Today, however, a single parent earning the current federal minimum wage does not earn enough through full-time work to be above the federal poverty line.[1]

Figure 1 - Historical real and nominal value of the federal minimum wage, projected values under the Raise the Wage Act of 2019, and real value if the minimum rose with total economy productivity, 1938-2024



Source: The productivity series is total economy productivity net depreciation, indexed to the 1968 real value of the minimum wage. Real minimum wage values are in 2018 dollars deflated by the CPI-U-RS (1978-2017), chained to the CPI-U-X1 (1967-1977) and CPI-U (1938-1966). Projections for productivity growth and

[1] With an hourly wage of $7.25 per hour working 40 hours of work every week, a single parent would earn $15,080 annually, less than the 2017 nonelderly poverty threshold of $16,895 (see Current Population Survey Time-Series Tables, Historical Poverty Thresholds, "Poverty Thresholds for 2017 by Size of Family and Number of Related Children Under 18 Years" (online Excel file), Nov. 2018.

inflation use Congressional Budget Office, An Update to the Economic Outlook: 2018 to 2028, "10-Year Economic Projections," August 2018.

Increasing the national minimum wage to a $15 minimum wage by 2024, as proposed in the *Raise the Wage Act of 2019 (H.R. 582)*, is an important corrective to our failure to raise the minimum wage. A $15 minimum wage by 2024 would ensure that a portion of the country's labor productivity gains are translated into higher living standards for low-wage workers. At the same time, the proposal does not raise the minimum wage to $15 immediately, but instead gradually phases in the increase over a period of six years so that employers can adjust to the new standard.

My colleague David Cooper has estimated that raising the minimum wage to $15 by 2024 would lift the pay of about 40 million workers, or 27 percent of the eligible workforce. Affected workers who work year-round would receive a raise on the order of $3,000 a year. This is enough to make a tremendous difference in the life of a preschool teacher, bank teller, or fast-food worker–more than half of those working in each of these occupations earns less than $15 per hour today. More broadly, low-wage workers today constitute a large portion of the workforce. About about 25 percent of all workers earned $13 or less per hour in 2018 and the vast majority of them would benefit from a minimum wage increase to $15 by 2024.[2]

Were it enacted, for the first time the lowest-wage workers would make more than they did in 1968, the last high point of the minimum wage. While this would be a bold step, the resulting pay increase would be relatively modest compared with the economy's capacity to deliver improvements in living standards. A $15 minimum wage in 2024 would have 28 percent more purchasing power than the minimum wage did at its 1968 high point, but over that time period, the economy's potential for higher living standards, as reflected in labor productivity, will have grown by 119 percent. Moreover, because of the gradual phase-in, a $15 minimum wage in 2024 is not the same as $15 per hour today, but equivalent to about $13 per hour in 2018 dollars, after adjusting for projected inflation.[3]

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[2] David Cooper, *Raising the Minimum Wage to $15 by 2024 Would Lift Wages for 40 Million American Workers*, Economic Policy Institute, Forthcoming, February 2019. May 2017 National Occupational Employment and Wage Estimates from the Bureau of Labor Statistics report median annual salaries and median hourly wages of preschool teachers ($28,990 annually; $13.94/hour); tellers ($28,110 annually; $13.52/hour), and fast-food and counter workers ($20,240 annually; $9.73/hour). According to the author's analysis of CPS-ORG data, 25 percent of the employed earned less than $13.00 per hour in 2018.

[3] Projected inflation is from the CPI-U series published by the Congressional Budget Office. See Congressional Budget Office, *An Update to the Economic Outlook: 2018 to 2028*, "10-Year Economic Projections" (Excel file supplement), August 2018.

The proposed legislation also indexes the minimum wage to median wages so that low-wage workers will share a common trajectory of wage growth with the broader labor market. By establishing regular, predictable increases to the minimum wage that are linked to overall wage growth, the proposed legislation improves the ablility of the minimum wage to reduce inequality. A rise to $15 an hour would reverse decades of growing pay inequality between the lowest-paid workers and the middle class, and indexing future increases prevents any future growth in that gap.

The proposed legislation also gradually phases out the outdated subminimum wage for tipped workers, which Congress has frozen at a meager $2.13 per hour since 1991. Establishing a single wage for tipped and nontipped workers alike is long overdue and will help raise the total take-home pay for workers in tipped occupations. Indeed, Sylvia Allegretto and David Cooper have found that in states where tipped workers receive the full regular minimum wage, tipped workers earn a higher median wage, inclusive of tips. As a result, poverty rates are lower for tipped workers in states with a single, equal minimum wage. Because under current policy they are not paid a an adequate regular wage, tipped workers' economic security is precarious given that they are especially vulnerable to wage theft. Additionally, the current, separate subminimum wage for tipped workers is likely to increase their income volatility and also perpetuate racial discrimination.[4]

Economic research justifies bold minimum wage increases

Minimum wages are one of the most well-studied topics in economics. Although there sometimes appears to be much controversy about size of the employment effects of the minimum wage, the weight of recent evidence shows that minimum wages have worked exactly as intended, by raising wages without substantial negative consequences on employment. Paul Wolfson and Dale Belman reviewed 15 years of research published since 2001–which comprised 37 studies and 739 estimates–and found that the average estimated employment effect was very small.[5] In addition, Wolfson and Belman, as well

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[4] Allegretto, Sylvia and David Cooper, *Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 2014..

[5] Wolfson and Belman's sample of employment elasticities with respect to the minimum wage had mean and median estimates of -0.06 and -0.03, respectively. See Paul J. Wolfson and Dale T. Belman,"15 Years

as Isaiah Andrews and Maximilian Kasy in a new review, found statistical evidence that there is a bias toward publishing findings showing a statistically significant negative employment effect.[6] Finally, Sylvia Allegretto, Arindrajit Dube, Michael Reich, and I found that studies using the most high-quality, credible research designs also found small-to-no employment effects.[7] These findings taken together suggest that both the *average* study as well as the *best* research show that there has been little downside to raising minimum wages.

While much of this research concentrates on the effects of the average or typical minimum wage increase in the United States, current research also suggests that even higher minimum wages have helped raise wages without reductions in employment. In co-authored research with Doruk Cengiz, Arindrajit Dube, and Attila Lindner, we studied all major state-level minimum wage increases between 1979 and 2016 and found they significantly raised wages without reducing the employment of low-wage workers. Notably, we also found the same positive outcomes for even the highest minimum wages in our study.[8] Separately, important new scholarship by Ellora Derenoncourt and Claire Montialoux found that the highest minimum wages the United States has ever experienced–the minimum wages of the late 1960s–significantly raised wages without reducing the employment of low-wage workers.[9]

Because the evidence shows there has been little downside both to minimum wages in general and also to even minimum wages at their highest points in U.S. history, larger increases are economically justified. Modest and infrequent increases to the minimum wage leave money on the table that otherwise could have been earned by low-wage workers. In other words, by failing to enact bold increases in the minimum wage, we will

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of Research on U.S. Employment and the Minimum Wage," Tuck School of Business Working Paper No. 2705499, December 2016.

[6] Isaiah Andrews and Maximilian Kasy, Identification Of and Correction For Publication Bias, Mimeograph, October 10, 2018.

[7] Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer. "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher." *ILR Review* 70, no. 3 (May 2017): 559–592. https://doi.org/10.1177/0019793917692788.

[8] Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer. "The Effect of Minimum Wages on Low-wage Jobs: Evidence from the United States Using a Bunching Estimator." NBER Working Paper No. 25434, January, 2019.

[9] Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," Mimeograph, November 30, 2018. ,

have deprived low-wage workers of wage increases they could have had without costing them much in terms of reduced employment.[10]

The benefits of a $15 minimum wage in 2024 for workers, their families, and their communities will far outweigh any potential costs of the policy. To gain a sense of the large improvements a $15 minimum wage by 2024 will make in the lives of low-income communities, we can turn to research by Arindrajit Dube on how minimum wages raise incomes for the poorest families. In a new article soon to be published in the *American Economic Journal: Applied Economics*, Dube demonstrates that the income-raising effects of the minimum wage significantly reduce the number of Americans in families below the poverty line.[11] In particular, if the U.S. had a $12 national minimum wage in place last year, there would be 6.2 million fewer individuals living in poverty. The resulting income gains and poverty reductions would be especially large for Black and Hispanic families, and for single mothers. We should expect similarly sized poverty-reducing effects of a $15 minimum wage in 2024, given that such a policy is equivalent to about $13 per hour in 2018 dollars, after adjusting for projected inflation.

Workers in every region of the country will soon need at least $15 an hour

By 2024, in areas all across the United States, even a single adult with no children will need to be earning more than $15 per hour on a full-time, full-year basis in order to achieve a modest but adequate standard of living. My colleagues at EPI have developed the Family Budget Calculator to delineate how much a family will need to earn every year in order to pay for housing, food, transportation, child care, health care, taxes, and other necessities.[12]

Earning at least $15 per hour will be a necessity for parents who wish to raise families. Two adults working 40 hours a week at $15 per hour will earn $62,400 per year. If these two adults have two children to care for, by 2024 there will be no area in the country

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[10] For a broader version of this argument, see David Cooper, Lawrence Mishel, and Ben Zipperer, Bold increases in the minimum wage should be evaluated for the benefits of raising low-wage workers' total earnings, Economic Policy Institute, April 2018.

[11] Arindrajit Dube, "Minimum Wages and the Distribution of Family Incomes," National Bureau of Economic Research, working paper no. 25240, November 2018 (to be published in the *American Economic Journal – Applied Economics*).

[12] Economic Policy Institute, Family Budget Calculator, March, 2018.

where they can live and meet the basic requirements of their family budget with wage income alone.[13]

While the Family Budget identifies what we call "adequate standard of living," I should note that the budgets are very conservative. In particular, they do not include any amount for saving for retirement or buying a home, or even for emergencies. They simply describe the minimum amount of money a family needs in wage income in order to pay for a limited number of necessities.

As an economist, it is striking to me that we, as a country, tolerate a federal minimum wage as low as $7.25 per hour, given the needs documented in EPI's Family Budget Calculator. The Fair Labor Standards Act was enacted in 1938 "to protect this Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life."[14] Anything less than a $15 minimum wage by 2024 will not adequately carry out this purpose.

Most low-wage workers are adults, and they are disproportionately women and people of color

While minimum wage workers are frequently characterized as mostly teenagers or younger workers, this stereotype is false. Among workers who would benefit from a minimum wage increase to $15 in 2024, the average age is 35 years old. Most low-wage workers are not very young primarily because so few teenagers work at all to begin with.[15] For a minimum wage increase to $15 by 2024, about 91 percent of the workers receiving wage increases would be age 20 and older, and 68 percent would be at least the age of 25. The typical worker in a family who will benefit from this minimum wage increase is actually the family breadwinner, earning on average about 52 percent of their family's total income.

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[13] Areas here refer to all counties and metro areas. Family budgets here are projected using projected inflation from the CPI-U series published by the Congressional Budget Office. See Congressional Budget Office, *An Update to the Economic Outlook: 2018 to 2028*, "10-Year Economic Projections" (Excel file supplement), August 2018.

[14] S. Rep. No. 75-884, at 4 (1937).

[15] In November 2018, the employed share of the teenage population was 31.1 percent (see Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey Series LNS12300012, "Employment–Population Ratio, 16–19 Yrs.") and only 50.5 percent of all 16 to 24 year-olds were employed (see Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey Series LNS12324887, "Employment–Population Ratio, 16–24 Yrs.")

In addition to being older, low-wage workers are much more likely to be female and people of color than the average worker. As a result, our current national minimum wage of $7.25 hurts women as well as black and Hispanic workers the most.

Nearly 56 percent of those who would benefit from a $15 minimum wage in 2024 are women, despite women only making up 48 percent of the total U.S. workforce. Furthermore, because our economy pays women disproportionately low wages, our failure to maintain higher minimum wages has greatly worsened hourly wage inequality between women. In an important study, David Autor, Alan Manning, and Christopher Smith found that the failure to adequately increase the minimum wage has accounted for 48 percent of the increase in inequality between women at the middle and bottom of the wage distribution since 1979.[16]

About 40 percent of all black workers would receive a wage increase, as would about 34 percent of Hispanic workers. Just as the minimum wage can be an important tool for reducing inequality among women, increases in the minimum wage have led to large reductions in earnings inequality between black and white workers. The same research cited earlier by Derenoncourt and Montialoux found that the increases and coverage expansions of the late 1960s were responsible for more than 20 percent of the fall in the black-white income gap during the Civil Rights Era.

Conclusion

Minimum wages have long been an effective tool for maintaining adequate pay, but the failure to adequately raise the federal minimum wage has denied American workers significant improvements in their standard of living. As a result, the lowest-wage workers today earn significantly less than what their counterparts did five decades ago, after adjusting for inflation.

By raising the federal minimum wage to $15 by 2024, we will finally deliver a much-needed boost in wage income and increase the value of the minimum wage to a level that ensures the lowest wages we pay workers are not poverty wages. In addition, by automatically indexing future minimum wage increases to median wage growth, low-wage workers will share a common trajectory of wage growth with the broader labor

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[16] David H. Autor, Alan Manning, and Christopher L. Smith, "The Contribution of the Minimum Wage to US Wage Inequality over Three Decades: A Reassessment," *American Economic Journal: Applied Economics*, vol. 8, no. 1, 58–99, https://doi.org/10.1257/app.20140073.

market. Finally, gradually phasing out the separate lower wage for tipped workers will help to eliminate disparities in labor protections between tipped workers and the rest of the labor force.

Chairman SCOTT. Thank you.

We will now recognize members for questions, and they are subject to the 5-minute rule, beginning with the gentleman from Arizona, Mr. Grijalva.

Mr. GRIJALVA. Thank you very much, Mr. Chairman.

And if there is no objection, Mr. Chairman, I would like to enter this report into the committee record. And that is from the Washington Center for Equitable Growth, entitled "Minimum Wages and the Distribution of Family Incomes in the United States." In essence, this report States that if the minimum wage had been $12 in 2016, over 6 million fewer people would be living in poverty today.

If there is no objection, Mr. Chairman?

Chairman SCOTT. Without objection.

[The information follows:]

Washington Center for Equitable Growth

Evidence for a stronger economy

Minimum wages and the distribution of family incomes in the United States

The ability of minimum-wage policies in the United States to aid lower-income families depends on how they affect wage gains, potential job losses, and other sources of family income, including public assistance. In contrast to a large body of research on the effects of minimum wages on employment,[1] there are relatively fewer studies that empirically estimate the impact of minimum wage policies on family incomes.

In my new paper, I use individual-level data between 1984 and 2013 from the Current Population Survey by the U.S. Census Bureau to provide a thorough assessment of how U.S. minimum wage policies have affected the distribution of family incomes.[2] Similar to existing work, I consider how minimum wages influence the poverty rate. Going beyond most existing research, however, I also calculate the effect of the policies for each income percentile, adjusting for family size. This highlights the types of families that are helped or hurt by wage increases. I also calculate the effect on a broader measure of income that includes tax credits and noncash transfers. I quantify the offset effect of higher wages on the use of transfer programs and the gains net of the offsets by income percentiles, painting a fuller picture of how minimum-wage policies affect the U.S. income distribution and the overall well-being of U.S. families.

New Working Paper

Minimum wages and the distribution of family incomes

Overall, I find robust evidence that higher minimum wages lead to increases in incomes among families at the bottom of the income distribution and that these wages reduce the poverty rate. A 10 percent increase in the minimum wage reduces the nonelderly poverty rate by about 5 percent. At the same time, I find evidence for some substitution of government transfers with earnings, as evidenced by the somewhat smaller income increases after accounting for tax credits such as the Earned Income Tax Credit and noncash transfers such as the Supplemental Nutrition Assistance Program. The overall increase in post-tax income is about 70 percent as large as the increase in pretax income.

Effect of minimum wages on poverty

I use individual level data from the UNICON extract of the March Current Population Survey between 1984 and 2013. I focus on the nonelderly population under 65 years of age. I define family income following the official poverty measurement, using (pretax) cash income, and adjust for family size and composition using Census Bureau guidelines.[3]

I find that a 10 percent increase in the minimum wage reduces poverty among the nonelderly population by 2.1 percent and 5.3 percent across the range of specifications in the long run (three or more years after the policy change). There are also reductions in shares earning below 125 percent and below 75 percent of the poverty threshold. For my preferred model with the richest set of controls, the falls in shares below 75 percent, 100 percent, and 125 percent of the poverty threshold are 5.6 percent, 5.3 percent, and 3.4 percent, respectively, from a 10 percent increase in the minimum wage. (See Table 1.)

Table 1

A new analysis of the effects of raising the U.S. federal minimum wage

Impact of a 10 percent increase in the minimum wage on shares with cash income below multiples of federal poverty threshold, averaged across all family types

Share with income less than:								
50% of FPT	-2.19%	-5.06%	-5.99%	-4.43%	-1.86%	-4.70%	-6.70%	-4.60%
	(1.37%)	(1.34%)	(2.95%)	(2.83%)	(1.24%)	(1.27%)	(2.35%)	(2.58%)
75% of FPT	-1.86%	-2.43%	-4.07%	-3.27%	-2.77%	-3.72%	-6.52%	-5.58%
	(0.92%)	(0.84%)	(1.89%)	(1.87%)	(0.89%)	(0.93%)	(1.73%)	(1.74%)
100% of FPT	-2.20%	-2.27%	-3.10%	-2.96%	-3.09%	-3.37%	-5.52%	-5.33%
	(0.84%)	(0.77%)	(1.43%)	(1.47%)	(0.71%)	(0.74%)	(1.35%)	(1.30%)
125% of FPT	-1.88%	-2.35%	-1.64%	-2.13%	-2.43%	-2.98%	-2.93%	-3.44%
	(0.64%)	(0.63%)	(1.09%)	(1.09%)	(0.76%)	(0.70%)	(1.16%)	(1.09%)
150% of FPT	-0.71%	-1.52%	-0.48%	-1.12%	-0.91%	-1.56%	-0.99%	-1.57%
	(0.64%)	(0.61%)	(0.87%)	(0.88%)	(0.67%)	(0.70%)	(0.93%)	(0.98%)
Control sets:								
Division-period FE			●	●			●	●
State trends		●		●		●		●
State-recession FE					●	●	●	●

Source: Arindrajit Dube. "Minimum wages and the distribution of family incomes." Washington Center for Equitable Growth Working Paper (Washington Center for Equitable Growth, 2017). Table 3. http://equitablegrowth.org/working-papers/minimum-wages-and-family-incomes/.

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Since minimum wage policies are not randomly assigned across states, it is important to account for any bias that may arise from differences across states raising the minimum wage as compared to those which do not. For instance, there is a strong regional clustering of minimum wage policies.[4] Economists disagree, however, on the best way to account for such biases. For this reason, I report results using eight different specifications with alternative controls for state-level controls that subsumes most of the approaches used in the current economics literature on minimum wages. Starting with the classic model that assumes all states are on parallel trends (known as the two-way fixed effects model), I progressively add regional controls (division-period effects), state-specific linear trends, and state-specific business cycle effects. This exercise allows the evolution of family income distribution to differ across states in many different ways.

Moreover, all of these controls have been shown to be important in the existing minimum-wage literature.[5] Importantly, all of these specifications find that increases in the minimum wage reduce the nonelderly poverty rate.[6] At the same time, as I show in the paper, the specification with all three sets of controls (the last column in Table 1) performs the best in a variety of falsification tests, meaning they do not spuriously suggest an effect much earlier than the policy change or suggest effects much higher up in the income distribution. This is why I consider it the preferred specification.

Effect of minimum wages on family-income distribution

In my paper, I use the shift in the cumulative distribution of family income to calculate income changes by percentiles. I find that the largest increases occur between the bottom 10th and 15th percentiles. A 10 percent increase in the minimum wage raises pretax cash incomes in this range anywhere between 1.5 percent and 4.9 percent depending on control sets. (See Table 2.)

Table 2

The effect of raising the federal minimum wage on the distribution of incomes among U.S. families

Impact of a 10 percent increase in the minimum wage on pre-tax cash income by percentile

5th percentile	0.24%	3.14%	3.57%	2.44%	0.26%	2.71%	4.13%	2.75%
	(1.19%)	(1.10%)	(2.68%)	(2.69%)	(1.24%)	(1.18%)	(2.32%)	(2.53%)
10th percentile	1.52%	1.83%	2.95%	2.46%	2.19%	2.72%	4.93%	4.26%
	(0.71%)	(0.63%)	(1.42%)	(1.36%)	(0.65%)	(0.71%)	(1.25%)	(1.26%)
15th percentile	1.58%	1.58%	2.16%	2.24%	2.27%	2.43%	3.96%	4.07%
	(0.64%)	(0.60%)	(1.06%)	(1.12%)	(0.57%)	(0.59%)	(1.03%)	(1.01%)
20th percentile	0.99%	1.54%	0.61%	1.06%	1.33%	1.79%	1.30%	1.70%
	(0.57%)	(0.52%)	(0.80%)	(0.79%)	(0.61%)	(0.58%)	(0.87%)	(0.85%)
25th percentile	0.65%	1.49%	0.45%	1.24%	0.77%	1.49%	0.82%	1.64%
	(0.48%)	(0.45%)	(0.71%)	(0.67%)	(0.49%)	(0.49%)	(0.78%)	(0.76%)
30th percentile	0.24%	1.32%	-0.22%	0.561%	0.42%	1.28%	0.08%	0.86%
	(0.50%)	(0.42%)	(0.54%)	(0.52%)	(0.55%)	(0.53%)	(0.61%)	(0.64%)
Control sets:								
Division-period FE			●	●			●	●
State trends		●		●		●		●
State-recession FE					●	●	●	●

Source: Arindrajit Dube, "Minimum wages and the distribution of family incomes," Washington Center for Equitable Growth Working Paper (Washington Center for Equitable Growth, 2017), Table 7. http://equitablegrowth.org/working-papers/minimum-wages-and-family-incomes/.

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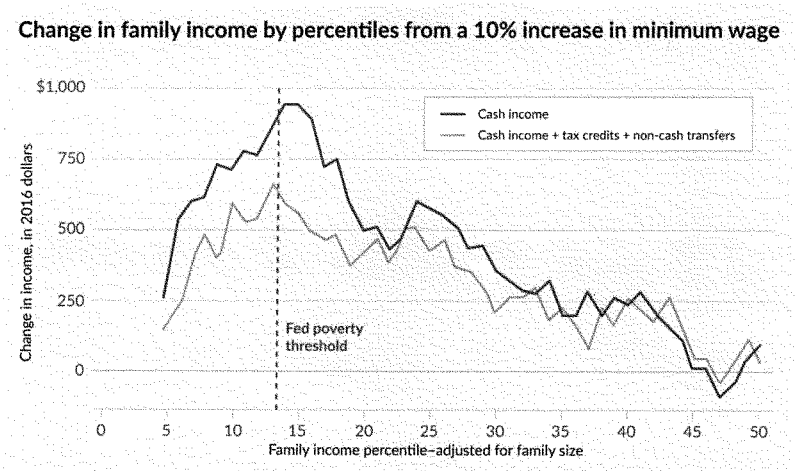
Some of the increase in pretax cash incomes among these families at or near the bottom of the income distribution is offset by reduced tax credits and noncash transfers. Losses in tax credits (such as the Earned Income Tax Credit and the Child Tax Credit) and noncash transfers (such as the Supplemental Nutrition Assistance Program) offset some of these gains. For the bottom quartile, the income gains are approximately $370 after accounting for these offsets due to reduced tax credits and noncash transfers—or around 70 percent as large as the pretax cash income gains. The offsets appear to be particularly pronounced between the 13th and 17th percentiles of the income distribution.

These findings are consistent with some individuals losing eligibility for benefits as a result of increased income. Typically, eligibility for supplemental nutrition assistance, for example, requires income to be less than 130 percent of the federal poverty threshold, which for this population binds just under the 15th percentile. On average, those in the bottom quartile of the income distribution can expect an approximately $525 increase in annual income from the minimum-wage policy; the gains are largest around the 15th percentile. (See Figure 1.)

Figure 1



Source: Arindrajit Dube, "Minimum wages and the distribution of family incomes," Washington Center for Equitable Growth Working Paper (Washington Center for Equitable Growth, 2017), Figure 7, http://equitablegrowth.org/working-papers/minimum-wages-and-family-incomes/.

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Policy implications

To put the policy implications of these estimates in perspective, I calculate the impact from an increase in the federal minimum wage from the current $7.25 per hour to $12 per hour. One could use the same estimates in this paper to project the impact of alternative policies—such as raising the minimum wage to $10 per hour or $15 per hour. The caveat is that when considering inflation-adjusted minimum-wage levels much larger than those used in the study, the projections may be less reliable.

Taking into account the state minimum wages as of January 2017, an increase in the federal minimum wage to $12 (in 2017 dollars) would raise the effective minimum wage—meaning the maximum federal or state standard—by 41 percent. The long-run estimates from the paper and a 13.5 percent poverty rate among the nonelderly population in 2016 suggests a 2.45 percentage point reduction in the poverty rate from this minimum wage increase. Given the roughly 270 million nonelderly Americans in 2016, this translates into 6.6 million fewer individuals living in poverty.

We can also expect the same minimum-wage increase to raise family incomes by 14.5 percent at the 10th percentile of the family-income distribution in the long run. For the average family near the 10th percentile in 2016, this translates into an annual increase of $2,538, and after accounting for the offset due to reduced tax credits and noncash transfers, this amounts to an increase of $2,140.If we take the range of estimates from all specifications, the proposed minimum wage changes can be expected to reduce the poverty rate among the non-elderly population by 1.00 and 2.53 percentage points, hence reducing the number of non-elderly individuals living in poverty by somewhere between 2.7 and 6.8 million. For the 10th percentile of family incomes, this translates to an annual income increase ranging between 5.2 and 16.8 percent, or between $905 and $2,937. After accounting for offsets due to lost public assistance, the income increases would range between $657 and $2,790.
To put these changes in context, the Earned Income Tax Credit reduces the nonelderly poverty rate by around 1.7 percentage points, and cash transfers (means tested and nonmeans tested) reduce it by around 3.8 percentage points, while noncash transfers (other than Medicaid) reduce it by around 0.9 percentage points. In other words, a substantial increase in the minimum wage would likely have a positive impact on the nonelderly poverty rate comparable to means-tested public assistance programs.

These calculations did not factor in how minimum-wage increases may affect overall consumer prices, though such price increases are very small compared to the income gains for those in the bottom of the income distribution. The expected price increase from raising the federal minimum wage to $12 per hour would be less than 1 percent.[7] Therefore, netting out any price increases does not substantially affect the real income gains for the bottom quarter of the income distribution. Price increases do mean, however, that a sizeable portion of these income gains at the bottom are likely to be borne by middle- and upper-income consumers through small increases in prices.

Conclusion

A substantial increase in the federal minimum wage can play an important role in reducing poverty and raising family incomes in the United States at the bottom of the income ladder while reducing the use of public assistance. The loss in cash and noncash transfers and tax credits among those who would benefit the most from minimum-wage increases is likely to

dampen some of the benefits, especially among those around the poverty line, yet the resulting public savings could be ploughed back into further shoring up the safety net—in turn increasing the complementarity between minimum wages and income support for raising the incomes of families at the bottom of the income ladder.

—Arindrajit Dube is an associate professor of economics at the University of Massachusetts, Amherst

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MINIMUM WAGES AND THE DISTRIBUTION OF FAMILY INCOMES IN THE UNITED STATES

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APRIL 26, 2017

AUTHORS:

Arindrajit Dube

TOPICS

ECONOMIC WELLBEING

MINIMUM WAGE

POVERTY

END NOTES

1 Dale Belman and Paul J Wolfson, "What does the minimum wage do?" (Kalamazoo, MI: WE Upjohn Institute, 2014).

2 Arindrajit Dube, "Minimum Wages and the Distribution of Family Incomes." Washington Center for Equitable Growth Working Paper (Washington Center for Equitable Growth, 2017).

3 At the same time, I assess the validity of various specifications using a host of falsification tests, including estimating effects higher up in the income distribution, as well as analyzing leading effects (pre-existing trends) across specifications. I find that the model with all three of these control sets

tends to have the best performance on falsification tests, in the sense of showing no spurious changes in the shares earning below various thresholds prior to the actual minimum-wage increase, and no spurious changes in shares earning less than three or four times the federal poverty threshold, where there are few minimum-wage workers. Therefore, the model with the full set of controls is my preferred specification, but the paper shows the key results with the full range of specifications.

4 See Sylvia A. Allegretto and others, "Credible Research De- signs for Minimum Wage Studies: A Response to Neumark, Salas and Wascher." In Industrial & Labor Relations Review (forthcoming).

5 See Sylvia A. Allegretto and others, "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas and Wascher." In Industrial & Labor Relations Review (forthcoming); Ben Zipperer, "Did the minimum wage or the Great Recession reduce low-wage employment? Comments on Clemens and Wither," Washington Center for Equitable Growth Working Paper (Washington Center for Equitable Growth, 2016).

6 There is disagreement among economists about how best to construct the "counterfactual," or what would have happened if minimum wages had not risen in a particular state. I use a variety of approaches, including using regional comparisons, and controls for differences in income trends and variability in how business cycles affect incomes—some of these approaches are appropriate—and show the key estimates using a wide set of models. At the same time, I find that the model with a rich set of controls tends to perform best in the sense of avoiding spurious conclusions—such as a minimum-wage increase causing a supposed impact substantially prior to the policy change or supposed effects higher up in the distribution where there are few minimum-wage workers.

7 Thomas MaCurdy, "How Effective is the Minimum Wage at Supporting the Poor?" Journal of Political Economy 123 (2) (2015): 497–545. MaCurdy calculated that the bottom quintile faced a 0.5 percent increase in prices from the 21 percent increase in the minimum wage in 1996.

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Mr. GRIJALVA. Thank you, sir.

In strong support of the $15 minimum wage. And I do want to thank Mr. Wise and Dr. Spriggs for your testimony. It was excellent and kind of left me without too many questions, to be honest with you.

And with the chair's indulgence, I think that it is way past time that we move forward to raise the minimum wage. And as we do that, Mr. Chairman, I think it is important that the members understand that it is important to tackle other inequities that are in our basic minimum wage protections.

It is long past time for Congress to end discrimination against agricultural workers in the Fair Labor Standards Act, period. So today, I introduced the Fairness for Farm Workers Act; and in doing so, simultaneously, Senator Harris has introduced the identical piece of legislation in the Senate. And this act, basically, the Fairness for Farm Workers Act would extend overtime protections to farm workers and eliminate some remaining exclusions for farm workers from minimum wage protections.

These protections were first enacted, as Dr. Spriggs so eloquently gave us the history of it, and surmised at the end, I believe very accurately, that those exceptions were made out of political expediency and racism, and that needs to be addressed.

That inequity that exists, Mr. Chairman, as you well know, it is a discrimination issue. We have to end this discrimination against farm workers. The treatment of farm workers in this country has been and continues to be unjust, unreasonable, and unsustainable.

My legislation, the Fairness for Farm Workers, would eliminate the minimum wage and overtime discrimination farm workers face in the act.

So I know I will be working with you on that. Your leadership on this is not only welcome but, as you have offered your support, thank you very much, Mr. Chairman. I look forward to working this out. And I think it is important that we deal with raising the minimum wage, but also have an opportunity to reform the whole package as we move along.

With that, Mr. Chairman, like I said to the two witnesses, you left me with no questions, and I yield back.

Chairman SCOTT. Thank you.

The gentlelady from New York, Ms. Stefanik.

Ms. STEFANIK. Thank you, Mr. Chairman.

And thank you to our witnesses for being here today.

We agree on this committee of the importance of economic opportunity for American workers and American families. We agree that we need to focus on real wage growth. We agree on the pathway out of poverty. What we don't agree with is how to get there. We have different solutions about how to achieve those goals.

We are living in a dynamic, growing economy today, and we must start talking about the future of work. What do I mean by that? As we have seen over the last decade, the composition of our work force is rapidly changing, as is the type of work Americans, especially young Americans, are engaging in. We are increasingly seeing a rejection of traditional employee-employer relationships for nontraditional, dynamic career paths, like the gig economy or side hustles or self-employment.

In my district, I represent 40 percent of the geography of New York State. It is a very rural region, and we are very familiar with this discussion. Our economy in UpState New York is very distinct from the economy in Manhattan and DownState New York.

My question to Mr. Holtz-Eakin is, on the future of work, how does this proposal not embrace opportunities in the gig economy in the 21st century? And how does this proposal also not take into account the differences between rural parts of this country and urban parts of this country, in terms of cost of living, other issues, challenges small businesses are facing?

Mr. Holtz-Eakin. Congresswoman, you have heard a lot of discussion about the history, but the only real question facing the committee is, do you want to raise the minimum wage going forward, and to do it nationally and for all workers, tipped and nontipped?

That is a very different proposal than even some of the things we have evidence from in the research. This would hit all labor markets, rural labor markets and urban identically. It would hit tight labor markets and loose labor markets.

One of the striking characteristics of the recovery has been a very unevenness across the geography of the United States, and it would not recognize that. It would not recognize the need for businesses in those areas to have a cost structure they can afford. It would hurt the entrepreneurship in places that are struggling. It is a very blunt instrument, and, as I said, that blunt instrument does not land on those who need it the most, working poor.

And so I think that is one of the things that jumps out of the literature. And I worry a lot about a proposal that is not tailored to the circumstances of the labor market and doesn't target those who need the help the most, especially at a time when the labor market is actually, on the whole, doing remarkably well.

And I think the thing I would emphasize is we are seeing people entering work who we just did not think would come back. No one thought we could continue to create 200,000 jobs a year in 2018, and the economy has. That is a remarkable accomplishment. Those families will forever be better from having that opportunity.

Ms. STEFANIK. My next question is, one problematic aspect of this legislation, one of the many problematic aspects is the elimination of the tip wage and tip credit.

I have a local assemblyman who is a Democrat who represents Plattsburgh, which is in my district, and he recently highlighted why this is problematic. He included a local restaurant employee on his website who would have been greatly harmed by the elimination of the wage tip credit.

I quote: "Generally has relied on tips to supplement her wages. She makes $7.50 an hour, but often with tips this salary is doubled or even tripled because of tipping. This not only provides her with money in her pocket each day, but it helps to stabilize and even augment her income to provide food, formula, and diapers for her children. Each of her fellow servers has different life situations, but what they all seem to agree on is that they definitely make more money as a server than if they had taken a more restrictive set wage position."

Can you talk about why the elimination of the wage tip credit is problematic and does not allow this dynamism that we are seeing in the current economy?

Mr. Holtz-Eakin. Certainly. As you know, those who are tipped workers are guaranteed to get the minimum wage. If they don't receive tips that are sufficient to do that, the owner of their establishment will pay them the minimum wage.

So forcing them to do that anyway raises the cost in the business, there is no way around it, and once again you have the problem, where does that money come from? As I said in my opening statement, they have to go take it from someone else, and that might be someone they choose not to hire.

And that is the definition of lack of dynamism. I am not going to take advantage of opportunities to expand my employment base, offer new services, grow as a business. This has exactly that characteristic.

And I would point out that in D.C., which we watched carefully, there was a ballot referendum that said we are going to raise this minimum wage for tipped workers. It was overturned by the D.C. Council because the tipped workers themselves said, no, this is bad for us.

Ms. STEFANIK. And that was a similar experience in New York. Tipped workers were vehemently opposed to this policy and organized very effectively.

Thank you. I yield back.

Chairman SCOTT. Thank you.

The gentleman from Connecticut, Mr. Courtney.

Mr. COURTNEY. Thank you, Mr. Chairman.

And, again, I applaud the fact that week No. 1 of this committee we are taking up an issue which, again, I think restores the legacy of this committee in the past, as Dr. Spriggs so powerfully described.

You and I and a couple of us were around in 2007, the last time the Federal minimum wage was increased, from $5.15 to $7.25. Again, it was done gradually over a period of about 3 or 4 years. I remember the Republican votes that reported that bill out of the committee, and I remember it was in May 2007, after the new Congress or the 110th Congress, that President Bush signed that into law.

And, again, Dr. Spriggs, thank you again for sort of reminding us of the forensics of the minimum wage, that it really historically has been really a very strong bipartisan issue, and it is far too long that Congress has not revisited that standard.

And, again, Mr. Wise, I want to thank you for your incredibly powerful testimony here today, bringing this down to real life and also talking about sort of the grassroots organic support that is out there, and we have seen that in referendums. And the $15 benchmark has really started to happen, again, without Congress necessarily doing it yet, but certainly showing that it is not going to wreck the U.S. economy for employers to do the right thing.

I would like, Mr. Chairman, to just enter a statement that Hartford HealthCare, which is one of the largest employers in the State of Connecticut, just announced about a few weeks ago, that they are going to raise the minimum wage for their work force, which

is about 2,500 strong, to $15 an hour this spring. They are not waiting until 2024. And, again, they have entry level staff folks that are there. That is a really important decision that the employer made to do that.

And, again, I think it is because of the work that folks like Mr. Wise and some of the others out in the audience here with red shirts, tee shirts here today, have really raised this issue, so that it is making its way into the corporate boardrooms that this is something important to do.

So, again, I would like to ask Dr. Zipperer just a question about what has been happening to wage rates since the Great Recession and the fact that, again, we finally are starting to see an uptick in terms of wage, but this is 10 years after the Great Recession. As you point out, this job market has been in a trajectory that certainly precedes this administration, although it is continuing to move forward, and I think we all, as Americans, support that.

But, I mean, how would you explain, again, the fact that we have not seen the wage growth concurrent with the economic growth? And the recent uptick in wages, I mean, this is happening at the State level in terms of minimum wage increases. Is that a part of the story about why we are finally starting to see some wage growth?

Mr. ZIPPERER. Thank you for the question.

We are starting to see wage growth, as you noted and as Dr. Holtz-Eakin noted in his testimony, which, thankfully, is a good thing. At the same time, I think we are seeing that wage growth because the labor market is becoming tighter and employers are competing more for workers.

At the same time, that wage growth is not actually sufficient or adequate enough for many workers, in the sense that the lowest wage workers in particular, what we are discussing at this hearing, need a much more substantial boost in wage income than they are going to see from tight labor markets alone.

Mr. COURTNEY. Well, thank you.

And to drive that point home, Mr. Chairman, I have correspondence from Oxfam America, which, again, shows an economic analysis that, again, we need that sort of push from the bottom, which a minimum wage increase has been bipartisanly supported in the past, and I would ask that be admitted into the record.

Chairman SCOTT. Without objection.

[The information follows:]

February 1, 2019

The Honorable Bobby Scott
2176 Rayburn House Office Building
Washington DC 20515

The Honorable Virginia Foxx
2262 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Scott and Ranking Member Foxx:

On behalf of Oxfam America, I am writing to enthusiastically support the Raise the Wage Act of 2019. The bill, introduced by Senators Bernie Sanders (VT) and Patty Murray (WA), Representatives Robert C. "Bobby" Scott (VA), Mark Pocan (WI) and Stephanie Murphy (FL), would help lift millions of Americans out of poverty while simultaneously stimulating the economy. Oxfam America urges the House and Senate to quickly pass this legislation.

Oxfam America is an international development and humanitarian relief agency committed to working for lasting solutions to poverty, hunger and social injustice. Although the US has a long history of prosperity, mobility, and justice, over fifty million Americans live on incomes below the federal poverty level, including 1 in 4 children. For over two decades, Oxfam has worked to help build pathways out of poverty for those most vulnerable in our country.

A minimum wage increase is long overdue. Because the federal standard is not indexed to inflation, millions of Americans who earn it end up living in poverty. Indeed, stuck at $7.25 an hour since 2007, the federal minimum wage is now more than 25 percent below where it was in real terms half a century ago. Not surprising, according to the Economic Policy Institute, there is no state where an individual earning the minimum wage can afford the basic essentials. Furthermore, the failure to increase the minimum wage has exacerbated decades of growing pay inequality between the lowest-paid workers and the middle class. For instance, 48 percent of the increase in inequality between women at the middle and bottom of wage distribution can be attributed to a stagnant minimum wage.

The Raise the Wage Act of 2019 would address this by gradually raising the federal minimum wage to $15 an hour by 2024. After 2024, the minimum wage would be indexed to median wage growth to ensure its value does not erode with time. Moreover, the outdated subminimum wage for tipped workers, which has been frozen at a meager $2.13 since 1991, would be phased out. Once fully enacted, nearly 40 million individuals would benefit—30 percent of the workforce. These workers would see an average annual pay increase of $3,500, creating an additional $144 billion in higher wages. For the average fast-food worker or teacher struggling to get by on $20,000 a year, this would make a substantial difference. And because

low-income workers and their families would benefit the most from these income increases, the policy change would reduce poverty and income inequality.

Working parents, women and people of color, in particular, would benefit from the increase. More than 27 percent of the minimum wage workforce are working parents with children, and women make up nearly 56 percent of the workers who would benefit from a $15 minimum wage. Raising the minimum wage to $15 would also significantly benefit workers of color, with 38 percent of African American workers and 33 percent of Latinos seeing a pay increase once this law goes into effect. Notably, multiple studies show that *all* low-wage workers would benefit from minimum wage increases, not just teenagers or restaurant workers.

Beyond those directly affected, the Raise the Wage Act of 2019 would generate positive spillover effects for the economy. Researchers suggest that a 10 percent increase in the minimum wage could yield an additional $2 billion in sales yearly. Because low-wage workers are more likely to spend additional earnings immediately, these extra dollars circulate in the economy, generating further demand and a virtuous cycle of growth.

Finally, it would also save taxpayers money by reducing the need to rely on safety-net programs. Safety-net benefits for low-wage workers comprise more than half of spending on Medicaid, welfare, food stamps, and the Earned Income Tax Credit. Employers who pay low wages force their workers to rely on these programs for support, at significant cost to taxpayers.

The time for the Raise the Wage Act is long overdue. A majority of Americans support raising the minimum wage to $15 per hour. It is time for the Congress to listen to the will of the people and act without delay. We call on Congress to enact this important piece of legislation as quickly as possible, and for President Trump to sign it when it comes to his desk.

Sincerely,

Minor Sinclair
Director, US Domestic Program

Mr. COURTNEY. And I also just would like one last comment. You know some of us who serve on committees like Armed Services, as my friend from New York, you know we get a chance to interact with other countries, with codels and overseas. I am co-chairman of the Friends of Australia Caucus, which is a developed economy somewhat on par with the U.S. They have actually a minimum wage commission which raises the minimum wage outside of politics, on a yearly basis. It is $17.70, Australian dollars. If you convert that into U.S. dollars today, it is about $14.

That is the one economy in the sort of developed world that actually did not take a hit during the Great Recession. Again, their banking system, frankly, was more regulated and I think withstood what was going on internationally there.

But nonetheless, I mean, they are a growing economy. Their minimum wage, which has been automatically increased because of a nonpartisan commission, has shown that, in fact, it doesn't hurt economic growth. It actually stabilizes a family's income and increases their purchasing power.

I yield back.

Chairman SCOTT. Thank you very much.

The gentleman from Kentucky, Mr. Comer.

Mr. COMER. Thank you, Mr. Chairman.

And I appreciate everyone being here.

I think it is interesting that the panel will admit that we are finally having wage growth, which is something that I think both parties agree is needed in America. One reason, and the main reason we are having wage growth, is because there is a shortage of workers in America. It is basic supply and demand.

In my district in Kentucky, I have Paducah, which is a headquarters for the regional office for U.S. Bank. They just recently raised their minimum wage to $15 per hour for all of their employees. They did that without legislation, without government intervention. Basically, it is the supply and demand as a result of having a strong economy.

So my question is—and I want to make this Statement. While proponents of a $15 minimum wage foresee consumers absorbing the effects of this proposal through increased end cost, many smaller businesses in my district in Kentucky wouldn't be able to sustain charging such radically increased prices.

Dr. Holtz-Eakin, do you agree that raising prices is not always an option for many businesses in rural or low-income areas? And can you elaborate on the effects of such a bloated minimum wage would have on these entrepreneurs who are the backbone of our economy?

Mr. Holtz-Eakin. As I said, if you pass a legislated increase in the minimum wage, not a voluntary one as U.S. Bank had, there is no more money at the moment that becomes law. So you have to go figure out where you are going to find it.

One possibility is charge your customers more to get the money. If you are unable to do that, and a lot of people are not going to be able to do that, another possibility is you take the thinner nonexistent profit margins of an entrepreneurial business, a startup, and squeeze it down even further. They will likely fail, and thus those jobs would go away. Or you can take it out of your labor cost

somehow by not hiring additional workers when you otherwise might.

And this is just like "Casablanca": You round up the usual suspects and figure out where you can do it, if at all.

Mr. COMER. Dr. Holtz-Eakin, you make it clear that a minimum wage increase would not affect all areas the same. A recent study by the University of Kentucky suggests that for many families below the poverty line in Kentucky a lack of hours worked rather than a low wage or minimum wage is the primary challenge.

Right now, the average worker in poor families in Kentucky are out of the work force more than 4 months out of the year. Won't a higher minimum wage set up additional barriers to employment and risk more workers being out of the work force for longer periods of time?

Mr. Holtz-Eakin. It is certainly a concern that I have tried to emphasize in my testimony.

We do have some, for example, recent evidence out of the Seattle increase in the minimum wage which shows 10,000 jobs lost, but also diminished hours worked by those affected by the increase. That is another channel by which you squeeze down your costs, but that means less income for those individuals.

And, again, my concern is that is something Seattle did. That is very different than doing it to the entire United States, including your district in Kentucky.

Mr. COMER. Absolutely.

Let me ask one last question. You also stated that 5.1 million jobs have been added over the past 2 years. How would this dramatic increase affect the progress created by recently enacted legislation, such as our tax reform bill of the last Congress? How would this impact that if we passed this proposed minimum wage increase?

Mr. Holtz-Eakin. So, as I noted in my testimony, my colleague Ben Gitis and I used a published estimate of the impact of increases in the minimum wage on the growth in employment going forward, and it would more than offset those 5.2 million jobs. So, we would set back the progress we have made, the dramatic progress in getting Americans back to work, including those who previously didn't work. I think that is a concern.

Mr. COMER. I think we have seen last month, with record job growth, over 300,000 new jobs added to the economy, I believe as a direct result of, first of, the new administration and the last Congress focusing on reducing regulations; second, on reducing taxes. We have got the economy growing for the first time in a long time. We are starting to see wage growth.

So I believe that we finally have America on the right track economically, and I think we need to think long and hard before we go back to a Congress of passing lots and lots of legislation, increasing regulations, more government, bigger government, because what we see now from an economic standpoint, in my opinion, is working.

Thank you, Mr. Chairman. I yield back.

Chairman SCOTT. Thank you.

The gentleman from the Northern Mariana Islands, Mr. Sablan.

Mr. SABLAN. Thank you very much, Mr. Chairman, for having this hearing.

Thank you, everyone, for coming and testifying.

I wasn't going to speak, but, Mr. Wise, please keep telling your story. You are sharing your life story. And I am sure you have heard it before, but if you haven't, let me tell you, sir, that you are a good father.

My only regret is that one of you sitting there as a witness probably couldn't hear what you were saying. And you are telling a real life story, and someone is saying, no, according to the literature on economics and all of these things.

We are not creating big government here. We are trying to create increased wages for those like you, and I am very proud to do so.

Mr. Chairman, I would like to yield my time to the gentleman from Virginia, Mr. Bobby Scott.

Chairman SCOTT. Thank you, and I appreciate the time.

Dr. Spriggs and Dr. Holtz-Eakin, I talked about the reasonableness of the tipped minimum wage because a tipped worker would be made whole if the tips don't amount to the minimum wage. That sounds reasonable, but how often is the deficiency actually in practice made up?

Dr. SPRIGGS. My experience at the Department of Labor was this is one of the more troubling areas for us to figure out the proper regulation of what to do with tips, and for those who think that it is clear cut, that is because they haven't tried to solve this problem.

We know this is the major portion of wage theft that takes place. It puts the women, and there are disproportionately women who rely on tip wages, at a huge disadvantage because they are, by necessity, having to deal with ugly customers, and they need the tip, and it opens up a huge window for misconduct and sexual harassment that is hard to close.

If you set the minimum wage higher and you don't move the tip, then you create a bigger regulatory issue of how do we collect the information to know whether the workers got the tip money? Many restaurants want to pool the tips and then dole it out so that the workers sometimes don't even get the tips. It is all well and good if you are in a high, fancy restaurant, and it is mostly men who work there do well, but for the overwhelming majority of women who have this job, it is not the historical record. This is the biggest area of wage theft to try and get the owners of the restaurant to actually pay the tipped workers the gap. And as that gap gets bigger, the vulnerability of those workers is going to increase.

Chairman SCOTT. Dr. Zipperer, do you know how often the tipped workers are actually made whole? Have you done studies on that?

Mr. ZIPPERER. There is research about the preponderance of wage theft, and that especially falls on tipped workers because, like the other witness pointed out, regulation and oversight of this issue is really difficult. In addition, the Department of Labor, under a recent set of investigations, found that of the restaurants they investigated, about 84 percent of investigations resulted in wage and hour violations, and a substantial fraction of those were due to failures in enforcing the tips standard that we are talking about. Workers in the food, and drink, and restaurant industry are much more likely to experience wage violations than in other industries.

Chairman SCOTT. So although it may be reasonable in theory, the workers never get the deficiency made up. Is that right?

Mr. ZIPPERER. I think it is very difficult to enforce in practice which is one reason why you see those kind of disparities. You also see that in states that have adopted a single minimum wage for tipped workers and non-tipped workers alike that wages inclusive of tips are about 14 percent higher in those states, and poverty rates for tipped workers are significantly lower in those States with a single minimum wage.

Chairman SCOTT. Does the gentleman yield back? Do you yield back?

Thank you. The gentleman from Kansas, Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman. Thank you all very much for being here. I especially want to say thank you to Mr. Wise. Your testimony was very moving. It is not easy putting yourself and your struggles out there, and doing so is very impactful, and it touches on why we do what we do to try and make the country a better place.

Now, that being said, I am right down the road on I–70. I live in Topeka, and so if you need to join a support group for the Chiefs AFC championship loss, then hit me up.

But sir, we disagree. I think this is a classic example of legislation that feels good but doesn't do good. It feels good when you pit up employer versus employee. But I have helped create hundreds of jobs, respectfully, before this, and I would move heaven and earth to find and keep good employees. And that comes at a cost, a cost I am more than willing to pay when I find good employees.

So listen. The CBO published in a 2014 study that a 10 percent or a $10 minimum wage would cost a half a million jobs. Harvard Business School said every dollar increase would result in a 4 to 10 percent increased likelihood of a restaurant closure. So my question is to you, Dr. Holtz-Eakin. So I represent a lot of poor communities throughout southeast Kansas. I am going to share with you some thoughts they shared with me. I just want you to reflect on them, and some of them will be things that were written up in your testimony, but bear with me.

A $15 minimum wage will attract more qualified applicants, and I won't hire entry level people. Another entrepreneur said I would have to pay everybody more. If I have to pay the dishwasher $15 an hour, then I have got to pay the cooks more than that. I will just replace H.R. with automation. Prices for everything go up.

So my question is simply to reflect on that so I know what to tell my constituents.

Mr. Holtz-Eakin. I want to just echo your observation that the issue here is not about the depth of compassion for people who are working and poor. The issue is what are the outcomes of the proposed legislation. And my concern is that the outcomes include worsened conditions for exactly those people and the possibility of reduced employment for them, reduced hours if they are working, the loss of the establishments that have traditionally employed them, and all of those things you are seeing when you say well, I am going to have to pay other people, you are going to get wage compression. And that is going to say well, we will cutoff a certain category, whether they are teens or folks who never finished com-

munity college. We are just not going to look at those guys. We can get the other ones. We will do that because we are paying everybody more.

And those are just people who are running the numbers and by necessity trying to keep their business going. It is not an act of anything other than necessity, and I worry about those acts being played out across the country.

Mr. WATKINS. Thank you, Doctor. Thank you all, and Mr. Chairman, I yield my time.

Chairman SCOTT. Thank you. The gentlelady from Oregon, Ms. Bonamici.

Ms. BONAMICI. Thank you very much, Chairman Scott, and thank you for introducing the Raise the Wage Act which I am proudly cosponsoring because this is a long overdue conversation about gradually increasing the Federal minimum wage to $15 an hour. And as you pointed out, Mr. Chairman, in your opening remarks today, an individual working 40 hours a week and earning the Federal minimum wage earns $15,080 annually. Annually. Putting a family of two below the Federal poverty level, and that is unacceptable that someone working full time is living below the Federal poverty level.

And as Mr. Wise's testimony so poignantly showed, when workers are paid wages that leave them in poverty, they struggle. They struggle to pay for rent, essentials like food, transportation, skyrocketing child care costs. So the Federal minimum wage has been stagnant for too long. It has contributed to income inequality, and I am glad we are having this conversation today.

So I am from Oregon, and I have to tell you that years ago, I was kind of surprised to learn that there was actually such a thing as the subminimum wage for tipped workers because we don't have that in Oregon. We have a thriving restaurant industry. People come to Oregon for restaurants. So I was really actually shocked to learn that people could be paid less than minimum wage. It was really surprising.

In Oregon, more than 100 years ago, even before the Fair Labor Standards Act was enacted, Oregon became one of the first States to enact a minimum wage. It was intended to address gender disparities for workers, yet still today the majority of workers earning minimum wage are women and people of color, according to data from the Bureau of Labor Statistics.

So Dr. Spriggs, in your testimony you talked about the history of the Fair Labor Standards Act and some of the compromises that were made to pass the bill, and I know Representative Grijalva mentioned this, but those compromises later exacerbated racial and gender wage gaps. So how have women and people of color been disproportionately affected by a low Federal minimum wage, and how will the Raise the Wage Act address these persistent wage gaps?

Dr. SPRIGGS. Thank you very much, Congresswoman, for the question and thank you for your comments.

Yes. I think we need to look back at 1966 when 60 percent of Republicans agreed to expand coverage and get rid of the exemption for agriculture and many service sector workers which included restaurant workers. Unfortunately, the restaurant workers were

subject to this creation of a subminimum for tip. The tip wage itself has a very racist origin. It was originally because the servants happened to be black, and it was the habit not to think about you have to pay them, and the tip was meant in lieu of wages.

When we closed the gap in 1966 in terms of coverage, we have to remember that many of those workers, because they were agriculture workers, lived in the south, in the rural south, and they lived in States that did not have State minimum wages. There was nothing below them. So the studies that have been cited by Ellora Derenoncourt and by Claire Montialoux highlight that when that was closed, first, these workers didn't get paid a dollar an hour, so the initial expansion of coverage to include these rural workers was to get them to $1 which was a 34 percent raise. In other words, they were getting close to $0.80 an hour, and then because they were included, they went to $1.60. We doubled their wages.

Ms. BONAMICI. Thank you. And I want to get another question in.

Dr. SPRIGGS. Yes. I want to tell you really quickly the punch line. The punch line is that black child poverty in this country went from nearly 70 percent to 40 percent in that 3 years simply by covering 30 percent of African Americans who had been denied that coverage—

Ms. BONAMICI. Right.

Dr. SPRIGGS [continuing]. and raising their wages. So that was the biggest effect we have ever had in lowering poverty from any program. It took us until 1990 to break that record, to get black child poverty back below 39 percent.

Ms. BONAMICI. Long past time to complete the work. I also wanted to talk about or also point out that when low wage workers—they spend their earnings. They go right back into the economy.

In Washington County, Oregon, which is just west of Portland, the Portland metro region, the minimum wage there is $10.75 an hour currently. Someone making minimum wage would have to work 73 hours a week to afford a one-bedroom apartment, and that is what we are seeing in other areas as well. A full-time worker should be able to afford basic needs like housing. And Dr. Zipperer, you mentioned a family budget calculator, and I liked your quote about protecting the Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life. So who benefits from this gradual increase to $15 by 2024, and why is it important to establish that as a Federal floor rather than leaving the issue up to States?

Mr. ZIPPERER. Thank you for your question. It is important to establish a Federal floor because many States don't actually increase their minimum wage or increase it adequately, and Federal action is the only way that we are going to actually achieve a national minimum wage that would provide a wage standard high enough so that all people in all areas of the country will be able to afford the basic necessities for their families.

At the Economic Policy Institute, we have developed what we call family budgets to delineate how much a given family type in a given area of the country needs every year to pay for housing, food, transportation, child care, and other necessities. These are extremely conservative amounts. They don't allow for any saving

whatsoever, no saving for retirement, no saving for buying a home, no saving for emergencies. And even with these conservative amounts, we find that in every city and in every county of the country, by 2024, workers will need $15 per hour working full time in order to meet their family budget. Two adults working 40 hours a week, 52 hours—52 weeks a year at $15 per hour each, will earn less than their family budget in every area of the country.

Ms. BONAMICI. Thank you very much. And Mr. Chairman, I request unanimous consent to enter into the record a letter from the Women's Coalition outlining the importance of passing the Raise the Wage Act to help address wage gaps for women.

Chairman SCOTT. Thank you without objection.

[The information follows:]

Co-Sponsor and Support Swift Passage of the Raise the Wage Act

February 5, 2019

Dear Members of Congress:

As members of a broad coalition of organizations that promote economic security and equity for women, we strongly urge you to co-sponsor and push for swift passage of the Raise the Wage Act as a top priority of the 116th Congress.

The Raise the Wage Act will raise the federal minimum wage from $7.25 to $15 an hour by 2024, then index the minimum wage so that it continues to rise along with wages overall. It will also end unfair exclusions for tipped workers, people with disabilities, and youth so that they, too, can benefit from a decent minimum wage.

Women across the country—especially women of color—continue to experience a pay gap and a higher risk of poverty than men. Women working full time, year round typically make only 80 percent of what their male counterparts make, leaving a wage gap of 20 cents on the dollar. This wage gap varies by race and is larger for women of color: Black women working full time, year round typically make only 61 cents, Native women only 58 cents, and Latinas only 53 cents, for every dollar paid to their white, non-Hispanic male counterparts. While Asian American and Pacific Islander (AAPI) women make 85 cents for every dollar paid to white, non-Hispanic men, many AAPI communities experience drastically wider pay gaps.

Women's overrepresentation in low-wage jobs is a driving force behind the gender pay gap. Women are close to two-thirds of the workforce in jobs that pay the minimum wage or just a few dollars above it, as well as two-thirds of workers in tipped jobs. Women of color are particularly overrepresented among tipped workers and other low-wage workers. They are particularly harmed by the $7.25 federal minimum wage that has not gone up in a decade and by the $2.13 tipped minimum cash wage that has been frozen for an astonishing 28 years.

Poverty-level wages heighten women's economic vulnerability, which in turn heightens their vulnerability to sexual harassment on the job. Women who rely on tips to survive often feel compelled to tolerate inappropriate behavior from customers so as not to jeopardize their income and employers are often unwilling to protect their employees for fear of upsetting a paying customer. Women's lack of economic power in these workplaces perpetuates the already pervasive culture of sexual harassment in industries that employ large numbers of tipped workers.

The Raise the Wage Act is critically needed to advance women's economic security and dignity in the workplace. The Economic Policy Institute estimates that increasing the federal minimum wage to $15 by 2024 would give nearly one in three working women a raise, including 41 percent of Black working women, 38 percent of working Latinas, 29 percent of white working women, and 18 percent of Asian working women.

Women and people of color have been left behind by our economy and our policies far too often, for far too long. Adopting the Raise the Wage Act would mark a crucial step toward ensuring they can work with equity, dignity, and safety. There is no more fitting way to begin this historic Congress than by making real, concrete progress in ensuring all women receive adequate pay.

We urge you to prioritize the Raise the Wage Act in the 116th Congress by cosponsoring and urging swift passage of this legislation. If you have any questions, please do not hesitate to contact Emily Martin, Vice President for Education & Workplace Justice at the National Women's Law Center, at (202) 588-5180.

Sincerely,

9to5, National Association of Working Women
- 9to5 Georgia

A Better Balance
ACCESS
African American Health Alliance
American Association of University Women (AAUW)
- AAUW Texas

American Federation of Teachers (AFT), AFL-CIO
- AFT Local 1766 (Union of Rutgers Administrators)

American Psychological Association
Americans for Democratic Action (ADA)
Arizona Coalition to End Sexual & Domestic Violence
Asian Pacific American Labor Alliance
Cambridge Committee to Raise the Minimum Wage
Caring Across Generations
Center for American Progress
Center for Frontline Retail
Center for Popular Democracy
Chelsea Collaborative
Coalition of Labor Union Women
- California Capital Chapter, Coalition of Labor Union Women
- Capital Area Chapter, Coalition of Labor Union Women
- Chesapeake Bay Chapter, Coalition of Labor Union Women
- Chicago Chapter, Coalition of Labor Union Women
- Cleveland Chapter, Coalition of Labor Union Women
- Florida Chapter, Coalition of Labor Union Women
- Genesee County Chapter, Coalition of Labor Union Women
- Grand Prairie Arlington Chapter, Coalition of Labor Union Women

Greater Kansas City Chapter, Coalition of Labor Union Women
Greater New Jersey Chapter, Coalition of Labor Union Women
Greater Oklahoma City Chapter, Coalition of Labor Union Women
Houston Chapter, Coalition of Labor Union Women
Kate Mullany Chapter, Coalition of Labor Union Women
King County Chapter, Coalition of Labor Union Women
Lorain County Chapter, Coalition of Labor Union Women
Los Angeles Chapter, Coalition of Labor Union Women
Metropolitan District of Columbia Chapter, Coalition of Labor Union Women
Missouri Chapter, Coalition of Labor Union Women
Northeast Cleveland Chapter, Coalition of Labor Union Women
Pennsylvania Chapter, Coalition of Labor Union Women
Philadelphia Chapter, Coalition of Labor Union Women
Rhode Island Chapter, Coalition of Labor Union Women
San Diego Chapter, Coalition of Labor Union Women
San Francisco Chapter, Coalition of Labor Union Women
Southwestern Pennsylvania Chapter, Coalition of Labor Union Women
St. Louis Chapter, Coalition of Labor Union Women
Western New York Chapter, Coalition of Labor Union Women
Western Virginia Chapter, Coalition of Labor Union Women

Color Of Change
Connecticut Women's Education and Legal Fund (CWEALF)
Day One
Equal Rights Advocates
Equality North Carolina
Equality Ohio
Family Values @ Work
Federally Employed Women
Found Objects Transformed
Futures Without Violence
Gender Justice
Health Care for America Now
Illinois Coalition Against Sexual Assault
In Our Own Voice: National Black Women's Reproductive Justice Agenda
Innovation Ohio Education Fund
Jewish Alliance for Law and Social Action
Jobs With Justice
Cleveland Jobs with Justice
Justice for Migrant Women

Kentucky Equal Justice Center
Labor Project for Working Families
Legal Momentum, The Women's Legal Defense and Education Fund
Maine Women's Lobby
Massachusetts Voter Table
MNCASA
Moms Demand Action - Triad NC
MS Black Women's Roundtable
National Alliance to End Sexual Violence
National Asian Pacific American Women's Forum (NAPAWF)
National Association of Social Workers, Massachusetts Chapter
National Center for Lesbian Rights
National Coalition for the Homeless
National Coalition of 100 Black Women, Central Ohio Chapter
National Committee on Pay Equity
National Council of Jewish Women
National Domestic Workers Alliance
National Organization for Women
    North Carolina NOW
    Raleigh NOW
    Southwest Pennsylvania NOW
    Triad NOW
National Partnership for Women & Families
National Women's Law Center
NETWORK Lobby for Catholic Social Justice
Nevada Coalition to End Domestic and Sexual Violence
New Mexico Coalition of Sexual Assault Programs
New Voices for Reproductive Justice
Ohio Alliance to End Sexual Violence
Ohio Domestic Violence Network
Ohio Religious Coalition for Reproductive Choice
Oklahoma Women's Coalition
Organization United for Respect
Oxfam America
People For the American Way
PHENOM (Public Higher Education Network of Massachusetts)
PowHer New York
Project IRENE
PWN-USA

Racial and Ethnic Health Disparities Coalition
Restaurant Opportunities Centers United
    Restaurant Opportunities Center of Pennsylvania
Sargent Shriver National Center on Poverty Law
Sexual Assault Services of Northwest New Mexico
Solace Crisis Treatment Center
Tewa Women United
Union for Reform Judaism
Unitarian Universalist Mass Action Network
United Church of Christ, Justice and Witness Ministries
United Democratic Women of MD, Inc.
V.I. Domestic Violence & Sexual Assault Council
Valencia Shelter Services
Vermont Network Against Domestic and Sexual Violence
Voices for Progress
Washington State Coalition of Sexual Assault Programs
West Virginia Center on Budget and Policy
Western Center on Law and Poverty
Women & Girls Foundation of Southwest Pennsylvania
Women Employed
Women of Reform Judaism
Women's Law Project
Women's Rights and Empowerment Network
Working Washington/Fair Work Center
YWCA USA
    YWCA Dayton

Ms. BONAMICI. And I yield back.

Chairman SCOTT. Thank you.

The gentleman from Texas, Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman. I appreciate the opportunity to be here. Dr. Holtz-Eakin, just a question for you. I was going over your testimony last night, and something that really struck me was the study that you did in 2015, and in that study you determined—and I will just read your testimony back to you, but using the most recent academic literature, the study found that a $15 per hour Federal minimum wage resulted in the loss of 3.3 million to 16.8 million jobs with a middle estimate of 6.6 million jobs lost, and I just wanted to understand. So that is a range, and clearly it is all bad. I don't think anybody here wants to lose a job, right? We want to create jobs. I think everybody here agrees on that basic premise. But can you explain why there is a range in estimates and sort of—if you don't mind?

Mr. Holtz-Eakin. So there is a range from analyzing the data, and the imprecision with which statistics delivers the truth, right, it doesn't say literally this is exactly what will happen.

Mr. TAYLOR. Sure.

Mr. Holtz-Eakin. It says, you know, given the variation in the data, it can go from here to here, and we want to acknowledge that you can't know with great certainty.

Mr. TAYLOR. Ok.

Mr. Holtz-Eakin. And I just want to emphasize that says if we look historically at changes in the minimum wage, we have limited ability to say precisely what will happen. That gives you a range. We have even less ability to say what will happen if we go forward in a fashion that is much more dramatic, more than doubling and then indexing permanently the minimum wage. This is an unprecedented experiment, and I think we know very little about what will actually happen.

Mr. TAYLOR. And then just as a policymaker, where are these losses? I mean, are these happening in high-income areas? Are they happening in—you know, high cost of living areas like New York City? Are they happening in low-cost areas like, say, Kansas? Are they happening in suburban areas like where I represent in Plano, Texas? Are they happening in urban areas, rural areas? Where are we losing jobs? So you are estimating millions of jobs being lost. Where are they lost?

Mr. Holtz-Eakin. So you can split the economy in a variety of ways. I would say the most important way to split it is to look in the labor force and say let's look at the whole labor force. It is hard to discern an impact. Let's look more closely at those people who have little education, little skill, little experience, say, a teenager. They are going to be priced out of the labor market. You are not going to find—I will speak from experience. I never found $30,000 worth of productivity in my kids. So they are just not going to get hired. And so, you know, that will show up right away.

If you look further at the places they are most likely to be employed, that is going to be retail. That is going to be restaurants and bars, and that is where you are going to find the employment losses. And then across geography, you can just see places where

you have concentration of low-wage workers as the labor force base, and that is where you are going to see the losses.

Mr. TAYLOR. Ok. And then just shifting over to another piece of your testimony I was reading last night, and I will just read this sentence to you. Seattle's minimum wage law, so we are going to Seattle now, has caused low wage work hours to decline by 9.4 percent. Consequently, even among low-wage workers who were still employed and earned slightly higher wages, their average monthly earnings on net declined $125 per month.

So in addition to Seattle losing 10,000 jobs which is what your testimony was, what your written testimony is, you watched the people that still managed to keep their jobs, their hours declined, and so their incomes also declined, right?

Mr. Holtz-Eakin. Yes.

Mr. TAYLOR. So you have lost jobs.

Mr. Holtz-Eakin. Yes.

Mr. TAYLOR. You have lost income. My question is what has happened to those workers? Are those workers leaving the labor force? Are they moving somewhere else where they can get a job? Are they going into the welfare system? What happens to these people that lose their jobs? What happens to the families that lose income as a result of the policy, the $15 policy that was implemented in Seattle?

Mr. Holtz-Eakin. So Seattle is of interest because No. 1, it is the top line number, $15, that has focused a lot of attention. No. 2, it came along with the city deciding to have a policy violation built in and had the University of Washington study this closely using a research design that is the gold standard for those who think that minimum wage doesn't hurt workers. And so these findings are troubling for that reason.

The thing it doesn't include is a followup for where everyone goes, but the logical conclusion is we have seen a little bit of them moving outside the city to get work. That is actual in the study. You can see people trying to work outside the municipal limits, but also you would expect people to simply leave Seattle. If there is not going to be a work opportunity, they are going to try elsewhere.

Mr. TAYLOR. Ok. Thank you. Mr. Chairman. I yield back.

Chairman SCOTT. Thank you.

The gentleman from California, Mr. Takano.

Mr. TAKANO. Mr. Chairman, thank you. I would like to begin my questioning by asking unanimous consent to submit a Statement into the record from the Center for American Progress dated January 16th, 2019 which praises the Raise the Wage Act.

Chairman SCOTT. Without objection.

[The information follows:]

Center for American Progress

STATEMENT: CAP's Neera Tanden Praises the Raise the Wage Act, Which Would Establish a $15 Minimum Wage by 2024

Date: January 16, 2019

Contact: Allison Preiss

Email: apreiss@americanprogress.org

Washington, D.C. — Today, Democrats in the U.S. House and Senate introduced the Raise the Wage Act, which would gradually increase the minimum wage to $15 per hour by 2024 and give roughly 40 million Americans a raise. Neera Tanden, president and CEO of the Center for American Progress, released the following statement in response:

The introduction of the Raise the Wage Act in both houses of Congress—and the commitment from leaders in the U.S. House to advance this legislation without delay—is a clear sign that we have turned the page in Washington. Unlike the House majority from the previous Congress, which spent its time passing tax cuts for the wealthy and doling out favors to its corporate friends, this new majority is laser-focused on boosting workers' wages and building an economy that works for everyone. The Raise the Wage Act will do exactly that by gradually boosting the federal minimum wage to $15 by 2024. Critically, this legislation will also promote equity by eliminating discriminatory subminimum wages for tipped workers and for workers with disabilities.

Enactment of the Raise the Wage Act is long overdue; Congress has failed to take action to raise the minimum wage for nearly 12 years. And raising the minimum wage is not only good for workers but also good for the economy: More money in workers' pockets means more dollars to be spent at neighborhood retailers and restaurants. Raising the minimum wage is also a key component of closing the pay gap for women, particularly for women of color who experience the largest pay gaps. Nearly two-thirds of workers who are paid the federal minimum wage are women, and women are increasingly the sole or primary breadwinners in their households.

The momentum for this legislation would not have been possible without the workers and on-the-ground leaders of the Fight for $15 movement who have led the charge on successful minimum wage ballot initiatives in cities and states across the United States. Now it's time for Congress to do its job and show American workers that it is committed to economic prosperity for all workers, not just those at the top.

In 2018, a worker earning $7.25 per hour needed an extra 41 working days—more than eight weeks—just to take home the same pay that he or she did in a single year when the federal minimum wage was last increased. As a result, a full-time minimum wage earner lost $2,370 in purchasing power last year, according to a CAP analysis. That is more than 47 times greater than the average tax cut the same worker can expect from congressional Republicans' Tax Cuts and Jobs Act enacted at the end of 2017.

For more information or to speak with an expert, contact Allison Preiss at apreiss@americanprogress.org or 202-478-6331.

Mr. TAKANO. Mr. Zipperer, Mr. Holtz-Eakin cites, you know, a Seattle study showing harm being done. I would like to know what the impacts of the minimum wage increases in places like Seattle, San Francisco, and New York have been?

Mr. ZIPPERER. All right. Thank you for the question. Regarding Seattle and the study that Dr. Holtz-Eakin cited, that study is based on a completely flawed comparison of Seattle where wages are rising extremely fast during the study period with other areas of Washington State that do not look like Seattle or are not comparable to Seattle and not a good point of comparison. And so that is why I don't think that study coming from the University of Washington is informative in any way about the consequences of the Seattle minimum wage increase.

At the same time, there are also studies that use a variety of case studies and not just focus on a single city but that focus on six cities including Seattle, also Chicago and a couple of cities in California like San Francisco, and they studied the effects of the minimum wage increases there on restaurant employment and workers' earnings in restaurants. That study conducted by Sylvia Allegreto, Anna Godoy, Carl Nadler, and Michael Reich and others at the University of California Berkeley found that those minimum wage increases in those cities, in all of those cities, raised the wages of restaurant workers without any negative consequences for employment.

Mr. TAKANO. Thank you. I appreciate that.

I appreciate my Republican colleagues inviting, you know, Mr. Holtz-Eakin to give us, you know, the conservative point of view. I imagine that my colleagues on the other side of the aisle respect your hard headed analysis of our economy. And we Democrats are advocating for the minimum wage at $2.15 or at $15 an hour. Of course, we are interested in trying to raise the incomes, and I am curious. I want to know, you know, in some of your past writings, especially on immigration reform. Do you still hold to your beliefs that immigration reform and welcoming immigrants into our economy ultimately will raise the wages of American workers?

Mr. Holtz-Eakin. Absolutely.

Mr. TAKANO. Can you expound on that a little bit more?

Mr. Holtz-Eakin. Sure. If you look at the research on the impact of immigration on native born workers, you find that immigrants are, on average, complements to those native born workers meaning in economic terms when they arrive, they raise the wages of the native born workers. Immigrants are disproportionately entrepreneurial. They start businesses at a higher rate. They bring capital at a higher—workers at a rate above the native born. They work longer. They retire later. They are a source of enormous vitality to the U.S. economy, and no one should misunderstand that.

Mr. TAKANO. So you would counsel, you know, my Republican colleagues to push for immigration reform and to welcome immigrants into our economy?

Mr. Holtz-Eakin. I have for my entire career, and you have seen my success.

Mr. TAKANO. And you maintain that immigrants do not depress wages, but they actually have either no effect on wages but actu-

ally ultimately increase those wages because our productivity goes up as an Nation.

Mr. Holtz-Eakin. I am convinced that the blanket statement no one's wages ever go down is probably wrong. Blanket statements are always wrong in economics. But I think the vast amount of evidence is that they are beneficial to the wages of native born workers.

Mr. TAKANO. Of course, I believe that we need a strong, you know, baseline of a minimum wage. We need immigration reform to reduce the effect of the shadow economy so that people, you know, are not being exploited by employers who are taking advantage of their undocumented status.

I mean, we can argue about where that minimum wage should be set, but do you also believe that as well, that a shadow economy is not good for us?

Mr. Holtz-Eakin. I think it is terrible if we have circumstances that permit people to be exploited by the workers, and that is a real issue, and it ought to be taken seriously by everyone in this committee. The place where we disagree is on the minimum wage, and what I would say to you is it is not that you don't want to try to do something. This is the wrong thing to do. We have a lot of evidence in the earned income tax credit that it promotes work and helps these people. Try the noncustodial tax credit. There are a variety of alternatives. This is just the single worst way to try to help these people.

Mr. TAKANO. Fair enough. Fair enough. We simply disagree on the level of the minimum wage, but you know, we do agree on immigration reform and the value of immigrants in our economy. Thank you.

Chairman SCOTT. Thank you.

The gentleman from Georgia, Mr. Allen.

Mr. ALLEN. Thank you, Mr. Chairman, and thank you for holding this hearing and talking about, you know, the creation of jobs and the opportunities available out there.

I am from the State of Georgia. We have a little fast food company down there. Mr. Wise, your testimony was very impressive, but I can tell you. If you had gone to work for Chick-fil-A, you would probably own your own restaurant by now. It is an amazing story. You need to check them out, you know. Obviously you have a passion for that business, and you have remained in it, and in fact, they will actually put you through college. Amazing company.

And in fact, we have had enormous job creation in Georgia. The wage situation is—I mean, for example, with truck drivers. I mean, they are making in excess of $80,000 a year, full benefits, full medical, and there are also companies working with the drivers to make sure they are not out of town more than maybe two nights a week. So we are trying to address this booming economy. Georgia has created over 800,000 jobs in the last four or 5 years, and frankly, everywhere I go, everybody needs workers.

So Dr. Holtz-Eakin, how would increasing the minimum wage to $15—I guess I have two questions. One, how in the world do you live off $15 in Washington D.C.? I mean, I spend 36 weeks up here. This is the most expensive place to live I have ever lived in my life. I mean, you look at Georgia and the cost of living in Georgia. I

mean, it is maybe a third of Washington, DC. based on my experience.

So how can you just blanket the country with, say, you know, like in Washington, DC, maybe the minimum wage should be $30 an hour. Who knows? I mean, why stop at 15? I mean, if you are talking about a living wage based on, in my experience, the cost of living up here. So No. 1, what do you think it will do to a State like Georgia with an incredible economy, and No. 2, how do you, like, divide up the country and say Ok, this is the blanket policy? Can you answer those questions?

Mr. Holtz-Eakin. Well, first of all, I am not an expert on Georgia, but I will say that your characterization matches the data for the U.S. as a whole where we do have more openings than unemployed as I mentioned in my opening Statement. That is the market's way of raising wages, and wages are rising. Our best measure of real wage growth is the employment cost index, kind of a nerdy thing you don't need to know. But if you look at that, it was growing about 1 and a half percent a couple years ago. It is now up to three. It is doubled.

And so we are seeing real wage growth, wages above inflation start to move, and that is a valuable thing. That happens at different rates across the country because we have different economic labor markets. There are hundreds of local labor markets in the United States. Tailoring a policy to Washington, DC. will destroy the State of Georgia, and we shouldn't do it that way, and I think that is one of my biggest concerns about this is it is a dramatic increase, and it is nationwide.

Mr. ALLEN. It is like, you want do level the playing field across the country and penalize a State like Georgia, you know, like I said. And like I said, there is no way you can live off $15 an hour, and my only experience is here in Washington. I don't know what it would be like, say, in other large cities, but—

Mr. Holtz-Eakin. You do want to level the playing field in the sense of giving everyone the same opportunity.

Mr. ALLEN. Right.

Mr. Holtz-Eakin. The trouble is having the same minimum wage makes sure that is not level, and that is what I am concerned about.

Mr. ALLEN. Well, I ran a small business for 35 years, and of course, right now we are looking for people. We have no one on our payroll that is making less than $15 an hour. And of course, we are recruiting the best and the brightest, and we don't mind paying more for the best and brightest because they are more productive and tend to be more passionate about their work and that sort of thing, so—

Well, thank you again. You know, I don't think this one size government program fits all is the answer. I think we have got to look at it city by city, but again, we have got to keep the economy growing. Thank you very much, and I yield back.

Chairman SCOTT. Thank you. The gentlelady from North Carolina, Dr. Adams.

Ms. ADAMS. Thank you, Mr. Chairman, and to the Ranking Member as well. Let me thank all of the witnesses for your testimony today, and Mr. Wise, thank you for sharing your story.

A couple of months ago we were scheduled to have a hearing on how terrible it would be to have a $15 minimum wage. I sort of agree with my colleague, Mr. Allen. I would go for the 30. It was fortunate—it was unfortunate, though, that hearing was canceled because we had hard-working folks from many of our service industries in Washington that day, all fighting for $15 because they know that $15 is the bare minimum an individual must earn to raise a family today.

And I was able to meet with many of them that day, and I met many of them throughout my legislative career, and these workers, as Mr. Wise has said, work two and three jobs to feed their families and still, it is not enough. Working hard is not enough if you don't make enough, and on 7.25, you can't survive.

I remember in 2006 when I fought for the minimum wage to be raised from $5.15 to $6.15 in the North Carolina General Assembly. I fought 9 years to get that done, and it is pretty shameful today that 12 years later, the Federal minimum wage and the State minimum wage in North Carolina has only increased a mere $1.10.

The question is not does it make sense to increase the minimum wage to $15. The question is who in their right mind would disagree? You know, Dr. Spriggs, I have a question for you. I am interested in why generally wage increases no longer seem to be tied to worker productivity, and if you can just briefly describe how the key labor market institutions are functioning today, I would appreciate that.

Dr. SPRIGGS. Thank you very much, Congresswoman. We have tried this experiment over the last 40 years that you don't need a minimum wage, you don't need unions, you don't need any of the labor market safeguards and institutions we put in place at the time of the Great Depression where we learned that real wages can fall.

The problem today is we are now 10 years into the—almost 10 years into the recovery. It is been 9 years since the labor market started this string of consecutive job growth, and yet it is only now, only now that real wages are rising and really only because inflation was negative at the end of the quarter. So the lack of a floor affects workers because increasingly economists have come to understand that competitive firms don't really face a flat wage curve. The belief that employers can hire as many workers as they wish at a flat wage is not true. They face an upward sloping demand curve which means, and from an economist perspective, they act like a term that you might be familiar with, the monopsony which means that the market wage should be higher in order to be closer to what the clearing wage would be.

And those firms are, in fact, hiring fewer workers than we would expect in a competitive environment. That is why when we do experiment after experiment and we analyze this, we simply don't see the negative wages. And workers who are unionized simply run into a stonewall because firms know that the respect is not there for bargaining for higher wages, and so we have not been able to see wages rise that much even in the bargaining sector.

Ms. ADAMS. Can you speak briefly to the importance of indexing wage increases and elimination of subminimum wages in addressing weakened labor market institutions?

Dr. SPRIGGS. In the past, when you look at the increases in the minimum wage, it was one of the charts that was put up before. You saw that even though Congress wasn't consciously doing it, it was raising the minimum wage in line with productivity and in line with the median wage and in line with the poverty level. When that consensus broke in 1969, you saw these things move in all sorts of different directions.

And so the purpose of indexing is because it has become increasingly difficult now that everyone does not agree that work pays and all work is dignity. It has become such a political item that it is necessary to put in the indexing because before this was not partisan. Republicans overwhelming agreed with Democrats. The whole country agreed work has to have dignity, and work must pay. That is an American value.

Ms. ADAMS. Absolutely. Dr. Zipperer, just quickly. If the wage had kept pace with how productive workers are on the whole, how much would it be today?

Mr. ZIPPERER. If the wage had kept pace with labor productivity over the last 50 years? If the minimum wage had kept pace with labor productivity over the last 50 years, the minimum wage today would be closer to $20 an hour.

Ms. ADAMS. Thank you, sir.

I yield back, Mr. Chair.

Chairman SCOTT. Thank you. The gentleman from Michigan, Mr. Walberg.

Mr. WALBERG. Thank you, Mr. Chairman, and thanks to the panel for being here.

Recently my office received a letter from Daniel, a constituent in my Michigan district, who has worked in the restaurant industry as a bartender for over 20 years. He described how he has the potential to make well above the minimum wage with the tips and appreciates the freedom that the restaurant industry provides to move to different restaurants at significant increases and security that can best meet his personal needs.

Dr. Holtz-Eakin, this Raise the Wage Act would eliminate tip credit, as I read it, requiring all employers such as these restaurants where Daniel works to pay cash wages equal to that of the full minimum wage. What effect do you believe this policy will have on the take-home wages of Americans like Daniel who work in the restaurant industry?

Mr. Holtz-Eakin. So it is a good question. I think there are two possibilities that jump out. The first would be by forcing the equalized the minimum wage. You are raising the cost of labor for that establishment, and the worst-case scenario is that Daniel no longer gets to tend bar, and if he can't find another job, that his take home pay is undeniably diminished. He might have to take another job somewhere else and hopefully be Ok. But that is one channel.

The second is that the tip—you know, if it becomes known that he is being paid, people stop tipping, and to the extent that happens, he may not come out ahead. He may come out behind, but those are the two channels that would be in play.

Mr. WALBERG. It takes away that flexibility and security to a great degree of being able to know that if I go to another restaurant that has a larger clientele or whatever else, it could impact me at the tip credit as well.

Mr. HOLTZ-EAKIN. It is in a small way a little labor market where, you know, there is a return to his skills, his service, his productivity, and the better he is, the more tips he will get, and this breaks that link as well.

Mr. WALBERG. In looking at what has happened to restaurants and other businesses in cities that have eliminated the tip credit, what has been the outcome?

Mr. HOLTZ-EAKIN. I will have to get back to you on the tip credit, per se. I don't have that at my fingertips. I will just note that I think the restaurant industry is the one that jumps out as a concern in the Raise the Wage Act. You know, in my testimony I showed some of the historical evidence from 2014 and 2015 where we looked at what happened to restaurant employment in those municipalities that raised their minimum wages versus those that did not, and it is right in the data.

The employment growth just slows down, and this is at a time when we are starting to see the economy finally ramp up. But I am afraid this act would repeat that in a much bigger way for the Nation as a whole.

Mr. WALBERG. Does any data show that the tip credit really allows workers to earn less than the minimum wage?

Mr. HOLTZ-EAKIN. The law says they can't earn less than the minimum wage. I am sympathetic to Dr. Spriggs' observation that compliance is an issue. I am not a compliance expert, but I would take those comments seriously and make sure that we have things that are—effective laws that can be monitored and enforced.

Mr. WALBERG. Ok. Thank you. I yield back.

Chairman SCOTT. Thank you. The gentleman from New Jersey, Mr. Norcross.

Mr. NORCROSS. Thank you, Chairman, Ranking Member, and I am here proud to cosponsor along with the chairman the Raise the Wage Act, but I want to start out by thanking the witnesses, but particularly those behind you who are the real faces of minimum wage, and certainly that is the reality.

So let's talk about myth versus reality. 1950. Minimum wage was increased by 88 percent. Unemployment decreased. The stock market went up. Thirty years ago the CEO made 30 times the average worker. Today, the CEO makes 347 times. That is the reality of what is going on.

Mr. Chairman, this is America. You work hard, you play by the rules, you are supposed to be able to make it. Right now, that is not the case. It has been 11 years since we voted, 10 years since that raise went to the minimum wage. We do need to raise the wage, and I reach across the aisle because what happened last time, 348 votes in the house, that was Republicans and Democrats.

Eighty votes in the Senate to raise the minimum wage. We can do this because you know it is the right thing to do. It is predictability. It is not $15 an hour tomorrow. This is over years that this comes in. I worked for minimum wage. I was a single dad trying to raise my kid. I know it was tough. Today, it is impossible, but

I will tell you that if the minimum wage kept up with inflation and productivity, it would be $18 an hour. That is the path that we follow that if you work hard, you play by the rules, that the boss doesn't keep everything, and that is what we have seen happen. But the real surprise is not that you can't make it, but you don't even come close, do you, Mr. Wise? You don't even come close.

But the remarkable thing, to my colleagues, raising the minimum wage to $12 would reduce government spending on entitlement programs by $17 billion. People want to work. They want to be able to provide their family. They want the dignity of going to work each day, but they need to be able to make it in this country. I am so proud to say my Governor signed in the $15 an hour wage predictability over the next 6 years. It is not happening overnight. Let's think about it. If it has been 10 years and it is going to take us another 6 years, that is 16 years to raise the wage to $15 an hour. It is not this overnight crisis that they are trying to build.

My friends here in Washington, please. It is time to wake up. We took care of the CEOs for you who voted for that tax, 1.3 trillion to that top 1 percent. It is time to help these people, the ones that vote in your districts, the ones who need it.

Mr. Wise, why are you here today advocating on behalf of the minimum wage? Why is this important to you?

Mr. WISE. Well, you know, it is like you said, and that is what my mom told me. She told me work hard, be a good citizen, and everything will be Ok. That is what Mom told me, and I thought that would be the case. I worked hard, doubly hard, two jobs to try to provide for my three girls. When I had to start skipping meals, you know, substituting sanitary products for my daughters, making them use tissue, just doing anything to survive and get by even though I was doing everything right, everything Mom said, but it was obviously something terribly wrong.

And I know that my fight doesn't end today here in this building. I have got to continue to fight in my city and all across the country until every worker is earning a living wage, and not only that, until we can work to get legislation to create an easier environment for us to have a union and be able to have collective bargaining, a seat at the table. So this fight is something that I have been waiting on my whole life. This is a way we have got to change this country. There is no individual solution to social, economic, and political problems.

So I have been able to come together with my coworkers from not only Kansas City but across the country to change the narrative in this country. Before we organized 6 years ago, no one talked about wage inequality. Nobody talked about unions. I wasn't taught this in school, but I have been able to learn through the movement that this is what it is going to take, me and my coworkers behind me continuing to stand together and tell our stories because it is real, and this is how we live every day.

Mr. NORCROSS. Thank you, Mr. Wise.

Please. Let's work together. Let's take care of all Americans. Let's give them a chance to have the dignity of the American dream, of being able to make it because you are doing the right thing. I yield back.

Chairman SCOTT. Thank you. The gentleman from Texas, Mr. Wright.

Mr. WRIGHT. Thank you, Mr. Chairman, and thank all four of you gentlemen for being here today. Dr. Holtz-Eakin, you made a point earlier that is worth repeating, and that is that this is not about compassion, and, indeed, it is not. In fact, what is before us today is a very poor measure of compassion because we have to be concerned about the unintended consequences of this bill just like we should be with every bill that we discuss and vote on.

Raising the minimum wage is great for people who get to keep their jobs, and of course, that is the concern is the effect it will have on jobs because we are not talking about merely raising the minimum wage. We are talking about doubling it. That is a shock to the system of any small business, any small business owner, and they have to make that calculation. They have to balance whether they can keep all the jobs they have or eliminate jobs in order to accommodate a sudden, what, 100 percent spike in their wages they have to pay.

So we have to be concerned what effect this is going to have, and we have already discussed—I had some questions about rural versus urban, and you have already discussed that because I have both in my district. What I am concerned about, though, and is the studies that show, what impact doubling the minimum wage would have in terms of business closings, not just employee reduction. Do you have any information on that?

Mr. HOLTZ-EAKIN. I don't have a specific estimate of that. I think again, one of the concerns is that this is an experiment that has never been run. We have never doubled the Federal minimum wage. We are trying to learn from other things that were far more modest. They happened in a locality or a State, smaller at the national level, so but there is no question that one of things you would expect to happen is for those firms with thin profit margins, that they in the end may just not be able to make it, you know, and they will close their doors. And I don't—I have little question about the direction. I don't know the magnitude.

I think the other thing to think about with that this is different and important is that yes, it is over a number of years, and it is laid out in the act. That means that right now, those firms know, they can look forward with complete certainty that these low-skill, low-experience workers are really expensive, and they will stay expensive forever because it will be indexed at the end, and they will find ways to stop having counter service and automate things in ways that we have seen in other parts of the economy. It will just accelerate that. And so the jobs won't just be lost for a moment. They will be gone.

Mr. WRIGHT. Right. Well, I want to repeat what has been said before, and that is that all of us up here share the same goal in terms of wanting to increase the livelihood of Americans, expand economic opportunity and progress for Americans, but I don't believe doubling the minimum wage is the right way to go.

Thank you, Mr. Chairman, and thank you, Dr. Holtz-Eakin.

Chairman SCOTT. Thank you. Thank you. Did you want to respond to that? Ok. Thank you.

The gentlelady from Pennsylvania, Ms. Wild.

Ms. WILD. Thank you, Mr. Chairman. Thank you all for being here, and thank you to all of you who are here as witnesses to this.

It is such an important issue, and it is one that I, as a freshman legislator, campaigned on, to raise the minimum wage, and I feel very deeply that we should. I am from Pennsylvania, one of the 22 States that still has a minimum wage of $7.25 an hour. So as I understand it, Mr. Wise, you are a little bit ahead of us in Missouri. I guess you just raised it up to $8.60 an hour, is that correct, from $7.85 an hour last year? So Missouri was still ahead of Pennsylvania with our $7.25 an hour minimum wage.

Mr. WISE. That is correct.

Ms. WILD. Well, Mr. Wise, let me just say this, and I am going to talk kind of quickly because I have a lot of things I want to say or to ask and only a limited amount of time. I really appreciate your courage and your willingness to be here today and to talk so candidly about your own experience and your family's experience. It is not an easy thing to do, and I recognize that. I also admire your fortitude and your commitment to your family. And I admire that you are engaging your daughters in activism and helping them to understand what it means to fight for social justice, so thank you for all of that.

We just talked a minute ago about the minimum wage in Missouri which I understand is $8.60 an hour now, and if I may, how much are you now earning at McDonald's?

Mr. WISE. Well, after 20 years in the industry, I do make $11 an hour at McDonald's.

Ms. WILD. Ok. Twenty years in the industry. And you know, my colleague, Mr. Allen, made a reference to your passion for the fast food industry. Would I be correct in assuming that it is not so much a passion for the fast food industry as it is the only job that you could get when you had to drop out of school to help support your family?

Mr. WISE. Well, that was the opportunity I had at the chance, you know. All labor has dignity. My mom worked for the company Hardee's for 30 years. She enjoyed her work. I enjoy my work.

Ms. WILD. Good. I am glad to hear that. Now, there was also a reference made to tractor-trailer operators making $80,000 a year and so forth. Have you ever explored other opportunities such as driving a truck?

Mr. WISE. Well, you know, when I worked—and many Americans work doubly hard. For example, I worked Monday 4 p.m. to 11 p.m. and had to be right back up Tuesday morning at 4 a.m. to return to work, so there is no flexibility in scheduling. I work very hard, and there is really not time, you know, to go back to school, to search that extra education. And the last I checked, it is really not free in this country.

Ms. WILD. Well, and that is where I was going with that line of questioning, and it is as much a Statement as it is a question. For you to pursue something like a tractor-trailer position, aside from the fact that it would take you away from your family, it would require additional training and time that you don't have, correct?

I ask these questions not in any way intended to embarrass you. Do you and your family rely on any form of public assistance?

Mr. WISE. Well, currently, Medicaid. My daughters have and my fiancee did while she was pregnant with my last child, but she doesn't any more. And we were receiving stamps up until a few years ago, but they said that we were making too much, and those got cut. But we still do rely on Medicaid, food pantries, any way to get by.

Ms. WILD. And how many hours a week are you working?

Mr. WISE. Me, right now, I work just at McDonald's but I work over 50 hours a week, you know.

Ms. WILD. And what about your fiancee? How many hours a week does she work?

Mr. WISE. Well, she is a home healthcare, and she works four 12s, so 48 a week.

Ms. WILD. Ok. And you told us when was the last time you got a raise?

Mr. WISE. Oh. Oh. Well, it has been a while.

Ms. WILD. Ok. You have told us you have been in the business for 20 years. When is the last time you—ballpark it. When is the last time you got a raise?

Mr. WISE. About 3 years ago.

Ms. WILD. And you are at $11 an hour now. Ok. So I am going to turn the my attention to Dr. Holtz-Eakin in my last 30 seconds here. Dr. Holtz-Eakin, what would you propose to Mr. Wise as to what he should do to lift his family out of generational poverty?

Mr. HOLTZ-EAKIN. I don't have specific career advice for an individual. The decision in front of the committee is whether to do the Raise the Wage Act, and I would simply argue that it is more likely to damage his prospects and people like him than to help on average, and that seems unwise. This is a compelling story. It can be played out in even greater numbers if the wrong policies are put in place. That seems unwise to me.

There are other things that we have done, earned income tax credit that I mentioned, that have both promoted work and targeted effectively on those in poverty who are working, clearly the case with Mr. Wise, and thus allowed people to work, allowed them to be above the poverty line that were very successful. Those would be the subject of attention, I would think, not this.

Ms. WILD. But you would agree that Mr. Wise's story is just one of hundreds of thousands across the country of people who are working more than full-time hours and are living in poverty?

Mr. HOLTZ-EAKIN. Mr. Wise's story is one of millions of labor market stories, and I guess it comes as a perception that somehow I don't care about those stories when you look at the data. The data give voice to all those stories simultaneously. They tell us on average how things will work out. They will be worse, not better. I don't want that.

Ms. WILD. I am sure Mr. Wise will advise his children about that data.

I yield back.

Chairman SCOTT. The chair recognizes the gentleman from North Carolina, Mr. Walker.

Mr. WALKER. Thank you, Mr. Chairman.

Mr. Wise, I first want to say how much I respect the willingness to be vulnerable like this in a National forum. I also admire the

fact of how intricately involved you are in your daughter's life. The line that jumped out at me, I believe that you said earlier, was all work has dignity, and I certainly agree with that, and thank you for your courage and being here today.

Mr. Holtz-Eakin, I have a couple questions for you if I could get to that. I believe our colleagues have proposed—I think the number comes down to about a 107 percent increase in the minimum wage. What percentage was the minimum wage increased by the last time in 2007? Would you have those numbers?

Mr. HOLTZ-EAKIN. I don't have them in front of me, but it is much, much lower. I mean, it was about a $2 increase.

Mr. WALKER. Ok. So percentage wise, it is about 40, 45 percent, somewhere in that range. Would you say there were some disruptions in the labor market immediately following the minimum wage increase, and could you take just a few seconds or a minute to describe those for us?

Mr. HOLTZ-EAKIN. So that minimum wage increase was implemented during the depths of the Great Recession and the early parts of the recovery. If you look in the data, teen unemployment is markedly higher there. I think there is little reason to doubt that is, in part, attributed to the minimum wage increase, a weak economy, very, very few skills in that population. They didn't get hired.

Mr. WALKER. Back in my home area of Greensboro, I think of my friend who has a yogurt shop there in Northern Greensboro. It is not his primary source of income because they just kind of break even, but he has about six to eight individuals who make around $8 to $10 an hour. It is basically an after-school for some younger people to be able to have some time. I think he even has some of his family members just to cover some shifts there. I know this , and I have talked with him about this, if they were to go to $15 an hour, he would be defunct. The place would no longer be in business. If we were to move forward on such standards that are suggested, do you think that there would be a drastic change to specifically the labor market if this was to be adopted?

Mr. HOLTZ-EAKIN. This is, I think, a recipe for very few opportunities for the younger, less skilled, less experienced workers, and that first step on the job market ladder of success is an incredibly important one, and I think that is something to be deeply concerned about. As I mentioned in my opening, I think it has been underappreciated what went on in 2018. The fact that the economy, having already reached low levels of unemployment, could pull so many people into the labor market and into employment, over 200,000 jobs a month, means that we were taking people who had given up, who had no attachment to work, and now they have one. Anything that does that has great long-running success. This might do the reverse.

Mr. WALKER. Well let's speak, then, on the younger people. I remember my first job there in my small town in Milton, Florida. I worked at the Piggly Wiggly grocery store for $3.35 an hour. I did get wise to who might tip me $0.50 for carrying their bags out back when you could do that. To add or pad that a little bit.

What kind of benefit is it to some of our younger people to be able to develop these entry-level skilled positions or even those skilled positions? Can you speak to the generalization of that? I

know that is not a hard data point, but do you have any evidence supporting that?

Mr. HOLTZ-EAKIN. We know that work is good for people. People want to work. They feel better when they work. There is an enormous amount of on-the-job skills that are learned, especially early, and those skills are general skills that transfer from job to job. So getting people in, acquiring those skills is a very important part of the labor market dynamics.

Mr. WALKER. And one potential effect of more than doubling the Federal minimum wage is that small businesses will simply close the doors as I have mentioned. This is extremely concerning to me as we have over 890 small businesses in North Carolina alone employing about 1.6 million workers.

Any evidence showing that increasing the minimum wage to $15 could possibly lead to some of these businesses closing like the one that I mentioned. Do you have other evidence to support that?

Mr. HOLTZ-EAKIN. I would be happy to get it back to you with as to estimates. That is an important dynamic. I think it is especially important right now. One of the characteristics of the U.S. economy is that we have seen fewer business startups than historically. Indeed, a couple years back, business startups fell for the first time below business closings. That lack of dynamism I think is troubling. We don't want to get in the way of that.

Mr. WALKER. And I think we all should be sensitive to some of the families and with Mr. Wise's situation, people that there is a gap that cut through here, and our heart goes to out to them. The financial crisis, as a former pastor I can tell you I have witnessed it firsthand. But I worry about this one-size-fits-all where even some of these proposed minimum wages are even standard of living in places like New York and Boston and other places.

And with that, I will yield back to you and I will close out. Yield back to the chairman.

Mr. HOLTZ-EAKIN. I guess the one thing I would note for this committee, especially this Committee on Education and Labor, the troubling data point in my mind is the fact that if we look at our National Assessment of Education Progress, the NAPE scores, we have got somewhere between a quarter and a third of fourth and eighth graders who aren't reading at grade. They are seriously deficient, and they can't do math at grade. They are seriously deficient. If you want to have a recipe for a big problem going future, let that continue. That is a problem.

Chairman SCOTT. The gentleman from Michigan, Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

Dr. Holtz-Eakin, I am glad to hear you are in favor of a massive investment in public education. That would be great to raise those scores.

Mr. Chairman, if it is all right, I would like to submit for the record a letter from the AFL–CIO legislative director, Bill Samuel, about our hearing topic today.

Thank you.

Chairman SCOTT. Without objection.

[The information follows:]

AFL-CIO

LEGISLATIVE ALERT

January 31, 2019

Dear Representative:

On behalf of the AFL-CIO, I am writing to urge you to cosponsor the Raise the Wage Act of 2019 (H.R. 582), which would gradually raise the federal minimum wage to $15 an hour by the year 2024.

Congress has not raised the minimum wage in more than 10 years, and as a result millions of Americans who work full time live in poverty.

Phasing in a $15 minimum wage would benefit 41 million workers and begin to address wage inequality that has been growing for decades. More than half of the workers who would benefit are adults between the ages of 25 and 54, and nearly two-thirds work full time. More than half (56 percent) are working women, and nearly 30 percent have children.

Despite claims to the contrary, by 2024 a single adult without children will need at least $31,200 ($15 per hour annualized) to achieve an adequate standard of living in all parts of the country, according to the Economic Policy Institute (EPI). If the minimum wage had risen at the same pace as productivity growth since 1969, it would be over $20 an hour today.

Multiple studies have shown that modest increases in the minimum wage have not resulted in significant job loss, and that low-income families benefit most from the increase in their income, reducing both poverty and income inequality.

Raising the minimum wage to $15 has the support of an overwhelming majority of Americans, and the benefits far exceed any potential cost. Every Member of Congress should go on record today in support of a $15 minimum wage.

Sincerely,

William Samuel
Government Affairs Department

American Federation of Labor and Congress of Industrial Organizations
815 16th St., N.W. • Washington, D.C. 20006 • 202-637-5000 • www.aflcio.org

RICHARD L. TRUMKA
PRESIDENT

ELIZABETH H. SHULER
SECRETARY-TREASURER

TEFERE GEBRE
EXECUTIVE VICE PRESIDENT

Mr. LEVIN. Thank you.

So I appreciate all four of you coming. I have learned a lot listening to you.

Dr. Holtz-Eakin, I wanted to ask you, you have been a professor and worked in government so many distinguished contributions, have you ever written in favor of raising the minimum wage at any level, written a paper, published a paper?

Mr. HOLTZ-EAKIN. No.

Mr. LEVIN. You have never supported raising the minimum wage?

Mr. HOLTZ-EAKIN. I have never written a paper on that, no.

Mr. LEVIN. Ok. What do you think the ideal minimum wage is, or should there be one at all? Perhaps—it is a perfectly legitimate position—just leave it to market forces, would that be your position?

Mr. HOLTZ-EAKIN. I would prefer to have subnational minimum wages which are tailored to the labor market conditions where people are actually working. So I have lots of reservations about any number for the Federal minimum wage. It doesn't match any labor market.

Mr. LEVIN. Even $5 an hour, say, $2 an hour?

Mr. HOLTZ-EAKIN. We are already at 7, so 5 would be fine.

Mr. LEVIN. Were you opposed to going to 7?

Mr. HOLTZ-EAKIN. I didn't have an opinion on that debate, to be honest.

Mr. LEVIN. You didn't?

Mr. HOLTZ-EAKIN. I was not at this table and was not asked.

Mr. LEVIN. I know you weren't at this table, but you are an important thinker on these. I am being, in all seriousness, I am just trying to understand.

Mr. HOLTZ-EAKIN. I know. I am being serious too. I am not a fan of minimum wage increases for the reasons I explained at the outset.

Mr. LEVIN. Thank you. That is what I thought.

Mr. HOLTZ-EAKIN. And—no, it is this and this very particular thing: If you do it, the best possible outcome is no harm. The only debate we have is over how much harm. And the nature of that harm is to take money from people who don't have a job and give it to people who do have a job. I don't think that is right.

Mr. LEVIN. I don't think the data support that, but I appreciate your point of view. In fact, in 1949, according to Dr. Spriggs' figures, we raised the minimum wage by 88 percent and 91.4 percent of Republicans voted in favor of that. So we have raised the minimum wage significantly before.

In this case, we are talking about raising it over a 5-year period. So the notion that my friends, some of my friends on the other side of the aisle talking about a shock, this immediate thing of doubling the minimum wage, that is factually completely inaccurate. That is not what we are proposing.

We are proposing raising it to get it back toward what it was, not toward what it was as a percentage of productivity, but at least toward what it was in dollar figures, close to what it was in earlier times.

Mr. Wise, I really was interested in something you said a couple of times about you are not just here advocating for a living wage for your family, but also for the freedom to form a union. Could you explain that a little further?

Mr. WISE. Well, yes. It is kind of like, you know, you get more done together than you can alone, and that was evidenced in my life. Like I said, I have asked the boss for a raise in the nicest ways for years, tell him I need benefits for years, and it just falls on deaf ears.

And not only that, but when you look back at American history, when we join a movement we learn about history. We know that for women to get voting rights, they had to come together collectively. Any labor laws that we want or any advances in the labor movement, we had to do it together. To end slavery, it took a movement, civil rights movement, to improve the lives of people in this country.

And that is what it is all about. And that is what I like to instill in my daughters as well, that we get more done together than we can alone, and we can go so much farther as long as we stand together. And a union, you know, going to work every day now is like going into a dictatorship, you know. I have no voice, no opinion.

I can remember the first job at Taco Bell, we at least had a comment box. Now those have all but been eliminated from the workplace. So to be able to come together and have a seat at the table with my employer where we can negotiate healthcare and wages. That is the benefits of a union.

Mr. LEVIN. Thank you so much for coming today and for speaking the truth for your leadership on this national stage. The truth of the matter is that we need to raise our wages for everybody to a basic level of dignity, but unless workers have the power and the freedom to form unions in this country, which they don't today, we are at 6 percent of the private sector being unionized, we will never raise the standard of living for the middle class in this country.

And I just want to point out that people have this idea of a lot of workers in my area, auto workers, it is like, you know, they represent the sort of middle class of working class people getting a piece of the middle class. A hundred years ago, when auto workers were in the same fight you are now, my friend, they were poor workers in incredibly unsafe jobs, and it was only by coming together to form a union that they got their little piece of the middle class. So keep on speaking the truth, and thank you so much for your testimony.

I yield back, Mr. Chairman.

Chairman SCOTT. Thank you.

The gentleman from Tennessee, Dr. Roe.

Mr. ROE. Thank you, Mr. Chairman. And thank all the witnesses for being here, and I appreciate that.

In our State of Tennessee, we recognize that we think the way out of poverty are skills. In our State, we provide free community college and free technical school. Anybody there. And if you have lost your job and you want to get educated, we have a Tennessee Reconnect, where you can go to community college or you can go to a technical school. We have 27 of them in the State for free.

So that is one of the ways we are attacking this low wage. And what I have seen in my district is I think it is going away, the minimum wage issue and debate. Right now we have a lot more job openings than we do people filling those jobs even where we are. And there is a help wanted sign literally everywhere.

And I just looked the other day for H2 workers around the country, H2A workers. The highest is $15.03. That is in Washington State. The national average is almost $13 an hour. And in my district, it is $11.74 an hour. That is now. Five years from now, it is going to be $15 an hour. There are fast food restaurants in my area that are paying $15 an hour today.

I can get you a manufacturing job in my hometown today if you are willing to work and you can pass a drug test for $19 an hour. And the skills gap that Dr. Holtz-Eakin is talking about is where one of the biggest problems are, low-skill workers who don't have those skills.

I looked up a couple things. I think the minimum wage $15 an hour may be very appropriate. It could be even more if you lived in San Francisco. And I just did a few calculations while we are having this. The median price of a home in San Francisco is $1.4 million.

Let me run down where I live. I live in the wealthiest county in my district, and the median price of a home is $148,000. Seattle, $725. I have got a town I represent where $90,000 is a median price of a home. Fifteen dollars an hour there is totally different than $15 an hour in New York City or San Francisco or in Bend, Oregon, where it is $433,000 for a home, or Portland where it is $449,000 for a home.

So I just looked those numbers up just a moment ago. In Kansas City, it is $147,000, a little cheaper place to live than Washington or these other places.

And if my colleagues on the other side of the aisle are willing to do this, I am more than willing to look at a minimum wage if you will look at the Medicare Wage Index, where the Federal Government says it is Ok to pay me and my hospital where I live 73 cents on the dollar and pay people in California $1.50 to do exactly the same thing.

The government is already making a difference in what they pay, depending on where you live. So it makes sense to let local communities decide those things, based on the economic conditions in that community.

I would like to yield to Dr. Holtz-Eakin, if he could comment on that.

Mr. HOLTZ-EAKIN. I would comment on two things: First, I commend you for your discussion about the community colleges. There is an enormous amount of evidence that is a relatively low-cost, very valuable way to go in getting workers new skills or skills to begin with. And I think that is something to think about more broadly for the U.S.

And then I have said this many times today, I won't belabor it, there are hundreds of local labor markets that are very, very different, and to just jack up a national average to $15 is going to dramatically impact some of them, because it is inappropriate.

Mr. ROE. And I agree with that. And I think where we are, a wage, a minimum wage, there is no question, to hire qualified people, you have to pay more than $7.25 unless it is a high school student that is just entering the labor force.

And I think the other thing that I took a little bit of offense at today is I have been an employer my entire life, and I didn't keep everything. I provided health benefits and retirement benefits because why? The most valuable person in my business were my employees. They were the most valuable person I had. I value them. Right here in this U.S. Congress where I hire people, the most valuable people are my employees who work with me every day.

So I certainly know if you have got a good employee, that is the most valuable person in there and you are going to pay them what you can afford to pay them to keep them in your business. And with a growing labor market, they have more options, and that is a good thing when a person can go from one job to another and transport and make more money, and that is what we are seeing right now and it is about time for middle class working people—and I grew up in that kind of family, my dad was a factory worker and my mother was a bank teller—to see wages going up for middle class people.

I yield back.

The Chairman. Thank you. The gentlelady from Washington, Ms. Jayapal.

Ms. JAYAPAL. Thank you, Mr. Chairman. And thank you all for being here.

I am from Seattle. I proudly represent the district that passed the highest minimum wage in the country. I was on the committee that wrote the legislation. I have heard testimony for years similar to some of the testimony we have heard here. And I want to start by saying none of that would be possible without the work of people like Mr. Wise and all of the people that are in the room that have been on the streets, that have been in your employer's workplaces demanding a $15 minimum wage. That is where the energy has come from.

I also want to say, Dr. Spriggs, that we are proud in Washington State to have one of the highest minimum wages in the country indexed to inflation, going all the way back to 1998. And from 2001 onwards, we have indexed our minimum wage. And that was part of—that was really the product of a strong labor movement.

So you articulated so beautifully why it is important to have collective bargaining, to have organizing, in order to really work with employers to make sure that workers who are driving profits—because let's be clear about where profits come from, they come from workers who drive those profits—are rewarded for that.

So, Mr. Wise, I just wanted to give you a little bit more of a chance to talk also about your colleagues. You have spoken so beautifully about your own situation. Tell me if that experience reflects what your colleagues are also feeling at McDonald's?

Mr. WISE. It has. And I can tell you even before this moment and before the movement, you know, I would work every day with my colleagues and we would share the same stories of how we struggle to pay bills, come to work depressed because the gas is up, you know, skipping meals, the same thing. Whether it was Suzy, my

Hispanic coworker, Ellen, my white coworker, me myself, we all were going through the same trials and dilemmas. And we all did what? Woke up every day and went to work. It is not like we weren't working hard.

And another thing I looked around, the myth of this being jobs for teenagers. These are McDonald's workers with me here today. We are hardworking adults raising families, you know what I am saying? So it was no way, no individual way to fix the problem by ourself. We would just soak in it and go to work and take it. But we figured out quickly that when you can organize, come together and amplify your voice, you know, act like a union even before we win our union, we were able to get things done. We were able to change the narrative in this country.

Like I said, 6 years ago we started hearing about 15. That number 15, Amazon and everyone else you hear, it just didn't come out of thin air. These employers didn't wake up oneS day, you know what, let's go 15. That is because of what workers in this room and myself have been doing to change the narrative around the country.

Ms. JAYAPAL. Thank you so much, Mr. Wise. And I would just say that the argument around youth employment has been proven false over and over again. When we have the debate in Washington State, the reality is the majority of minimum wage workers today are not teenagers, and I think it is exactly what you said.

I wanted to just say to Dr. Holtz-Eakin that you quoted a study on Seattle and the effects of the minimum wage increase. Are you aware, Dr. Wise that study—I assume you are quoting the study from 2017. Are you aware that the exact same researchers put out a study a year later that countered everything that they said, almost every everything that they said in the 2017 study? And just a yes or no or is fine, because I want to go to Dr. Zipperer.

Mr. HOLTZ-EAKIN. I would disagree they countered everything. I know there is another study.

Ms. JAYAPAL. Ok. So there was another study done by the same researchers that had substantially different results than that first study. So, Dr. Zipperer, can you speak to what the research shows around the effects of the Seattle increase in the minimum wage?

Mr. ZIPPERER. I think there is a study that you are referring to or a set of studies by the researchers at the University of Washington. And, like I mentioned earlier, I find both sets of those studies to be completely uninformative about the consequences of the Seattle minimum wage. Those studies find that there are large negative consequences to employment of certain groups of workers and—

Ms. JAYAPAL. You are talking about the 2017 study?

Mr. ZIPPERER. About the 2017 study.

Ms. JAYAPAL. But can you speak about the most recent research that actually counters that and shows that our minimum wage in Seattle has actually increased wages for people that were earning the minimum wage?

Mr. ZIPPERER. The second study that you referred to put out by those researchers found that workers who had jobs prior to the minimum wage increase benefited tremendously from the min-

imum wage increase, and that they saw higher earnings overall and did not see increased chances of disemployment.

Ms. JAYAPAL. Thank you. Let me just mention that we talked about the tip penalty. That is what I call it, the tip penalty, because part of what happens is that workers who are under a tip, as Dr. Spriggs said, are subject to all kinds of issues; but in addition to that, it is front-of-the-house workers versus back-of-the-house workers when you talk about tips.

And so I think we are going to talk about this on the next panel, and I have many more questions and things to say, but I see that my time has expired, Mr. Chairman, so I will yield back.

Chairman SCOTT. Thank you.

Mr. Meuser from Pennsylvania.

Mr. MEUSER. Thank you, Mr. Chairman. Thank you, Dr. Foxx. Thank you all for testifying. We appreciate it.

The former Governor of Indiana, Mitch Daniels, had a saying, and it was: My job is to grow the disposable income of Hoosiers. Governor Daniels had that quote put up actually on the door of each of his Cabinet Secretaries' offices. When I served as Revenue Secretary for the Commonwealth of Pennsylvania, I truly shared this vision, and spoke to my department and other Cabinet members about the importance of that role.

Government does have a responsibility to help competitive businesses and their families flourish by creating an environment for opportunities for all Americans to achieve economic prosperity and help improve family sustaining wages. However, history shows and data that I review proves that when government takes an overreaching posture, there are, unfortunately, unintended consequences.

So I will start with Mr. Eakin. A $15 minimum wage would have the largest impact on small businesses and on young people entering the job market, 2.6 percent of employees at small businesses earn the minimum wage. Large businesses, it is a little bit less, 1.5 percent.

I represent a rural, hardworking district in Pennsylvania with thousands of small family businesses. I fear that these small businesses in my district would be negatively affected in the event that a $15 minimum wage was implemented.

As someone who helped myself grow a small business into a large business that has, well, a minimum wage much higher than the minimum, I think as most companies do, an implementation of a $15 minimum wage would put tremendous pressure on small business owners. I would think that the business would first attempt to raise prices, which is very difficult to do in competitive markets, global markets.

Next, the company would be forced to cut staff, letting go of workers who had done nothing wrong. And when that still wouldn't be enough, business owners would be forced to take away raises historically given to employees who had worked with the business for a longer period of time. And then after that, just be concerned with survival.

Can you outline, Mr. Eakin, how historically small businesses have dealt with government-mandated minimum wage increases?

Mr. HOLTZ-EAKIN. You have walked through the logic. It is the same logic I discussed earlier. There aren't many places to go. You raise prices, lay people off, don't hire new people, don't give raises, squeeze your payrolls wherever you can because you must. And small businesses have the least capability to survive that, and so, you know, you worry about the impact on them.

That is part of the cost of this policy. The emphasis has been on the benefits, but what I wanted to emphasize was if you have a job and you get this raise, that is the good news. The bad news is only under 7% of those benefits go to people in poverty.

And so the notion that this is an effective way to provide the benefit of poverty alleviation is vastly overstated. It is a poor instrument for that, and it has significant costs to sectors of the economy like the small business and sectors of the labor force who are young and unskilled or least educated. And that is the unintended consequence that I think has to be focused on.

Mr. MEUSER. Regarding the Seattle study, and it is certainly quoted often, but not only were there job losses but even the workers who kept their jobs had their hours cut, reduced, which more than offset any pay increase.

As a result, my information says the earnings went down $125 per month for those workers who kept their jobs. Are these the kind of tradeoffs Congress should keep in mind when considering an increase in the minimum wage?

Mr. HOLTZ-EAKIN. Yes, absolutely. I do want to say I admire Seattle because they decided to check on the success of their policy. I think they are to be lauded for that. And these are very carefully done series of studies. There are other studies which can test results. I mean, that is the way you learn. I applaud that entire effort.

But there is a big difference between Seattle deciding to do that, praying that I am wrong, those impacts happen to Seattle and that is their decision. It is very different to do it at the national level, and that is what is being proposed.

Mr. MEUSER. And as well on a national level, the economies of scale clearly are different from one area to the cost of living in a city. So that in itself answers doing such a mandate nationally.

Mr. HOLTZ-EAKIN. I agree.

Mr. MEUSER. Thank you.

I yield back my time, Mr. Chairman.

Chairman SCOTT. Thank you.

The gentlelady from Minnesota, Ms. Omar.

Ms. OMAR. Thank you, Chair, and thank you, Ranking Member, for this important conversation. Thank you to our expert panelists for having this really important conversation.

As a union member, I fought to make sure that for dignified work there was dignified pay. And so I wanted to have a little conversation with you all about what that looks like here and the moral imperative that we have to make sure that happens.

So, Mr. Wise, thank you so much for your brave testimony and thank you for sharing your story. I wanted to get on the record if you knew what the yearly pay for the CEO of McDonald's was?

Mr. WISE. Yes. He makes over $30 million a year, the CEO.

Ms. OMAR. So the CEO of McDonald's gets paid $21.8 million. Can you share with us what someone in your position at McDonald's gets paid annually?

Mr. WISE. Not that much. Not even a fraction of that. But I make $11 an hour at my job currently.

Ms. OMAR. So the median pay for a McDonald's worker was $7,000 in 2017. And that is the pay gap between the CEO that is making 21.8 to the 7,000 that a worker who has put in 40 hours a day gets paid. And to me, that just morally does not sit well.

Dr. Spriggs, I wanted to see if we can talk a little bit about the type of work. I know my colleague earlier from New York said something about different types of work and why it wasn't valuable for everyone to be paid a minimum wage of $15.

Can you walk us through the different kinds of jobs and if there have been places like Minnesota or Minneapolis, Minnesota, that has increased the minimum wage or places like Seattle, if there have been types of work that have shifted out of that city or that State because of the increase of that minimum wage.

Dr. SPRIGGS. Thank you, Congresswoman. I mean, one of the interesting things about Seattle is that their wage distribution totally shifted up. And one of the surprises for the researchers was they anticipated that the way that the wage would move that nothing would appear above $20 an hour, and certainly those types of jobs mushroomed. And I think that is the point. When we raise wages from the bottom, we really change the way in which the labor market functions to really allocate workers more fairly.

A large share of the minimum people who would be affected by this wage have associate's degrees. It is very hard to understand the pressures that keep those wages down. So this is an important change in the labor market.

A lot of people have been saying that, well, you know, the cost of living is different. They are looking as if you make $174,000 a year and have health insurance. Yes, it is a different cost of living and maybe you might want to address someone like that. But if you are a low-wage worker in Alabama, you don't have Medicaid. If you are a low-wage worker in rural parts of Alabama, you have to have a means of transportation to get to a job. If you are in a city like Washington, DC, you have Medicaid and you have public transportation.

So you can't really look at the differences in the cost of living in the way that people want to propose it here, because of the barriers that face workers in these low-wage communities. Their communities appear to be, quote/unquote, "low cost," but they are very high cost. They get low wages. And this was in the debate originally in 1937, where people from low-wage areas wanted to argue about low cost. They just haven't lived the life of a low-wage person.

Ms. OMAR. Yes. And, Doctor, thank you so much for mentioning that, because I want to draw attention to testimony that we have here in written. I don't think the owners of La Quercia are here from Norwalk, Iowa. They are in a city that has 8,000 people and they have decided to pay minimum wage and they are still able to operate.

So when we are talking about paying people a minimum wage, we are talking about making sure that there is value in the work that they are doing, and that uplifts workers. It makes sure that they continue to do the hard work. It uplifts that community. It uplifts that city. It uplifts that State because, in return, you also get people who are paying more taxes and it creates an economy that is thriving. So it is not only morally just for us to raise the minimum wage; it is economically feasible and necessary.

Thank you so much. I yield back my time.

Chairman SCOTT. Thank you.

The gentleman from Wisconsin, Mr. Grothman.

Mr. GROTHMAN. Thank you. Mr. Holtz or Dr. Holtz-Eakin, I am going to give you some questions. As I understand it, this bill, if you were going to increase the minimum wage from about 7 and a half to $15 an hour the amount you are paying somebody for 1 week of full-time wages—and it is beyond just wages, right, because you have social security, employer's social security taxes and workers' comp. I get your increase, your cost goes up from about 325 to 650 bucks a week per employee. Is that true?

Mr. HOLTZ-EAKIN. That sounds right.

Mr. GROTHMAN. Ok. Over time—we have kind of covered this area before, but if your cost of anything in life goes up from 325 to 650 bucks per week, do you try to make adjustments if you are writing that much bigger of a check?

Mr. HOLTZ-EAKIN. Certainly. You will try to use less of whatever is more expensive.

Mr. GROTHMAN. Anywhere in life?

Mr. HOLTZ-EAKIN. Yes.

Mr. GROTHMAN. Ok. I am looking at something that was found, a Brookings Institution study, Pathways to Higher Quality Jobs for Young Adults. It points out even later in life people have a tendency to make more money if they were working when they were 16 or 18 years old. Is that true?

Mr. HOLTZ-EAKIN. Yes.

Mr. GROTHMAN. Is it important, therefore, in life that we have young people get jobs?

Mr. HOLTZ-EAKIN. I believe so, yes.

Mr. GROTHMAN. Ok. And as you mentioned, if we increase the cost of hiring somebody or if we double the cost, somehow you are going to scramble to write less of those checks, whether you put in—I am told from McDonald's, my local McDonald's owners they can put in a lot of equipment that causes you to hire less people. Maybe you could cut hours, Ok. Maybe some marginal restaurants will close. Who is most likely to get laid off when those things happen?

Mr. HOLTZ-EAKIN. The people with the least skills, the least education, the least experience, the least ability to contribute to the enterprise.

Mr. GROTHMAN. I will even ask Dr. Zipperer, is there any doubt that if you double the check you are writing that you are going to somehow try to scramble to write all those checks? Do you believe that?

Mr. ZIPPERER. I think that we have heard these kinds of scare stories about almost every—

Mr. GROTHMAN. If you owned a restaurant—I will put it this way: If you owned a restaurant, because we are talking about a restaurant worker here, and you were told—and I think right now the vast majority of people in our society, at least restaurants in my area, judging from the signs out front, are paying more than minimum wage.

But let's say you had to jump how much you were paying somebody from $325 to $650 a week, you know, don't you think you would try to hire less people or it would affect the way you run the business? Just like anywhere else in life, if the cost of something doubles, you maybe want to use less of it, not use it at all. Do you think that is true?

Mr. ZIPPERER. I think what the research shows on restaurants and their responses to minimum wage increases is that restaurants don't employ fewer workers after a minimum wage increase, but they do change how they operate. In particular, the two channels by which they adjust to a minimum wage increase are, one, it makes it easier for them to hire workers and so worker turnover falls. That is actually a large cost saving for low-wage businesses like restaurants and helps them absorb the minimum wage increase.

Mr. GROTHMAN. I will give you one more question, because they only give us 5 minutes.

I will ask Mr. Wise a question, because I have only got a minute left. Have you told us here you have been working for your business or for where you work now for 20 years?

Mr. WISE. I have been in the fast food industry for 20 years and McDonald's for the last six.

Mr. GROTHMAN. For 6 years, Ok, and you are making 11 bucks an hour right now?

Mr. WISE. Oh, yes.

Mr. GROTHMAN. Have you applied to work anywhere else?

Mr. WISE. Well, when you look across my city and across many cities in the country, these are the fastest growing jobs, service-based jobs.

Mr. GROTHMAN. I know. I am just saying like in my area we got manufacturing. Sometimes people shift from that sort of thing to manufacturing. Maybe they look for fast food where you have a chance to move up and become a shift manager, or whatnot. I am just saying, have you done anything in the last 6 years to try to look for a job that pays more than 11 bucks an hour?

Mr. WISE. Well, I am a manager. I have been to management training classes. I have been to Safe Serve. I have been certified.

Mr. GROTHMAN. Have you looked for any other jobs anywhere else that pay more than 11 bucks an hour?

Mr. WISE. Less than half of my city makes less than $15 an hour. There aren't jobs readily available.

Mr. GROTHMAN. Have you applied for any other jobs?

Mr. WISE. Oh, definitely. I have looked for jobs in my city, you know. They are all low-wage jobs. They are paying poverty wages.

Mr. GROTHMAN. Somebody else talked about drive trucks. Have you ever tried to do that sort of thing?

Mr. WISE. No, I never tried driving tractor-trailers or anything like that.

Mr. GROTHMAN. Not even tractor-trailer, just delivery truck, that sort of thing.

Mr. WISE. No.

Mr. GROTHMAN. Ok, thanks.

Chairman SCOTT. Thank you.

The gentlelady from Nevada, Ms. Lee.

Mrs. LEE. Thank you, Mr. Chairman.

For much of my career, I have focused on helping young children graduate from high school, some of the most at risk students in Nevada. And poverty is the most significant barrier to educational success. And I would like to say that a story like Mr. Wise's is the exception, not the rule.

But when you think about the stress that you as a young man and your family went under, having to work two and three jobs to make ends meet, then you having to pitch in and, thus, dropping out of high school, to me that depicts that not only are we talking about minimum wage, but we are talking about a lost opportunity cost.

And the Congressman Grothman who asked you about did you apply for another job, well, a lot of jobs that are higher paying require additional training. And if I recall, you basically said there were weeks on end where you had days where you did not have a day off. Is that correct?

Mr. WISE. Yes.

Mrs. LEE. So I think we need to take note of the lost opportunity cost of not increasing a minimum wage here.

So I want to thank you for the courage that you had in giving that testimony. I think it was incredibly important. And, again, I wish it were one that isn't as common as it is.

And I now want to ask Dr. Zipperer a question with respect to that. Looking at these barriers in youth, I am hoping that you can inform us what the impact of increasing the minimum wage will have on children in our country.

Mr. ZIPPERER. Thank you for the question. My colleague David Cooper at the Economic Policy Institute has recently conducted an analysis showing the benefits of raising the minimum wage to $15 by 2024. And in particular, raising the minimum wage to that level by 2024 would raise the wages of parents of nearly 14 million children. That is nearly one-fifth of all U.S. children would have a parent that experienced a minimum wage increase.

Mrs. LEE. Thank you.

Mr. Chairman, I request unanimous consent to offer this letter into the record from First Focus Campaign for Children, explaining the economic impact of increasing the minimum wage on children in our country.

Chairman SCOTT. Without objection.

[The information follows:]

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January 28, 2019

The Honorable Bernie Sanders
U.S. Senate
Washington, DC 20510

The Honorable Robert "Bobby" Scott
U.S. House of Representatives
Washington DC 20515

The Honorable Stephanie Murphy
U.S. House of Representatives
Washington, DC 20515

The Honorable Patty Murray
U.S. Senate
Washington, DC 20510

The Honorable Mark Pocan
U.S. House of Representatives
Washington, DC 20515

Dear Senator Sanders, Senator Murray, Congressman Scott, Congressman Pocan, and Congresswoman Murphy:

On behalf of First Focus Campaign for Children, a bipartisan advocacy organization dedicated to making children and families the priority in federal policy and budget decisions, I would like to express our support for the Raise the Wage Act of 2019 (S. 150/H.R. 582)

As an organization committed to ensuring the economic security of children and families in the United States, we applaud efforts to raise the minimum wage to $15 an hour by 2024. Nationwide, nearly 1 in 5 children are living in families with incomes below the poverty line. At its current rate, a parent making minimum wage and working full-time cannot earn enough to pay market rent or lift his or her family out of poverty. Children in the U.S. are disproportionately affected by these low wages, and are 62 percent more likely to live in poverty than adults.

According to the Economic Policy Institute, the new wage proposed would give higher pay to 41 million workers, 28 percent of which have children to support. This would mean the parents of over 11 million children would be empowered to support their child's healthy development with critical resources such as nutritious food, health care, adequate shelter, warm clothing, and educational materials.

Parents who live in a constant state of financial instability and struggle to provide enough resources for their children often suffer from stress, anxiety, and depression, making it more difficult to respond to their children's emotional needs. Increased income therefore promotes financial stability, improves the physical and mental health of children and families and in turn, reduces child maltreatment rates.

Increased income has positive effects on children's health. Research from the Center on the Developing Child at Harvard University shows that prolonged financial instability is shown to increase levels of "toxic" stress in young children, contributing to delayed brain development and increasing the risk of longer-term health issues such as heart disease and diabetes.

The Raise the Wage Act of 2019 is both an important step towards improving economic stability for 11 million children and a vital investment in the future of our country.

We are grateful for your leadership in making children and families a legislative priority, and we look forward to working with you on this and other proposals to improve the well-being of children and youth.

Sincerely,

Bruce Lesley

Bruce Lesley, President

Mrs. LEE. Mr. Zipperer or Dr. Zipperer, I have another question. There is this fear-mongering about the notion of workers losing their jobs because of an increase. Can you tell us how or why this notion of job loss is misleading, and is it possible that workers would be able to work fewer hours but still earn a stronger income, thus having the time to pursue, perhaps, education that would put them in a position to achieve a higher-paying job?

Mr. ZIPPERER. Thank you for the question. Yes, I think there are three ways in which this phrase "job loss" is misleading when we are talking about the minimum wage. First is that the vast body of research published in the last 15 years or at least since 2001 establishes very clearly that the employment effects of the minimum wage are small to zero. That is the average study in that literature.

And I would argue, in my judgment, the best studies also strengthen that conclusion, finding little negative employment effects of the minimum wage. So that is the first way in which job loss is misleadingly characterized as the consequences to the minimum wage.

The second reason is that even studies that either find or assume that there is going to be job loss, typically the benefits to workers outweigh the job loss that those workers experience. So just looking at it from terms of cost and benefits, raising the minimum wage still has benefits that outweigh the cost.

The third point and the reason why job loss is a misleading phrase applied to the minimum wage, is that, just as you indicated at the end of your question, if there is some reduction in the number of hours worked by workers, which I don't necessarily subscribe to, but if that is the case, workers can still earn more over the course of the year because they are earning a higher wage and, therefore, would be better off.

Mrs. LEE. And perhaps spend time with their family as well.

One final thing. Oh, I am sorry, I think I am going to run out of time, so I will yield the floor. Thanks.

Chairman SCOTT. The gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Thank you, Chairman. Thanks for hosting this hearing. It is a very important topic.

You know, I don't want anyone who is a primary earner in their home, you know, responsible to provide for their family to earn just minimum wage. You know, and I don't care what that minimum wage level is, to tell you the truth. You know, it will always be the minimum wage.

And some of the consequences that we have seen is that we will see that raising minimum wage, you know, raises the cost of many basic necessities. We also see that more times than not minimum wage increases results in the Federal income threshold for what qualifies as poverty to go up, sweeping more families technically into poverty. And if it is done technically, it is done for good reasons, because the value of that earned dollar lessens.

But, again, I want to say I don't want to see anyone who is supporting a family who is the primary earner earn minimum wage. That is why I work so hard to support restoring ladders, rungs on a ladder of opportunity. And this committee did great work in that area with the Career and Technical Education bill President

Trump signed. I believe it was on July 31st we were at the White House.

We put an additional billion dollars on top of what we already invest in career and technical education training. And we know there are 7 million jobs that are out there today, and that number is climbing. It is compounded and getting larger because of the retirement of the baby boomers, but it is also growing because of the growth of the economy and the jobs that are being created.

So I am not saying those opportunities are equal. I mean, sometimes communities and cities, places, for whatever, based on whatever is going on there, perhaps they don't have as many opportunities; but nationwide, that is the scenario that we are seeing. And that is why I, when it comes to better wages, especially for those who are primary providers for their families, I want them on those ladders of opportunity. And I think this committee did some really good work to restore that with resources and reforms to that program.

I also get the point—and, unfortunately, she left. I appreciated the passion of the gentlelady from Seattle. You know, it is situational. It is geographical. And just to share a couple numbers. I am from Pennsylvania. In Pennsylvania, the average, the median home value in Pennsylvania is $172,000. In our largest city—I tried to pick a big city that compared to Seattle, you know—it is $158,500 right now, and that was after a 12.7 percent increase in value this past year. Washington State, it is $379,500. And in Seattle, the median home value is over $725,000. I get it. But that is a geographical issue. That is not a one-size-fits-all solution of a Federal minimum wage.

And so I appreciate her passion and I appreciate her local leadership of serving the folks in Seattle who are incurring such a—I mean, it is just a—what a terrible situation for folks who are living paycheck to paycheck and struggling.

And so, Dr. Holtz-Eakin, great to see you again. A real quick question here: Your testimony cites a 2014 study by Jeffrey Clemens and Michael Wither that shows a hike in the minimum wage is likely to increase the occurrence of unpaid internships.

Would a 107 percent increase in the Federal minimum wage hurt students and young adults who are trying to enter into that work force and to get that basic experience, you know, to be able to launch successful careers that hopefully eventually will be with family sustaining wages?

Mr. HOLTZ-EAKIN. I have an intern program. I don't know if I would if you doubled the minimum wage. They are paid minimum wage. And that is an issue. And that is the starting rung, and everything I have said earlier today applies to the intern programs across this country as well as the full-time employees.

Mr. THOMPSON. Thank you.

I know we have another panel, so in the effort of efficiency I will yield back, Mr. Chairman.

Chairman SCOTT. Thank you. Thank you.

The gentlelady from Georgia, Mrs. McBath.

Mrs. MCBATH. Thank you, Mr. Chairman. And I want to thank you for holding this hearing today. And I would like to thank the

witnesses who are here to discuss the importance of raising the Federal minimum wage for Americans.

It is time for us to raise the minimum wage and to have these very, very important conversations. Too many in our Nation are working hard, but are definitely not seeing their wages budge. The Federal minimum wage has been stuck at $7.25 per hour since 2009. And in that time, costs have gone up significantly.

In my home State of Georgia, the minimum wage workers make only $7.25, and even for those who work 40 hours per week, it is nearly impossible for them to make a living. Now, this translates into lost value and lost purchasing power for the American worker, not just for those that are earning the minimum wage, but also for those that make more that have not seen wage growth in a resurgent economy.

We need to raise the minimum wage to help families make ends meet, but we also need to do it in a way that protects jobs and small businesses in our communities. Our country is made up of many different regional economies, but only one Federal minimum wage across the board.

This is an old model that truly ignores the basic reality of cost of living differences. The cost of everything from rent to a carton of milk to a haircut is different from one part of the United States to another, and our minimum wage should account for those differences. $1 in Macon, Georgia, is different than $1 in Roswell, Georgia. And $1 in Roswell is different than a dollar in San Francisco and New York City. We need a Federal minimum wage policy that works for rural, suburban, as well as urban Americans. A $15 minimum wage might be right for San Francisco, but what about Birmingham? What about Cleveland? What about Houston and Raleigh?

Jared Bernstein, who served as a member of President Obama's Economic team and he also held the post of Deputy Chief Economist at the U.S. Department of Labor between 1995 and 1996, he discussed this very topic in an article that he wrote for the New York Times, when the Obama Administration proposed to raise the national minimum wage to $10.10. He wrote: When we adjust the national minimum wage of $10.10 for regional differences, these are the amounts you would need to have the same buying power: $11.94 in Washington, DC. and $11.40 in California, but only $8.90 in Alabama and $9.08 in Kansas.

My goal is truly to make sure that folks in rural communities, communities of color, and distressed communities are not adversely affected by well-intentioned minimum wage policies that raise the minimum wage to a higher point or to a point that is higher than the local economies can handle.

Now, we are all in agreement that the minimum wage needs to be raised to help Americans, but I would like to learn more about how this will be received in every part of the country.

So, Mr. Zipperer, my question is for you, would the $15 minimum wage under this bill be applied with any consideration for differences in local cost of living or is it just one flat rate across the country?

Mr. ZIPPERER. The $15 minimum wage bill of the Raise the Wage Act of 2019 is $15 across the country, but States, cities if they can,

and localities could raise their minimum wage above that if they desired.

Mrs. MCBATH. So my followup question is, does the $15 minimum wage have the same purchasing power in Washington, DC, that it does in rural parts of the country?

Mr. ZIPPERER. No, it has different purchasing power in different parts of the country. But in all parts of the country, including the cities you mentioned, Houston, Cleveland, Raleigh, and in rural parts of the country, rural counties in every State of the United States, workers will need at least $15 an hour in order to purchase basic necessities that attain them a modest yet adequate standard of living.

Mrs. MCBATH. And, Dr. Zipperer, have you heard of the term "regional price parity?"

Mr. ZIPPERER. Yes, I have.

Mrs. MCBATH. Can you explain its meaning and why it exists?

Mr. ZIPPERER. Regional price parities are a tool that we can use to calculate the differences in the cost of living across different areas of the country.

Mrs. MCBATH. Last word: I believe that workers in every part of the country, they deserve a raise, most definitely. So I thank you for answering my questions.

And I thank you, Mr. Chairman, for holding this hearing. I hope this is the beginning of what I believe will be very thoughtful and inclusive discussions about how we can raise the minimum wage to a living wage for all communities. And I yield back my time.

Chairman SCOTT. Thank you.

The gentlelady from Massachusetts, Mrs. Trahan.

Mrs. TRAHAN. Thank you, Mr. Chairman, and thank you for holding these hearings. Thank you for hanging in with us today. I know it is a long day to sit on this panel.

I grew up in a family that needed two incomes. My mother, she juggled multiple part-time jobs while I was growing up, working more than 40 hours a week and managing to raise us children. So sometimes, you know, when you are removed from that, it is easy to forget that it doesn't leave a lot of time to look for another job. So, Mr. Wise, thank you. I appreciate your testimony.

Dr. Zipperer, I want to talk about women and families and the impact that the minimum wage has. Women are nearly two-thirds of workers paid the Federal minimum wage of $7.25 per hour. Women are also two-thirds of tipped workers for whom the Federal minimum cash wage is just $2.13 per hour.

Throughout my career, I have seen the pay gap in action time and again. Women's overrepresentation in low-wage jobs is one factor driving the persistent wage gap. Women working full time year-round typically are paid just 80 cents for every dollar paid to their male counterparts, and this gap is even wider for women of color.

Congress has raised the minimum wage only four times in the past 40 years and enacted the last increase a decade ago. A woman working full time at minimum wage earns just $14,500 annually, nearly $5,000 below the poverty line for a mother with two children. You know all this.

Dr. Zipperer, what do we know about how the minimum wage would impact the gender pay gap, and what is the evidence from

States on how the minimum wage could impact the gender pay gap?

Mr. ZIPPERER. That is a great question. It is true that the minimum wage disproportionately raises wages for women. It benefits women more than men, and that is because, as you outlined in your question, unfortunately, our country's economy pays women excessively low wages. If we were to raise the minimum wage to $15 by 2024, the majority of workers that would benefit from that are women. Close to about 58 percent of the workers who would benefit from a minimum wage increase of that kind would be women.

The minimum wage has long been an important tool to reduce gender wage gaps. In particular, the minimum wage has the strongest effects on reducing inequality for women, in that it brings up women at the bottom of the pay scale toward the middle much more strongly for women than it does for men.

Mrs. TRAHAN. Terrific. Thank you. I appreciate that.

You know, I know my colleague from Michigan asked about unions and the impact that the minimum wage will have on unions, but if I could just ask one followup question on his terrific inquiry. I do believe that unions have built the middle class. And what should we consider here in Congress—and if this is a better question for you, Dr. Spriggs, feel free to jump in.

What should we consider here in Congress to better support men and women in labor so that all workers see improved conditions beyond increasing the minimum wage?

Dr. SPRIGGS. Just as we are having this discussion to modernize the minimum wage, we need to have discussions to modernize our labor laws to restore the ability of American workers to organize. Today, the penalties for violating labor law are de minimus. It is far cheaper for a firm to fire workers, to intimidate them, then it is for them to let them have a voice. It is unfair to have employers engaged in closed conversations with employees to intimidate them out of their democratic right to vote about whether they want to be in a union.

There are a number of other changes we need to make to make sure that workers will be at the table so that as productivity continues to increase, workers get to say, where is my share of the productivity increase, which hasn't happened in the last 40 years.

Mrs. TRAHAN. Thank you. Thanks so much for all your testimony, and I yield back.

Chairman SCOTT. Thank you. The gentleman from New York, Mr. Morelle.

Mr. MORELLE. Thank you, Mr. Chairman, for holding this valuable hearing to discuss gradually raising the minimum wage. And thank you to the panel and the witnesses for being here today to share their expertise.

I do want to note, in my home State of New York we have one of the highest minimum wages in the nation. And I was proud to support gradually increasing the minimum wage to $15, which is what it is in the city of New York and other parts of New York. It is going to be $15 in just a few years, as we deal with some regional differences. And that happened, I had the privilege of being the majority leader in the assembly when we do that. And I look

forward to hopefully achieving that here in the Nation's Capitol as well, to ensure that all Americans working full time can live safely and sustainably above the poverty line.

If I might, Mr. Chair, I would like to ask Dr. Zipperer if you would just talk about the studies evaluating minimum wage increases. Is it your view that raising the minimum wage will result in negative economic consequences for low-wage workers, as some have suggested?

Mr. ZIPPERER. No, it is not my view. I think that the best studies show that minimum wages have been very successful in raising the wages of low-wage workers without those negative employment effects, but you also don't have to take my word for it. You can just look at the studies published over the last 15 years and that the average study and the typical study finds very small to no employment effects.

Mr. MORELLE. If I might just followup with you, Dr. Zipperer, obviously, people have testified it is important that the Raise the Wage Act have a gradual increase, the cost adjustment over time, which obviously benefits so that, from a public policy point of view, 10 years don't go by, 6 years go by without an increase and you are essentially having to jump up a considerable degree in a single year.

Have you calculated what the $15 minimum wage, if it were enacted today, what it would translate to in 5 or 6 years, in terms of what the adjustment would bring us to?

Mr. ZIPPERER. Right. So under the Raise the Wage Act of 2019, a $15 minimum wage would be fully phased in by 2024. And if you account for projected increases in the cost of living over that time period, that is equivalent to about a $13 minimum wage today.

Mr. MORELLE. Got you. So there obviously would be some erosion because of the impacts of inflation so $15, as we are thinking about it in 2024, isn't the same as $15 today. It is $13. Is that what I understand?

Mr. ZIPPERER. That is correct.

Mr. MORELLE. Thank you. If I could just followup, relative to that in the purchasing power, I have given some thought to trying to understand what the historical high point was of the minimum wage relative to the median wage of the American worker and, in a sense, what is the $7.25 minimum wage compared now to that median or typical worker's wages. Do you understand that question? Could you comment on that?

Mr. ZIPPERER. Yes. Thanks for the question. So, at the highest point, the minimum wage in 1968 was close to about 53 percent of the full-time, full-year workers' median wage at that time period. Now, the national minimum wage of $7.25 is about a third or about 32, 33 percent of the full-time, full-year median wage.

Mr. MORELLE. Which is obviously a dramatic, dramatic decline, more than half. In 1960—what year did you quote, the first—

Mr. ZIPPERER. 1968 is the high point of the minimum wage. The minimum wage has fallen since 1968 over the last 50 years. It has fallen in real terms, terms adjusted for the increase of cost of living, by about 28, 29 percent.

Mr. MORELLE. Obviously, dramatic.

If I might, Mr. Wise, and thank you for your testimony earlier today and for being a part of this. But could you just describe the challenges that your family would face in your situation during a family emergency when you had an unexpected expenditure of an essential? How do you and your family and others presumably in the same situation, how do you respond to that? How do you deal with that?

Mr. WISE. Well, first and foremost, it is frightening, because we are truly one missed paycheck away from being homeless. So there is no such thing as being sick or having to call in or a family emergency. Refrigerator breaking down, car breaks, any of that going out is catastrophic, basically, for me and my family. So it is just—it is all pure luck, you know, hoping everything is Ok every day.

Mr. MORELLE. And if I could also, Dr. Spriggs, what are, in your view, the lasting impacts to wage and wealth levels to regions of the country from the minimum wage coverage exclusions in the Fair Labor Standards Act of 1938?

And just as a followup, would a regional minimum wage in 2019 lock in income and wealth disparities that were born of that racially motivated exclusions to the FLSA?

Dr. SPRIGGS. Thank you for the question. The only example I can give you of a proposal to do, quote/unquote, "parity pay" is from the Third Way. And when you look at the chart of what they think are the areas that have these wonderful lives at low wages because of pay parity, it looks exactly like a distribution of the Black population.

If you agree to those regional pay ideas, which Congress debated extensively in 1937 and rejected, extensively in 1966 and rejected, you won't be accepting a new idea, you will be cementing an old idea that got rejected twice and you will create a racial pay disparity.

It will be, once again, America understands the problem, we are going to pass a labor law that improves the lives of American workers, and Black workers will be told, the bus is full when it pulls out. If you do that, that is what you will be doing.

Mr. MORELLE. Thank you for the question.

Just in closing, Mr. Chair and colleagues, I just do note that I represent a district in New York State, but many people when they hear the words "New York" assume it is metro New York and the city, where now the minimum wage is $15 an hour. Despite that, and I live in a community of about a million people in the Rochester, New York, metro area, Upstate New York, there were concerns about how the increase in the minimum wage would impact an economy that is the vestiges of a manufacturing economy and transitioning.

And despite all the concerns that we heard from people about raising the minimum wage, it has really been something that has been greeted largely with support, certainly from the labor community and from people who are working very, very hard to make ends meet. And from what I can see, it has benefited our community greatly, and I certainly hope we pass this legislation in the Congress and make it the law of the land. So thank you.

Thank you again, Mr. Chairman. I yield back my time.

Chairman SCOTT. Thank you.

And next is the gentlelady from Washington, Dr. Schrier.

Ms. SCHRIER. Hi. Good afternoon. Thank you, Mr. Chairman.

And I want to thank all of you. I have really enjoyed your testimony today.

I really appreciate, first of all, Dr. Spriggs, your comments in particular about tipping, because I was unaware of that history, and I think that was very eye-opening.

I also wanted to thank you all, but I also appreciate the clarification about Washington State. That is where I am from. We are gradually increasing to a $15 minimum wage, and it has worked well for the State.

The one study out of the University of Washington got a lot of eyes when that first came out, but it has become clear that is an outlier study and that for the most part we have done very well with this. Businesses are thriving, and people are thriving.

I would also, for people up here who think that $15 is too much, I would just note that although my district starts in the suburbs of Seattle, in Seattle proper you need to have a salary of at least $70,000 a year to afford a one-bedroom apartment.

And so I want to just remind everybody that we are talking about a minimum, and that $15, as we have heard many times, is a minimum for the whole country, and there are parts, like where I live, where you would need far more.

I did have a question to just drill down a little bit on tips, because I want to make sure that we are taking care of everybody.

The way that I am wrapping my head around this is I think about all of the workers in a restaurant, for example, and that if we have, for example, a $15 minimum wage for the wait staff, and they get generous tips on top of that, but the chef in the kitchen is not getting that added bonus and maybe isn't getting tipped out enough from the wait staff or the host. And so I want to think through whether there might be unintended consequences in the social relationships at work.

I also wanted to talk about the difference between when you have a subminimum wage, you know, $2 or whatever it is, and then workers are reliant on tips, which to me seems very tenuous, versus people who are guaranteed that if they don't make at least 15 an hour that they will have that as a floor and the tips would be over and the difference in poverty level between those two groups.

Dr. Spriggs, maybe I will go to you.

Dr. SPRIGGS. I would like to speak to that first. And thank you very much for the question because it gets to people who think this is easy to regulate.

The way that many restaurants run, they either force pooling of the tips, so that the host who might get a bigger tip or the waiter who might get the bigger tip can then share it with busboys.

Some restaurants violate the law because they consider some back workers who should get a minimum wage. They think they are supposed to get tipped. It is a nightmare. And when the wages are pooled, now, at some high-end restaurants, perhaps they let the staff control it, but many restaurants want to claim the pool tips are theirs, and then we dole them out to make sure we meet the minimum, it gets very complicated.

And, yes, the social relations are complicated because time and again, unfortunately, there is a difference between the race and gender of these different jobs, and inevitably that causes a friction in and of itself in terms of who will get what.

So it is going to be a more fraught problem if the real minimum goes up and the tip minimum stays down, because the gap that has to be made up is going to be bigger and bigger and bigger. There is no assurance that will happen.

And people need to remember that it is not the fancy restaurants that people in this room go to. The bulk of these workers are at low wage restaurants. They don't work where the tip is going to be $25. They work where the tip is going to be $3.

So it is far more complicated to regulate than people understand, and this is the true solution. It closes a gender inequality bigger than anything else we could do to close the gender inequality when it comes to wage theft sexual harassment.

Ms. SCHRIER. Thank you.

Chairman SCOTT. Thank you.

The gentlelady from Ohio, Ms. Fudge.

Ms. FUDGE. Thank you very much, Mr. Chairman.

And thank you all so much for being here. Forgive me. I have had three committee hearings today, so I have been in and out. So if I ask you something that has already been asked, please forgive me.

Dr. Holtz-Eakin, when I was in earlier I heard you talking about "these people." Who are "these people" that you—you have used the word "these people" at least three times while I was sitting in this room. Who would you describe as "these people"?

Mr. HOLTZ-EAKIN. I am not sure what the context was, Congresswoman.

Ms. FUDGE. You were talking about that $15 wouldn't help "these people." So who are "these people"?

Mr. HOLTZ-EAKIN. The workers that I am most concerned about are those with the least skills, education, and experience.

Ms. FUDGE. So are they poor? Are they Black? Are they White? Who are "these people"? I am just saying that you shouldn't use it if you don't know what you are talking about.

Mr. HOLTZ-EAKIN. I know who I am worried about in the labor market, and those are the people.

Ms. FUDGE. I think it is very insensitive. But neither here nor there.

Dr. Spriggs, corporations are making more money today than they have ever made. They are making even more money this year as they have benefited from the Republican tax scam giveaway to the richest people in this country. We have also reduced what they would pay in estate taxes. So we have basically said to them: Rich people, we want you to get richer.

It is ridiculous to me, knowing that the wage gap is getting bigger, the wealth gap is getting bigger, that someone would say to me that because someone makes $15 an hour, there is no money to pay them. I just don't understand it.

Dr. Holtz-Eakin, I am assuming you make more than $15. I don't want to make an assumption, but do you make more than $15 an hour?

Mr. HOLTZ-EAKIN. I assume so. I am not paid by the hour.

Ms. FUDGE. If you give me your salary for last year, I will tell you how much you make an hour. I am sure it is more than $15. And the sky is not falling. The sky is not falling because you make more than $15 an hour, and it will not fall if these people sitting in this room make $15 an hour.

It is just not believable to me that you could say that if we pay people $15 an hour, everything is going to collapse. You know what I mean? You have to stop crying wolf. It is not true. There is no evidence to prove it is true.

What we are doing today is saying that we have the ability to pay people a decent wage, but we refuse. We have the ability, but we have not the will. So it is Ok for rich people to get richer and poor people to get poorer.

I just think it is ludicrous to say that the richest nation in the world cannot pay people a decent wage. It is unconscionable, it is mean, and it is cruel.

And with that, Mr. Chairman, if someone would like to claim the balance of my time. Does someone need my time?

Chairman SCOTT. You can yield to the gentlelady from Connecticut.

Ms. FUDGE. I will.

Mrs. HAYES. Good afternoon, everyone. I am sorry. I have been in and out as well, but I have been following the testimony on the TV screen. I had a couple committee hearings as well.

First of all, thank you all for being here. Thank you all in the galley for coming out to support.

Mr. Wise, I am particularly moved by your testimony. And I hope I can impress upon you that your work is not in vain, that your work has value.

And what we hear people talk about is that minimum wage being attributed to people who have the least skill, the least education. But how about the least opportunity? One does not impact the other.

I always excelled in school. I always did a good job. But then life happened. So if you don't have access to those same opportunities.

I heard one of my colleagues say that he could not imagine living on $15 in a city like Washington where the cost of living is so high. How about the reality of living on $7? And I think that is the conversation that we should be having.

And people are always quick to pick out someone who has done it as if this is the rule instead of the exception. And, again, it is just that life happens, and maybe somebody got, you know, a good opportunity or caught a break. But that is not the rule.

And then the other thing. I am just listening to all of you: Well, what have you done? My colleagues are always asking: Well, what have you done to lift yourself out of poverty? What have you done? You can go be a truck driver. What if you don't want to be a truck driver?

Shouldn't you have the right to live out your best life, to live the future that you want for yourself and not this by-default position that you are placed in because you are attempting to survive?

Has your housing cost increased over the last 10 years?

Chairman SCOTT. The time of the gentlelady from Ohio has expired. You will be recognized for your full 5 minutes shortly.

The gentlelady from North Carolina, the Ranking Member.

Mrs. HAYES. Mr. Wise, I am still talking to you. Has your housing cost—

Chairman SCOTT. You will be recognized after Dr. Foxx.

Mrs. HAYES. Oh, I am sorry.

Ms. FOXX. Thank you, Mr. Chairman.

Dr. Holtz-Eakin, I am interested in the workers who would be affected by a 107 percent increase in the Federal minimum wage.

Individuals under 25 years old make up only one-fifth of hourly workers, but they account for about half of hourly workers making the minimum wage. Only 7 percent of workers earning wages between $7.25 and $15 live in poor households.

In your view, is increasing the minimum wage to $15 an anti-poverty policy?

Mr. HOLTZ-EAKIN. I don't think it is an effective anti-poverty policy. As I mentioned at the outset, it is fairly poorly targeted on poverty. And in those cases where it actually does affect the poverty population, the impact may be negative.

Ms. FOXX. Thank you very much.

Let me follow this train of questioning with you. We had what many are calling a surge in job creation in January, 304,000 new jobs, nearly doubling expectations. Over the last year, average hourly earnings rose by 3.2 percent, average weekly earnings rose by 3.5 percent. And with last month's job surge, the labor force participation rate ticked up to 63.2 percent.

There are more jobs than job openings, as you have said and we have said, more jobs at higher wages, and now people who have been the most discouraged and on the sidelines are reentering the work force.

Based on your research and experience, are you concerned that more than doubling the Federal minimum wage would reverse these positive trends for workers and the economy?

Mr. HOLTZ-EAKIN. I am very concerned about that. The research would indicate that is exactly the part of the labor market that would be most deeply affected. And we are finally making some progress. It would be a shame to go back the wrong way.

Ms. FOXX. Great.

You know, I have always emphasized making sound policy decisions based on evidence. But my husband told me a long time ago that too many people in elective office make decisions based on emotions and not on evidence. But as I told him, I am going to start with evidence always. I can get emotional if I have to, but evidence is the best way to go.

When it comes to the radical proposal before us to increase the Federal minimum wage by 107 percent, however, it is hard to find convincing evidence because the proposed policy change is so extreme.

Would Congress be making a sound policy decision from an evidence-based perspective if legislation were enacted to more than double the Federal minimum wage, impacting businesses and workers around the country?

Mr. HOLTZ-EAKIN. In my judgment, that would be a very unwise thing for the Congress to do. It is not just the 107 percent nationwide, which is unprecedented, and as a result, any of the research that we have that shows negative impacts doesn't even come close to capturing the impact of that kind of a change. You also do the indexing at the end of that to the median wage. That is unprecedented and leads to permanent incentives to restructure businesses away from having jobs for that particular part of the labor market.

Ms. FOXX. In your testimony, you note the large job losses in California and New York due to the recent increases in their State minimum wages. These job losses may surprise some people because these areas have a relatively high cost of living and are high average income States.

What do these States' experiments tell us about what would happen in other regions of the country if a mandate to impose a $15 minimum wage around the country was enacted?

Mr. HOLTZ-EAKIN. I think the lesson of these State-based minimum wage increases is that there are people who will be just fine. We do see that.

But the people who are affected are the ones who are probably the least well-off in the labor market, for the reasons that I have outlined before; that not all of these changes come through the stereotype of someone getting kicked off their job. It is the raise you don't get, the hours you don't work, the person who doesn't get hired.

And a lot of this is not, you know, the bear at the door. It is the termites in the woodwork taking out the vitality of the economy.

Ms. FOXX. Thank you very much. I yield back.

Mrs. HAYES. Thank you, Mr. Chair.

Mr. Wise, back to you. Back to my previous question. Has the cost of your housing increased?

Mr. WISE. Yes. Yes, it has.

Mrs. HAYES. I heard you talk about purchasing school supplies for your daughter. Has the cost of those supplies increased?

Mr. WISE. Yes, they have, over the years.

Mrs. HAYES. Has the cost of food increased?

Mr. WISE. Definitely.

Mrs. HAYES. Have you had to get a prescription for yourself or your children?

Mr. WISE. Yes.

Mrs. HAYES. Have those costs increased?

Mr. WISE. Yes, they have.

Mrs. HAYES. Ok.

So to Dr.—I am sorry, I can't read your whole name, I am so sorry, I don't mean to—when you talk about corporations and the effect that this will have on the economy, have corporations stalled their price increases to wait for people who are living in poverty under minimum wage to catch up? If everything else is increasing except for their wages, are corporations held to the same standard where they are stalling to wait for people's wages to catch up?

Mr. ZIPPERER. If I understand the question correctly, I think it is the case that businesses in general in this country, unfortunately, have not paid low wage workers well without the help of a minimum wage increase.

Mrs. HAYES. So if only 7 percent of minimum wage workers live in poverty, how could raising those workers to $15 have the catastrophic effects that we are hearing about? If it is such a small number, if it is such a small number in the overall economy and the overall number of workers, I just heard only 7 percent of minimum wage workers live in poverty, so how could that small number disproportionately impact the overall economy if that group is lifted up?

Mr. ZIPPERER. I don't think that there will be disastrous effects of a $15 minimum wage. But you might be interested in hearing from Dr. Holtz-Eakin.

Mrs. HAYES. Yes. I am interested to hear your response.

Dr. SPRIGGS. I want to help out here. In 1966, when we expanded coverage for the minimum wage, suddenly 20 percent, 20 percent of the American work force suddenly had coverage and protection, which means this is a bigger experiment than what you are talking about right now and when you think about what we did. Twenty percent of the entire American work force had not been protected. We raised their wages from $0.80, because on average that is what they made, to $1.60.

Mrs. HAYES. I was here for that.

Dr. SPRIGGS. We doubled it.

Mrs. HAYES. Yep.

Dr. SPRIGGS. And yet, employment did not fall. And in those states that had no State minimum wage employment did not fall because those States would have been the ones most impacted.

So the evidence, the experience, the real experience, not some theoretical experience, the actual experience of the American people in the work force was when we doubled the minimum wage, which 61 percent of Republicans voted for, and gave 20 percent of these workers access to protection, poverty went down. Their employment did not go down. It was helpful. And it got the Black poverty rate for children down to 39 percent, the lowest it was until 1994.

Mrs. HAYES. Thank you. I guess, Dr. Spriggs, you would do well to answer the next question.

When we talk about the improvement in the economy and the jobs numbers goes up, every month we hear about all of the people who have entered the work force, does this include minimum wage workers around the country?

Dr. SPRIGGS. Yes, it does.

Mrs. HAYES. So that number, although we are talking about more people are employed, does not accurately reflect an increase in living conditions, our communities improving, because although people are employed, it does not sound like they are at a livable wage.

Dr. SPRIGGS. That is correct. And increasingly, it has been difficult for us to deliver lower poverty levels simply from higher levels of employment and from economic growth. When we disconnected the minimum wage from a living wage and you look at the poverty, this is why it took from 1969 to the 1990's to get Black child poverty back down below the level it was in 1969.

Mrs. HAYES. Thank you. Thank you so much.

And I guess the last thing I would say is, with all due respect, the fact that you don't know how much you make or what that translates to over a specific amount of time is more telling than anything else you could ever say, because I bet you every single person in this galley knows exactly how much they make. They know exactly how much they will lose if they are late, if they don't show up, if they call out, if it is a holiday. They know exactly to the penny what that means for them and their family.

I have been them. I know what that feels like, and that should be all you need to know.

Mr. Chair, I yield back.

Chairman SCOTT. Thank you.

The gentleman from Indiana, Mr. Banks.

Mr. BANKS. Thank you, Mr. Chairman.

There has been a lot of focus today on how this proposal will destroy jobs, and rightfully so. You have already heard a lot about the NFIB study, but another recent study using the methodology of the Congressional Budget Office found that this proposal would cost my home state, the State of Indiana, 64,130 jobs in 2020 alone.

This isn't just a number. That is nearly 65,000 Hoosiers losing the dignity that comes from having a job and being able to provide for themselves and their families. At a time when we have nearly 7 million jobs that cannot be filled, it is incredibly reckless to rob people of their livelihoods in order to live up to a campaign talking point.

I have heard from local business owners in my district who believe this legislation would have a disastrous effect on their ability to grow and hire Hoosiers. One business owner who runs a number of local franchises conveyed to me that approximately 25 percent of his staff would need to be cut to account for this proposal. He would also be forced to raise prices in his restaurants by 2 to 4 percent just to stay in business.

Another constituent of mine who owns a number of restaurants as well and employs nearly 250 people told me that the tipped wage provisions of this bill would force him to cut half of his staff just to stay afloat, along with across-the-board menu prices as well. Think about that. Anywhere from one in four to one in two workers unemployed who are then forced to pay higher prices after losing their jobs.

And as if that wasn't bad enough, there is evidence that this will actually reduce income for low wage workers. By making labor more expensive, fewer workers will be hired, and the ones that do keep their jobs will work fewer hours, which translates into lost income.

And, in fact, that is exactly what we saw in Seattle. The city of Seattle recently, as you know, increased the minimum wage to $15 an hour. And a study from the University of Washington found that this reduced the number of hours worked in low wage jobs by nearly 7 percent and lower take home pay for low wage workers by $74 a month. That is right, the minimum wage increase actually resulted in lower overall wages.

Now, I take personal offense to this conversation as well because in high school and college, my folks didn't have enough money to pay for my college degree. So I worked low-wage, minimum wage

jobs to be able to save up for college and make ends meet. So this conversation reminds me of just how important jobs like these are to those Americans who are hopeful to 1 day pursue the same American dream that I have been able to live in my life.

So, Dr. Holtz-Eakin, can you expand on the insights of these studies from the University of Washington, the NFIB study, the Congressional Budget Office statistics, specifically how minimum wage laws actually can reduce the income of low wage workers?

Mr. HOLTZ-EAKIN. I am happy to, Congressman.

First, in the interest of clarity, none of these studies indicate that overall employment in the economy is at a decline. The economy will continue to grow. There will be fewer jobs created than otherwise would have been. That is the nature of the loss. Those jobs are going to be concentrated in a particular part of the labor market, which is the low wage, low skill, little experience part of the labor market that you started out in.

And the adjustments that businesses of all sizes will be forced to make will be either to charge higher prices or cut their labor bill somehow, and that means cutting back on raises, cutting back on hiring, cutting back on hours of work. And if you are one of those people who is lucky enough to maintain their job, but is not getting a raise and getting their hours cut, you could end up with less income.

Mr. BANKS. Another study suggests that 2.3 percent of the American workers actually receive minimum wage or work in minimum wage jobs. And of those 2.3 percent, most of them are under the age of 25, which reflects upon the story that I have lived as well. They work those jobs to pursue something better, the proverbial American Dream.

I am struck at the outset of this hearing, Dr. Zipperer admitted—he conceded over and over again, although not on the—we can debate the scale, but he conceded over and over again the negative impact that proposals like this would have on low-wage workers all over the United States of America.

This conversation is concerning to me. It is concerning to not just business owners in my district but those who work in jobs like these. It would have a disastrous effect.

And with that I yield back.

Chairman SCOTT. Thank you.

I yield to myself for 5 minutes.

Dr. Spriggs, do you know if the poverty rate is connected to the minimum wage at all?

Dr. SPRIGGS. It no longer is connected to the minimum wage, though when Congress formulated the minimum wage they clearly had the intent that workers would not have to say: "I hope to 1 day get to be poor. I hope that 1 day I will get a raise so I can get up to the poverty level." That is what Congress was trying to avoid. They wanted work to have dignity. And everyone agreed, Republican and Democrat, that should be an American principle. So no longer—

Chairman SCOTT. So increasing the minimum wage will not affect the poverty rate?

Dr. SPRIGGS. It would not affect the poverty rate because there is little evidence that it would create a sufficient inflationary force

that the poverty level would go up. As the Congresswoman said, it is not enough workers, and it is not a big enough part of cost. And as the Congresswoman was suggesting, if CEO pay goes up and that doesn't affect cost, if profits go up and that doesn't affect price, as she was saying, prices went up without wages going up, so why should we think that if wages go up that would happen?

Chairman SCOTT. I just wanted to correct that for the record, because there was a suggestion that if we increase the minimum wage, we would be affecting the poverty rate. We would just be affecting how many fewer people would actually be poor.

You say on the uniform Federal minimum wage, why that is important. If you had a subminimum wage for some States that didn't apply or a region minimum wage that was lower, would some States be able to attract businesses by bragging about the fact that you could underpay your workers?

Dr. SPRIGGS. There will be an attempt, I am sure, for some States to brag about it as they do brag that they are not union, that they do brag about other weak investments. So I am sure that some States may wish to brag that, yes, we pay our workers less.

Chairman SCOTT. You had a chart that showed the support for increasing the minimum wage amongst Republicans. Are there any Republican States or States that are considered Republican States that have recently voted to increase its minimum wage by referendum?

Dr. SPRIGGS. Yes. Several of the states are states headed by Republican Governors who through public referendum have shown that this is something that the American people agree with, and they think it is part of their standard.

So whether it is the efforts in Arkansas or the efforts in some other States, Florida has raised its minimum wage, we have had a number of victories in red States because of the people you see with these red shirts and the efforts of organized labor and the efforts of Americans of all stripes who understand this is the right thing to do.

Chairman SCOTT. Thank you.

And, Dr. Zipperer, a lot has been said about job loss, and we found a couple of studies that have suggested that there would, in fact, be job loss. Overall, of all the studies done, what is the conclusion drawn?

Mr. ZIPPERER. Overall, the recent set of scholarship over the last 15 years finds that on average the minimum wage does not have negative effects on employment but, in fact, raises wages for low wage workers.

Chairman SCOTT. What is the importance of making the increase in the minimum wage gradual rather than all at once?

Mr. ZIPPERER. It is important to allow employers time to adjust to the new higher wage standard. That is why past Federal increases and other State and city level increases include a gradual path to their ultimate minimum wage standard. So raising the minimum wage gradually to $15 by 2024 as time passes and the cost of living increases, that is equivalent to raising the minimum wage to roughly about $13 today.

Chairman SCOTT. Thank you. And can you say a bit about the demographics of who minimum wage workers are and their likelihood of actually spending the increase?

Mr. ZIPPERER. Yes. So low wage workers are actually an incredibly diverse population. They are mostly women. They are more likely to be people of color, more likely to be Black or Hispanic than White workers. They are likely to be low wage.

If you were to raise the minimum wage to $15 by 2024, the average age of who would get a wage increase, the average age would be about 35 years old. Most low wage workers are not very young at all, primarily because so few teenagers work to begin with.

Chairman SCOTT. Thank you.

My time has expired. I would ask unanimous consent that a letter led by the National Employment Law Project and co-signed by 500 worker organizations be entered into the record. Without objection.

[The information follows:]

NELP NATIONAL EMPLOYMENT LAW PROJECT

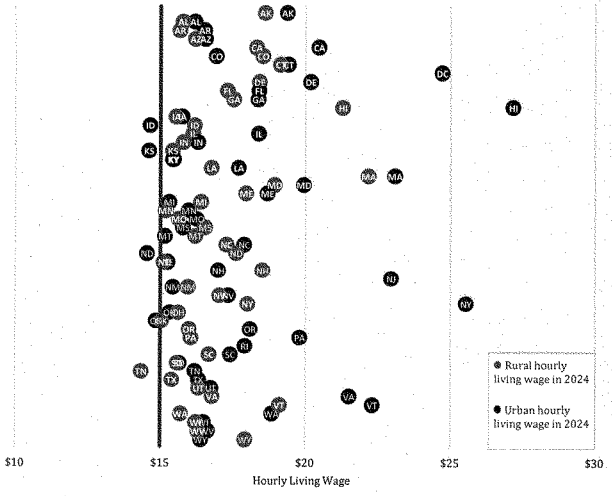
FACT SHEET | MAY 2017

Workers in All 50 States Will Need $15 an Hour by 2024 to Afford the Basics

Think the $15 minimum wage is just a New York and California thing? Cost of living data from the Economic Policy Institute shows that in all fifty states—in both rural and urban areas—$15 an hour is the minimum wage that a single adult working full-time will need by 2024 to cover basic living expenses— including rent, food, transportation, health care, and taxes. And workers in expensive regions, or workers with children, will need even more. The Raise the Wage Act would increase the federal minimum wage to $15 an hour by 2024. To learn more, visit www.nelp.org.

Hourly Living Wage in 2024, Fifty States and the District of Columbia

In the chart below, hourly living wages for rural and urban workers across the fifty states and the District of Columbia are clustered above the $15 mark (vertical red line).



Hourly living wage figures calculated based on the Economic Policy Institute's Family Budget Calculator, applying Congressional Budget Office Consumer Price Index projections to update them to 2024. Urban hourly living wage calculated using cost of living in each state's largest metropolitan areas. Rural hourly living wage calculated using each state's average rural cost of living. The District of Columbia, New Jersey, and Rhode Island do not have rural areas.

Annual Cost of Living and Hourly Living Wage in Rural and Urban Areas Across the U.S., 2024

	Urban			Rural		
State	Metropolitan Area	Annual Cost of Living in 2024	Hourly Living Wage in 2024	Rural Area	Annual Cost of Living in 2024	Hourly Living Wage in 2024
AK	Anchorage	$40,290	$19.37	Rural average	$38,699	$18.61
AL	Birmingham	$33,649	$16.18	Rural average	$32,796	$15.77
AR	Little Rock	$34,333	$16.51	Rural average	$32,569	$15.66
AZ	Phoenix	$34,397	$16.54	Rural average	$33,686	$16.20
CA	Los Angeles	$42,572	$20.47	Rural average	$38,074	$18.30
CO	Denver	$35,181	$16.91	Rural average	$38,533	$18.53
CT	Hartford	$40,368	$19.41	Rural average	$39,797	$19.13
DC	Washington	$51,400	$24.71	Rural average	N/A	N/A
DE	Wilmington	$41,989	$20.19	Rural average	$38,287	$18.41
FL	Miami	$38,262	$18.40	Rural average	$35,985	$17.30
GA	Atlanta	$38,200	$18.37	Rural average	$36,443	$17.52
HI	Honolulu	$56,511	$27.17	Rural average	$44,284	$21.29
IA	Des Moines	$32,741	$15.74	Rural average	$32,312	$15.53
ID	Boise	$30,456	$14.64	Rural average	$33,628	$16.17
IL	Chicago	$38,237	$18.38	Rural average	$33,524	$16.12
IN	Indianapolis	$33,873	$16.28	Rural average	$32,834	$15.79
KS	Wichita	$30,357	$14.59	Rural average	$32,069	$15.42
KY	Louisville	$32,070	$15.42	Rural average	$32,141	$15.45
LA	New Orleans	$36,796	$17.69	Rural average	$34,850	$16.75
MA	Boston	$48,030	$23.09	Rural average	$46,137	$22.18
MD	Baltimore	$41,484	$19.94	Rural average	$39,381	$18.93
ME	Portland	$38,865	$18.69	Rural average	$37,335	$17.95
MI	Detroit	$31,817	$15.30	Rural average	$34,107	$16.40
MN	Minneapolis-St. Paul	$33,222	$15.97	Rural average	$31,572	$15.18
MO	St. Louis	$33,782	$16.24	Rural average	$32,502	$15.63
MS	Jackson	$32,799	$15.77	Rural average	$34,390	$16.53
MT	Billings	$31,513	$15.15	Rural average	$33,688	$16.20
NC	Charlotte	$37,201	$17.89	Rural average	$35,924	$17.27
ND	Fargo	$30,234	$14.54	Rural average	$36,619	$17.61
NE	Omaha	$31,714	$15.25	Rural average	$31,421	$15.11
NH	Manchester	$35,342	$16.99	Rural average	$38,511	$18.51
NJ	Newark	$47,755	$22.96	Rural average	N/A	N/A
NM	Albuquerque	$32,078	$15.42	Rural average	$33,171	$15.95
NV	Las Vegas	$36,056	$17.33	Rural average	$35,431	$17.03
NY	New York	$53,107	$25.53	Rural average	$37,444	$18.00
OH	Cleveland	$31,858	$15.32	Rural average	$32,471	$15.61
OK	Oklahoma City	$30,879	$14.85	Rural average	$31,262	$15.03
OR	Portland	$37,626	$18.09	Rural average	$33,242	$15.98
PA	Philadelphia	$41,204	$19.81	Rural average	$33,384	$16.05
RI	Providence	$37,247	$17.91	Rural average	N/A	N/A
SC	Columbia	$36,215	$17.41	Rural average	$34,685	$16.68
SD	Sioux Falls	$32,555	$15.65	Rural average	$32,405	$15.58
TN	Nashville	$33,678	$16.19	Rural average	$29,830	$14.34
TX	Houston	$33,929	$16.31	Rural average	$32,015	$15.39
UT	Salt Lake City	$34,833	$16.75	Rural average	$33,945	$16.32
VA	Virginia Beach	$44,751	$21.51	Rural average	$34,914	$16.79
VT	Burlington	$46,420	$22.32	Rural average	$39,752	$19.11
WA	Seattle	$39,200	$18.85	Rural average	$32,646	$15.70
WI	Milwaukee	$34,291	$16.49	Rural average	$33,736	$16.22
WV	Charleston	$34,573	$16.62	Rural average	$33,893	$16.29
WY	Cheyenne	$34,102	$16.40	Rural average	$37,285	$17.93

Annual cost of living and hourly living wage figures calculated based on the Economic Policy Institute's Family Budget Calculator, applying Congressional Budget Office Consumer Price Index projections to update them to 2024. The District of Columbia, New Jersey, and Rhode Island do not have rural areas.

Chairman SCOTT. I remind my colleagues that pursuant to committee practice, materials for submission to the hearing must be submitted to the committee clerk within 14 days following the last day of the hearing, preferably in Microsoft Word format. Materials submitted must address the subject matter of the hearing. Only a member of the committee or an invited witness may submit materials for inclusion in the hearing record.

Documents are limited to 50 pages each. Those longer than 50 pages will be incorporated in the record by way of an internet link that you must provide to the committee clerk with the required timeframe, but please recognize that years from now that link may no longer work.

I want to thank our witnesses for your participation today. What we have heard is very valuable. Members of the committee may have additional questions, and we ask the witnesses to please respond to those questions in writing. The hearing record will be held open for 14 days to receive those responses.

I remind our colleagues that pursuant to committee practice, witness questions for the hearing must be submitted to the majority staff or the committee clerk within 7 days to allow ample time for witnesses to respond. Questions must address the subject matter of the hearing.

Thank you.

And that concludes the first panel. We will have a 15-minute break before the next panel. We expect votes presently. And as soon as the votes are over, we will return for the second panel. Thank you. We are in recess.

[Recess.]

Chairman SCOTT. The committee will come back to order. We will now introduce the second panel.

Ms. Vanita Gupta is president and CEO of the Leadership Conference on Civil and Human Rights, the Nation's oldest and largest civil rights organization. Ms. Gupta is an experienced leader and litigator who has devoted her entire career to civil rights work. Before joining The Leadership Conference, she served as Acting Assistant Attorney General and the head of the U.S. Department of Justice's Civil Rights Division.

Ms. Simone Barron has been a full service restaurant employee for nearly 33 years. She has worked in several cities across the country, including Indianapolis and Chicago, and has lived and worked in Seattle for the past 17 years.

Ms. Kathy Eckhouse is founder and co-owner of La Quercia, a producer of artisan cured meats made with nonconfinement, antibiotic-free, sustainable raised pork from family farmers in the Midwest. Based in Norwalk, Iowa, the company produces products that are sold throughout the U.S. and Canada.

Michael Strain is the Director of Economic Policy studies at the American Enterprise Institute, AEI. He oversees the institute's work in economic policy, financial markets, poverty studies, technology policy, energy, economics, healthcare policy, and related areas.

Professor Michael Reich is Professor of Economics at the University of California, Berkeley, where he is also the co-chair of the Center on Wage and Employment Dynamics. The professor has

published over a dozen books and over 120 papers and in the past decade has authored numerous policy and scholarly studies on living wages and minimum wages.

Representative Paul Brodeur is serving his fifth 2-year term in the Massachusetts State House representing the residents of the 32d District in Middlesex, just north of Boston.

He was the House Chairman of the Joint Committee on Labor and Workforce Development during the 2017–2018 legislative session. He was successful in convening negotiations between labor unions, religious organizations, community groups, business trade groups, and employer advocacy organizations to reach a landmark agreement which, among other provisions, raises the state's minimum wage to $15 an hour by 2023.

We appreciate all of the witnesses for being here today and look forward to your testimony. Let me remind the witnesses that we have read your testimony and the testimony in full will appear in the hearing record. Pursuant to committee rule 7(d) and the committee practice, each of you is asked to limit your oral testimony to a 5-minute summary of your written Statement.

Let me remind the witnesses that pursuant to Title 18 of the U.S. Code, Section 1001, it is illegal to knowingly and willfully falsify any Statement, representation, writing, document, or material fact presented to Congress, or otherwise conceal or cover up such a material fact.

Before you begin your testimony, please remember to press the button on your microphone in front of you so it will turn on and members can hear you. As you begin to speak, the light in front of you will turn green. After 4 minutes, the light will turn yellow to signal that you have 1 minute remaining. When the light turns red, your 5 minutes have expired, and we ask you to wrap up.

We will let the entire panel make their presentations before you move to member questions. When answering a question, please remember to once again turn on your microphone.

We will start with Ms. Gupta.

STATEMENT OF MS. VANITA GUPTA, PRESIDENT AND CEO, THE LEADERSHIP CONFERENCE ON CIVIL AND HUMAN RIGHTS

Ms. GUPTA. Chairman Scott, Ranking Member Foxx, and members of the committee, my name is Vanita Gupta, and I am President and CEO of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national organizations working to build an America as good as its ideals. Thank you for the opportunity to testify here today about the minimum wage.

The Leadership Conference strongly supports H.R. 582, the Raise the Wage Act of 2019. Gradually raising the Federal minimum wage to $15 an hour by 2024, indexing it to median Federal wages, and ensuring that all tipped workers, working people with disabilities, and young people get paid at least a full minimum wage is essential for working people to cover basic expenses like housing, food, transportation, childcare, healthcare, and other necessities.

Congress has not raised the Federal minimum wage of $7.25 hour since 2007, and the tipped minimum wage has been stuck at $2.13 an hour since 1991.

First, the Raise the Wage Act of 2019 is a step in the right direction toward closing the gender pay gap. In a 2018 report that we prepared with the Georgetown Center on Poverty, we found that nearly half of working people in our country are paid less than $15 per hour, 55 percent being women. The National Women's Law Center and the National Employment Law Project have noted that women of color are more likely than any other group to be paid the lowest wages.

Second, on the tipped minimum wage, it is really important to note its history. Before the Civil War, tipping was largely frowned upon in the United States, but after the war the practice of tipping proliferated, and at that time the restaurant and hospitality industry hired newly freed slaves without paying them base wages. The effect was to create a permanent servant class for whom the responsibility of paying a wage was shifted from employers to customers, and having to depend on tipping put African-Americans in an economically and socially subordinate position.

The Fair Labor Standards Act then established a bare minimum floor for tipped wages only in 1966, and it increased to $2.13 an hour in 1991, still leaving tipped workers earning far below their basic needs.

Third, as with the tipped minimum wage, the subminimum wage under Section 14(c) of the FLSA that allows people with disabilities working in segregated settings to be paid less than the minimum wage leaves this already vulnerable community that much more vulnerable to poverty and exploitation.

I previously served as head of the Justice Department's Civil Rights Division from 2014 to 2017, where I oversaw the Disability Rights Section. In 1999, in Olmstead v. L.C., the Supreme Court held that under the Americans with Disabilities Act unjustified institutional isolation of persons with disabilities constitutes discrimination. And, unfortunately, 20 years after Olmstead and almost 30 years after the passage of the ADA, too many people with disabilities spend their time in segregated workshops or day programs with some paid just pennies per hour.

While in theory segregated settings provide job training and experience to people with disabilities and help them find regular employment in their community, the reality is that too many remain stuck in segregated settings for years.

Cases that the Department of Justice investigated to enforce Olmstead's community integration mandate illustrate the deep concerns with 14(c) employment, and one of those cases involved Oregonians with disabilities, people like Gabrielle who dreamed of saving up money to buy a home, who assembled nut-and-bolt kits and knee pads in a sheltered workshop for $100 to $150 per month. And after the settlement, she began working as a grooming assistant at a dog daycare earning more than $9 an hour. And as she told a local media outlet, "I feel better about my life, and I ended up buying that house."

Some states and localities have taken action to raise the minimum wage, and while these States and localities should be ap-

plauded, Federal action is needed to establish a higher universal floor for wages. The Leadership Conference opposes prevention laws that allow states to prevent cities and counties from raising the minimum wage and proposals like a regional minimum wage that could be misused by employers and further calcify racial and gender inequities.

At the 1963 March on Washington for Jobs and Freedom, one of the founders of The Leadership Conference, Black labor leader A. Philip Randolph, noted, "Nor is the goal of our civil rights revolution merely the passage of civil rights legislation. Yes, we want accommodations open to all citizens, but those accommodations mean little to those who cannot afford them."

Working people should be allowed to live with dignity and have the dignity of a fair paycheck, and that is what the Raise the Wage Act of 2019 would do. And I want to thank you for the opportunity to testify at today's hearing.

[The statement of Ms. Gupta follows:]

STATEMENT OF VANITA GUPTA, PRESIDENT AND CEO
THE LEADERSHIP CONFERENCE ON CIVIL AND HUMAN RIGHTS

U.S. HOUSE COMMITTEE ON EDUCATION & LABOR
HEARING ON "GRADUALLY RAISING THE MINIMUM WAGE TO $15: GOOD FOR WORKERS, GOOD FOR BUSINESSES, AND GOOD FOR THE ECONOMY."
FEBRUARY 7, 2019

Chairman Scott, Ranking Member Foxx, and Members of the Committee, my name is Vanita Gupta and I am the president and CEO of The Leadership Conference on Civil and Human Rights, a coalition of more than 200 national organizations working to build an America as good as its ideals. Thank you for the opportunity to testify here today about the minimum wage.

The Leadership Conference strongly supports H.R. 582, The Raise the Wage Act of 2019, which would amend the Fair Labor Standards Act to give low-wage working people an overdue raise and ultimately end several carve outs that allow certain groups of working people to be paid even less than the federal minimum wage.

As an organization that is committed to promoting and protecting the civil and human rights of all persons in the United States, The Leadership Conference advocates against injustice in all forms, including in the workplace. The Leadership Conference has long maintained that civil and human rights are inextricably linked to economic security. From the passage of the Universal Declaration of Human Rights in 1948 to the March on Washington for Jobs and Freedom in 1963, the economic security of all in America has long been a priority of the civil and human rights community. We should all be paid fairly for the work that we do, regardless of our gender, race, ethnicity, disability, age, sexual orientation, or immigration status.

Working people should be able to live with the dignity of a fair paycheck. Today, low-paid working people care for our family members. They pick our fruits and vegetables. They clean our homes and

offices. They cut our hair and serve lunch to our children.[1] They do valuable work that benefits us all. And they should be paid fairly for that work.

Gradually raising the federal minimum wage to $15 an hour by 2024, indexing it to median federal wages, and ensuring that all tipped workers, working people with disabilities, and young people get paid at least a full minimum wage is essential for working people to cover basic expenses like housing, food, transportation, childcare, health care, and other necessities. Paying tipped workers and people with disabilities the full minimum wage would also rectify longstanding injustices and ensure that no one will work for pennies in America.

For decades, wages for most people in America have stagnated while productivity has increased. This has been particularly true for low-wage and working-class people. Congress has not raised the federal minimum wage of $7.25 an hour since 2007. And the tipped minimum wage has been stuck at $2.13 an hour since 1991. Tipped workers have not received a raise in 28 years.

In a 2018 report entitled *Bare Minimum: Why We Need to Raise Wages for America's Lowest-Paid Families,*[2] The Leadership Conference's sister organization, The Leadership Conference Education Fund, together with the Georgetown Center on Poverty, looked at the plight of low-wage working people in our country, focusing on their lived experiences.

What we found is that nearly half (42.4 percent) of working people in our country are paid less than $15 per hour.[3] And according to a 2018 report from the Board of Governors of the Federal Reserve, 44 percent of American adults cannot afford a $400 emergency.[4] One cause of the decline in wages for working people over the last 40 years has been attacks on the ability of working people to organize. The share of the workforce represented by a union has plummeted, from 24 percent in 1973 to 10.7 percent in 2018, which has impacted working people's ability to bargain collectively for higher wages and benefits.[5]

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[1] For examples of low-paid occupations see "Low Wage Workers: Poverty and Use of Selected Federal Social Safety Net Programs Persist among Working Families." U.S. Government Accounting Office. 2017, p. 19. See also Robbins, Katherine Gallagher and Julie Vogtman. "Low-Wage Jobs Held Primarily by Women Will Grow the Most Over the Next Decade." 2016

[2] http://civilrightsdocs.info/pdf/reports/Bare-Minimum.pdf

[3] Trung, Irene, et al. "The Growing Movement for $15." National Employment Law Project, November 2015. Available at http://www.nelp.org/content/uploads/Growing-Movement-for-15-Dollars.pdf.

[4] "Report on the Economic Well-Being of U.S. Households in 2017." Board of Governors of the Federal Reserve System, May 2018. Available at https://www.federalreserve.gov/mediacenter/files/report-on-the-economic-wellbeing-transcript-20180522.pdf.

[5] This represents the share of wage and salary employees who are union members, including employees in the public sector. See Hirsch, Barry and David Macpherson, "U.S. Historical Tables: Union Membership, Coverage, Density and Employment, 19 7 3 - 2 017." Union Membership and Coverage Database, 2018. Available at http://unionstats.com/. On employer mobilization against unions, see, for example, Dixon, Marc. "Limiting Labor: Business Political Mobilization and Union Setback in the States." Journal of Policy History 19(3): 313-344, 2007. Phillips-Fein, Kim. "If Business and the Country Will Be Run Right: The Business Challenge to the Liberal Consensus, 1945-1964." International Labor and Working-Class History 72: 192-215, Fall 2007. Available at http://www.jstor.org/stable/2767310z.

In addition, the value of the federal minimum wage has eroded because it does not currently increase automatically with either wages or prices.

Today, the National Women's Law Center has noted that women make up nearly two-thirds of those earning the federal minimum wage of $7.25 an hour.[6] Fifty-five percent of all working people making less than $15 an hour are women.[7] African American and Latina working women in particular are overrepresented in low-paid jobs. Women of color are more likely than any other group to be paid the lowest wages.[8] The Raise the Wage Act of 2019 is a step in the right direction towards closing the gender pay gap.

When many of us think about the minimum wage, one of the first images that comes to mind may not be that of a child, but perhaps it should be. Over 31.5 million U.S. children — two of every five (42.9 percent) children — live in households with at least one working person earning under $15 per hour.[9] Working mothers are especially likely to be paid low wages. Almost one in five working mothers with children under three are employed in low-wage occupations.[10] Raising the income of working families is essential for the future wellbeing of our country, as more than a decade of research has shown how low incomes negatively impact children's health, economic opportunity, and educational success.[11]

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[6] Vogtman, Julie. "The Raise the Wage Act: Boosting Women's Paychecks and Advancing Equal Pay." National Women's Law Center. May 2017. https://nwlc.org/resources/the-raise-the-wage-act-boosting-womens-paychecks-and-advancing-equal-pay/

[7] Trung, Irene, et al. "The Growing Movement for $15." National Employment Law Project, November 2015. Available at http://www.nelp.org/content/uploads/Growing-Movement-for-15-Dollars.pdf.

[8] *Id.*

[9] "Few Rewards: An Agenda to Give America's Working Poor a Raise." Oxfam America and Economic Policy Institute, 2016, p. 6. Available at https://www.oxfamamerica.org/static/media/files/Few_Rewards_Report_2016_web.pdf.

[10] The definition of "low-wage" in this analysis is earning under $10.50 per hour. Schulman Karen et al. "Nearly one in Five Working Mothers of Very Young Children Work in Low-Wage Jobs." National Women's Law Center, April 2017. Available at https://nwlc.org/wp-content/uploads/2014/04/Nearly-One-in-Five-Working-Mothers-of-Very-Young-Children-Work-in-Low-Wage-Jobs -2017.pdf.

[11] Mitnik, Pablo A. and David B. Grusky. "Economic Mobility in the United States." Pew Charitable Trusts, 23 July 2015. Available at http://www.pewtrusts.org/~/media/assets/2015/07/fsm-irs-report_artfinal.pdf. Gupta, Rita Paul-Sen, Margaret L. de Wit, and David McKeown. "Impact of Poverty on the Current and Future Health Status of Children." Pediatrics & Child Health 12(8):667–672, 2007. Available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2528796/. Rouse, Cecilia Elena, and Lisa Barrow. "US Elementary and Secondary Schools: Equalizing Opportunity or Replicating the Status Quo?" Future of Children 16(2): 99–123, 2006. Available at http://eaop.ucsd.edu/198/achievementgap/Equalizing%20Opportunity%20or%20Replicating%20the%20Status%20Quo.pdf. On the importance of the early years in child development, see Shonkoff, Jack P. & Deborah A. Phillips eds. From Neurons to Neighborhoods: The Science of Early Childhood Development. National Research Council & Institute of Medicine, 2000. "The Timing and Quality of Early Experiences Combine to Shape Brain Architecture. Working Paper No. 5." National Scientific Council on the Developing Child, 2007. Available at https://developingchild.harvard.edu/resources/the-timing-and-quality-of-early-experiences-combine-to-shape-brain-architecture/. Research has recently suggested that raising the minimum wage can improve children's health. See Komro, Kelli et al. "The Effect of an Increased Minimum Wage on Infant Mortality and Birth Weight." American Journal of Public Health, August 2016. Available at https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4940666/. For another study with similar conclusions see Wehby, George, et al. "Effects of the Minimum Wage on Infant Health." NBER Working Paper, June 2016. Available at http://www.nber.org/papers/w22373. Raissian, Kerri M., and Lindsey Rose Bullinger. "Money matters: Does the minimum wage affect child maltreatment rates?" Child and Youth Services Review, 72: 60-70, 2017. Available at http://www.sciencedirect.com/science/article/pii/S0190740916303139.

Just as we believe the federal minimum wage must be raised, The Leadership Conference strongly supports ensuring that tipped workers, working people with disabilities, and young people are paid at least the full minimum wage.

Congress must acknowledge the origins of the tipped minimum wage because they are deeply entwined in our nation's struggles with racial and gender inequality. The custom of tipping itself is rooted in the history of slavery.[12]

The practice of tipping escalated in the United States after the Civil War. Before the Civil War, tipping was largely frowned upon in the United States. But after its end, the practice of tipping proliferated. At that time, the restaurant and hospitality industry, exemplified by the Pullman Company, hired newly freed slaves without paying them base wages.[13] The effect was to create a permanent servant class, for whom the responsibility of paying a wage was shifted from employers to customers.[14] An early 20th century southern journalist recounted being uncomfortable tipping White working people. As he observed in 1902, "one expects…Negroes [to] take tips...it is a token of their inferiority. But to give money to a White man was embarrassing to me."[15]

Having to depend on tipping kept African Americans in an economically and socially subordinate position. By 1880, 43 percent of all working people employed in hotels and restaurants were Black. By 1900, 25 percent of all Black working people engaged in non-agricultural labor were employed as servants and waiters, including the vast majority of Black women.[16] In the early 1900s, it is estimated that five million working people in the United States — more than 10 percent of the labor force — were in tip-taking occupations.[17] The Fair Labor Standards Act established a bare minimum floor for tipped wages only in 1966. The federal tipped minimum wage has remained at $2.13 an hour since 1991 and it is long overdue for an adjustment. Failing to raise the tipped minimum wage disproportionately hurts people of color and women.

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[12] Azar, Ofer H. "The history of tipping—from sixteenth-century England to United States in the 1910s." *The Journal of Socio-Economics.* Vol. 33, Issue 6. Pgs. 745-764. December 2004.
[13] Bates, B.T. *Pullman Porters and the Rise of Protest Politics in Black America, 1925-1945.* The University of North Carolina Press. 2001.
[14] Paarlberg, Michael and Teofilo Reyes. "Paying tipped workers better wouldn't lead to fewer restaurant jobs." *The Washington Post.* January 16, 2018. https://www.washingtonpost.com/news/posteverything/wp/2018/01/16/paying-tipped-workers-better-wouldnt-lead-to-fewer-restaurant-jobs/?utm_term=.17fb13b45f73
[15] Jayaraman, Saru. *Forked: A New Standard for American Dining.* 2016. P. 33-34.
[16] Wright, R.R, Jr. "The Negro in Unskilled Labor." *The Annals of the American Academy of Political and Social Sciences.* Vol. 49, Issue 1. Pgs. 19-27. Sept. 1913.
[17] Azar, Ofer H. "The history of tipping—from sixteenth-century England to United States in the 1910s." *The Journal of Socio-Economics,* Vol. 33, Issue 6. Pgs. 745-764. December 2004.

One can see the through line from the origins of the tipped minimum wage to today. In 2018, people of color are more likely to work in the tipped workforce and live in poverty than their White counterparts.[18] For example, the take-home wages of people of color who work in restaurants are 56 percent less than their White colleagues.[19] The median annual income for tipped workers of color is $14,300. For Black working people, it is even lower at $12,900 per year.[20] Poverty rates for people who work for tips are more than twice as high as rates for working people overall — with female tipped workers, especially women of color, at a particular disadvantage.[21]

Multiple additional factors impact pay for tipped workers, and support the need for paying tipped workers the full minimum wage with tips only added on top of that. Studies have shown that restaurant customers discriminate against African American servers, consistently tipping them less than White servers, regardless of the quality of service.[22]

According to the 2012-2015 ACS data on gender and race for tipped occupations, of the almost 6 million tipped working people in our country, 66 percent are women.[23] And women of color are disproportionately represented in the tipped workforce. Ensuring that tipped workers are paid at least the full minimum wage with tips only on top of that will help to address the gender pay gap in our country. Some tipped workers also encounter sexual harassment. Tipped restaurant servers are highly dependent on customers for their income and on management for good shifts. This situation creates a power imbalance that makes people working for tips — many of whom are women — particularly vulnerable to sexual harassment. As the National Women's Law Center has noted, "Women's lack of economic power in these workplaces perpetuates the already pervasive culture of sexual harassment in the restaurant industry and others that employ large numbers of tipped workers."[24] We can and must do better.

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[18] Gallagher Robbins, Katherine and Julie Vogtman. "Low-wage jobs held primarily by women will grow the most over the next decade." April 2016. https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2016/04/Low-Wage-Jobs-Held-Primarily-by-Women-Will-Grow-the-Most-Over-the-Next-Decade.pdf

[19] Oatman, Maddie. "The racist, twisted history of tipping." Mother Jones. May/June 2016. https://www.motherjones.com/environment/2016/04/restaurants-tipping-racist-origins-saru-jayaraman-forked/

[20] Ibid.

[21] *See generally* NWLC & ROC United. "Raise the Wage: Women Fare Better in States with Equal Treatment for Tipped Workers." Oct. 17, 2016. https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2016/10/Tipped-Wage-10.17.pdf.

[22] Michael Lynn et al., "Consumer Racial Discrimination and Tipping: A Replication and Extension." Journal of Applied Social Psychology, 19 March 2008. Available at http://onlinelibrary.wiley.com/doi/10.1111/j.1559-1816.2008.00338.x/full.

[23] 2012-2015 ACS data on gender and race for tipped occupations, ipums.org.

[24] Johnson, Andrea. "Sexual Harassment Won't Stop If We Aren't #FightingForFamilies." National Women's Law Center. February 7, 2018. https://nwlc.org/blog/sexual-harassment-wont-stop-if-we-arent-fightingforfamilies/

As with the tipped minimum wage, the subminimum wage under Section 14(c) of the Fair Labor Standards Act that allows people with disabilities working in segregated settings to be paid less than the minimum wage leaves this community vulnerable to poverty and exploitation.

I previously served as head of the Justice Department's Civil Rights Division from 2014 until January 2017, where I oversaw the Disability Rights Section. The Disability Rights Section works to achieve equal opportunity for people with disabilities in the United States by implementing the Americans with Disabilities Act (ADA). When Congress passed the ADA in 1990, it ushered in a new era for people with disabilities in this country. Progress built the pathway for further reform. And in 1999, in *Olmstead v. L.C.*, the Supreme Court recognized a crucial tenet of the ADA: the community integration mandate. The court held that under the ADA, "unjustified institutional isolation of persons with disabilities" constitutes discrimination.

Unfortunately, 20 years after *Olmstead* and almost 30 years after passage of the ADA, for too many people with disabilities, we continue to see a real gap between what the law guarantees and what people experience. We see this gap in employment, as hundreds of thousands of people with disabilities spend their time in segregated workshops or day programs, with some paid just pennies per hour.[25]

Employers who have applied for approval from the Department of Labor under Section 14(c) of the Fair Labor Standards Act are permitted to set wages for people with disabilities in segregated settings based on a piece-rate standard of how much they produce per hour. The National Disability Rights Network believes that "sheltered workshops have replaced institutions in many states as the new warehousing system and are the new favored locations where people with disabilities are sent to occupy their days."[26]

While in theory segregated settings provide people with disabilities the opportunity to receive job training and experience that will help them to find regular employment in their community, the reality is that too many remain stuck in segregated settings for years. In a 2018 report, The National Council on Disability found that "[i]n the experts' judgment, the sheltered workshop business model, itself, rather than the

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[25] DePillis, Lydia. "Disabled people are allowed to work for pennies per hour — but maybe not for much longer." *The Washington Post*. February 12, 2016. https://www.washingtonpost.com/news/wonk/wp/2016/02/12/disabled-people-are-allowed-to-work-for-pennies-per-hour-but-maybe-not-for-much-longer/?utm_term=.fbfc31a999f3; National Council on Disability. "National Disability Employment Policy, From the New Deal to the Real Deal: Joining the Industries of the Future." Oct. 18, 2018. **https://ncd.gov/sites/default/files/New%20Deal%20to%20Real%20Deal%20FINAL_508.PDF**.

[26] "Segregated and Exploited: The Failure of the Disability Service System to Provide Quality Work." National Disability Rights Network. 2011. For an update on what states are doing to more effectively integrate workers with disabilities into competitive employment see "Beyond Segregated and Exploited: Update on the Employment of People with Disabilities." National Disability Rights Network, April 2012. http://www.ndrn.org/images/Documents/Resources/Publications/Reports/Beyond_Segregated_and_Exploited.pdf.

impact of disability on productivity, incentivizes low wages and correspondingly disincentivizes reasonable accommodations, better job matches, and more integrated employment services."[27]

Cases that the Department of Justice investigated to enforce *Olmstead*'s community integration mandate illustrate the deep concerns with 14(c) employment. One example comes from a landmark agreement the Department of Justice and private plaintiffs reached regarding Oregon's employment services system, which unlawfully — and unnecessarily — placed people with disabilities in segregated settings instead of integrated jobs in their communities.

The agreement impacted 7,000 Oregonians with disabilities — Oregonians who can and wanted to work in typical community employment settings. As a result of the settlement, one individual, Zavier, no longer earns $1.70 per hour assembling small company parts. Instead, with employment support, he began working at a local YMCA, helping kids complete their homework and resolve their conflicts. Another, Gabrielle — who dreamed of saving up money to buy a home — no longer assembles nut-and-bolt kits and knee pads in a sheltered workshop for $100 to $150 per month. Instead, she began working as a grooming assistant at a dog day care and boutique, earning more than $9 per hour. And as she told a local media outlet, "I feel better about my life and … I ended up buying that house."

When the Fair Labor Standards Act was first enacted in 1938, the provision allowing people with disabilities to be paid a sub-minimum wage was included. Think about how differently we as a society perceive what it means to have a disability today versus then. The era in which the Fair Labor Standards Act was signed into law is the same era of the infamous case *Buck v. Bell*, in which the Supreme Court found that people with disabilities were "manifestly unfit from continuing their kind," and sanctioned the practice of people with disabilities enduring compulsory sterilization.[28] Section 14(c) reflects that painful past and it belongs in the dustbin of history.

The National Council on Disability's 2012 Report — as well as its 2018 Report — recommended phasing out the Section 14(c) program.[29] The time has come for federal action to support and fully integrate people with disabilities into the workplace. The Raise the Wage Act would do just that, eventually sunsetting the Section 14(c) program entirely.

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[27] "National Disability Employment Policy. From the New Deal to the Real Deal: Joining the Industries of the Future." National Council on Disability. October 11, 2018. https://ncd.gov/sites/default/files/New%20Deal%20to%20Real%20Deal%20FINAL_508.PDF.
[28] *Buck v. Bell*, 274 U.S. 200, 207 (1927).
[29] National Council on Disability. "National Disability Employment Policy, From the New Deal to the Real Deal: Joining the Industries of the Future." Oct. 18, 2018. https://ncd.gov/sites/default/files/New%20Deal%20to%20Real%20Deal%20FINAL_508.PDF

H.R. 582 also includes the elimination of the youth minimum wage for those under the age of 20. The Leadership Conference believes that all people should be paid fairly for the work that they do — including young people. The Fair Labor Standards Act currently allows employers to pay employees who are under the age of 20 a lower "youth" wage for 90 calendar days when they are first employed. During that time period, employers may pay any wage rate above $4.25 an hour.

Many households rely on the income of young members of the family for support. Some young working people currently being paid the lower youth subminimum wage are also students who are either partially or fully supporting themselves. The National Employment Law Center notes that of 18- and 19-year-olds enrolled in college, 70 percent also work. Of those working, "[n]early 50 percent of U.S. students pursuing a two-year degree, and over 40 percent of students pursuing a four-year degree, work more than 35 hours per week."[30]

One area that requires more study but should raise concern for members of the committee is the potential negative consequences of the youth minimum wage on food insecurity faced by too many college students today. In April 2018, Wisconsin's HOPE Lab conducted a study on food insecurity in college students at 66 institutions across 20 states and Washington, DC. Their conservative estimate was that 36 percent of students were food insecure, which is defined as the limited or uncertain ability to obtain nutritionally adequate food due to lack of financial resources, which can result in disrupted eating patterns and/or reduced food intake.[31] According to the study, 47 percent of Black students and 42 percent of Hispanic students at 4-year institutions experience food insecurity compared to 30 percent of their White peers. The study also shows that 46 percent of Pell Grant recipients at 4-year institutions experience food insecurity.[32]

In the face of inaction at the federal level, some states and localities have taken action to raise the minimum wage on their own. Seven states currently require tipped workers to be paid the standard state minimum wage before tips: Alaska, California, Minnesota, Montana, Nevada, Oregon, and Washington. And states and localities like Maryland, Alaska, New Hampshire, and the city of Seattle eliminated the subminimum wage for people with disabilities. While these states and localities should be applauded, we need federal action in this area to establish a higher universal floor for wages in our nation, one that pays working people fairly for their work and keeps pace with median federal wages and increases in

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[30] Id.
[31] Romo, Vanessa. "Hunger and Homelessness Are Widespread Among College Students, Study Finds." *National Public Radio*. April 3, 2018. https://www.npr.org/sections/thetwo-way/2018/04/03/599197919/hunger-and-homelessness-are-widespread-among-college-students-study-finds
[32] https://hope4college.com/reports/

productivity. Unfortunately, there are regions of the country where low-wages are the norm. Ten of the 21 states stuck at $7.25 an hour are in the South,[33] with large African American populations, and growing Latino and Asian American populations. The Leadership Conference opposes proposals like a regional minimum wage that could be misused to enable forum shopping for employers and would further calcify racial and gender inequities.

Low-wage working people across the country also need Congress to act because some states prevent cities and counties from raising the minimum wage through preemption laws. Seventeen of the 21 states that follow the $7.25 federal minimum wage have passed such laws. In 2017, state preemption laws in Iowa and Missouri nullified local minimum wage laws that had already gone into effect — causing some people's paychecks to decrease.[34] One example of preemption in action is the case of Birmingham, Alabama. In August 2015, the Birmingham City Council voted to raise the city's minimum wage to $10.10 an hour. But in 2016, days before the pay raise was set to take effect, the state passed and signed into law HB-174, which nullified the ordinance. The Alabama State Conference of the NAACP, fast food workers in the Fight for $15, the Alabama Black Legislative Caucus, and Greater Birmingham Ministries challenged the law, and the case has been in litigation since. Derrick Johnson, CEO of the NAACP, noted, "The state's legislature must be held accountable for discriminating against hard working Birmingham citizens fighting to get out of poverty."[35]

At the 1963 March on Washington for Jobs and Freedom, one of the founders of The Leadership Conference, black labor leader A. Philip Randolph, noted, "Nor is the goal of our civil rights revolution merely the passage of civil rights legislation. Yes, we want all public accommodations open to all citizens, but those accommodations will mean little to those who cannot afford to use them."

The beauty of America's story and the promise of its legal framework show us that we, as a country and as a people, can change. We can progress, imperfectly but unyieldingly. This progress must include the

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[33] https://www.epi.org/minimum-wage-tracker/#/min_wage/

[34] "The 21 States Stuck at $7.25: Federal Raise the Wage Act of 2017 Would Lift Wages for 20 Million Workers in These States." National Employment Law Project. Hirsch, Mitchell. "Missouri Lawmakers to Lowest-Paid Workers in St. Louis: We're Taking Back Your Raises." National Employment Law Project, 19 May 2017. Available at http://www.nelp.org/blog/missouri-lawmakers-to-lowest-paid-workers-in-st-louis-were-taking-back-your-raises/. Hirsch, Mitchell. "Heartless in the Heartland." National Employment Law Project, 30 March 2017. Available at http://www.nelp.org/commentary/heartless-in-the-heartland/. For stories of individuals whose wages decreased once a preemption law went into effect, see Graham, David A. "How St. Louis Workers Won and Then Lost a Minimum-Wage Hike." *The Atlantic*. 29 August 2017. Available at https://www.theatlantic.com/business/archive/2017/08/st-louis-minimum-wage-preemption/538182/.

[35] "Fast-Food Workers' Landmark Minimum Wage Lawsuit Revived, Charges Alabama Violated Equal Protection Laws in Blocking Increase to $10.10." July 26, 2018.
https://www.naacp.org/latest/fast-food-workers-landmark-minimum-wage-lawsuit-revived-charges-alabama-violated-equal-protection-laws-blocking-increase-10-10/

passage of new laws — and vigorous enforcement of the laws we already have — to secure the freedoms that our Constitution guarantees and the opportunities that all people deserve.

We should all be paid fairly for the work that we do. And that is why The Leadership Conference supports the Raise the Wage Act of 2019. Thank you for the opportunity to participate in today's hearing and share the perspective of the civil and human rights community. We call on Congress to give working families across our country the raise they are overdue.

I am available to answer questions from the Committee.

Chairman SCOTT. Thank you.
Ms. Barron.

STATEMENT OF MS. SIMONE BARRON, SEATTLE, WA

Ms. BARRON. Good afternoon and thank you, Chairman Scott and Ranking Member Foxx, for the opportunity to testify today.

My name is Simone Barron. I am the mom of a smarty-pants teen boy. I am a semi-professional actor, and I have worked in the full-service restaurant industry for nearly 33 years. I have worked in several cities across the country, including Indianapolis and Chicago, but I am coming to you today from Seattle, Washington, where I have been a tipped worker there for the past 17 years.

Today the minimum wage in Seattle is $15 an hour, and it is supposed to be a paradise for employees like myself. Instead, I am watching my income drop as the mandated wage rises. As I have learned that Chairman Scott has proposed to raise the Federal minimum wage to $15, I am here to tell you to, to warn you, and to share with you my experience as a full-service restaurant worker living in a city with a $15 an hour minimum wage.

To understand my predicament, you first must need to understand my industry a bit. Control over my earnings is one of the biggest perks of working in the restaurant industry. The harder I work to show hospitality to my guests, the better my tip, and that is an average of 20 percent that I can garner on about every bill.

The standard tipping model also has a cost of living increase built into it, too. As the cost of goods go up, menu prices go up, and so do my tips.

Contrary to the rhetoric of my industry's critics, I am not forced to rely on tips. I have been able to thrive on tips. Historically, in short four-to 6-hour shifts, I can earn $25 to $50 an hour, and that is enough to make a life for myself and my son.

In Seattle, the rapidly rising minimum wage has upset this beneficial arrangement. Without getting into the nitty-gritty details, you should know that Seattle is one of a handful of locales in the country that doesn't count my tips toward my hourly wage. What this means in practice is that the pressure other businesses are feeling under the 15 is magnified in full service restaurants.

Things have started to change in Seattle in our industry in ways that have negatively affected workers like myself. At my restaurant, it was the loss of tipping. As 15 went into effect, some restaurants made the decision to change the tipping model either in favor of a flat stagnant wage or replaced with service charges to substitute for tipping.

The math on that is pretty simple. If you are forced to give a raise to tipped employees who are already making hundreds of dollars a night in tips, where does the money to pay for it come from without a huge jump in prices. Well, my employer, who is a leader in our restaurant community, took away tip lines and went to a service charge model in order to keep his restaurants sustainable for as long as possible.

Service charges are a mandatory charge to a guest that must be filtered through the employer and in which the employee receives a percentage instead of a customer tip. In my case, I receive only

14 percent of my sales from a 20 percent service charge on a bill. So from a $100 sale, I receive $14 on my paycheck as a salary commission instead of the $20 or more in cash tips that I could have received before. The other $6 is then retained by the house to be paid out to support other team employment costs and benefits like insurance and vacation.

The few dollars an hour increase in my minimum wage doesn't cover the loss of income because of not receiving tips. Under a service charge model, it is less about how I use my knowledge and skills to maximize my income. I am no longer bothered to give excellent service to receive that tip but must instead sell you the most expensive item on the menu to make the sale. The minimum wage increase has literally changed my job from the art of service to a routine sales job.

I used to work four shifts a week and made enough money to raise my son, pay my rent, go to school, and be part of a vibrant arts community. With the cost of living skyrocketing and the impact of the minimum wage increase on my income, I had to get a second job and work 6 days a week.

I couldn't sustain that pace. Now I worry every month about paying my rent, and this is a worry that I never had until the minimum wage increase impacted my job. I have had to give up my passion for acting, I no longer can take trips with my kid in the summers, and my smaller income all goes to bills. All my time goes to picking up just one more shift.

I have many friends who have lost their jobs because of the rise in the wage. And these are not people of privilege. These are working folks, people who have invested in their jobs, moved up ladders through experience and education, worked hard to grow their jobs, only to lose their jobs because of a policy forced on their employers.

My friend, JW, is one of those. He worked his way up from a busser to a sommelier over years of experience but lost his job because the restaurant he worked closed in Seattle because of the minimum wage increase.

My friend, Ritu was excited when she opened her pizza place. As an Indian female business owner, she was proud that all of her hard work and experience had led her to a place where she could be an owner. After the increase, she closed because she could not make the numbers work.

And these are just two of several dozen stories.

Now, I understand the typical arguments for legislating higher wage rates, and I especially understand that in Seattle, where the cost of living is incredibly high, but there is no free lunch here. Under our minimum wage increase, tipped workers are losing our incomes and moving backward to $15 an hour. And I would happily trade my gig in Seattle for the golden days in Indianapolis, a so-called low-wage market, where I wouldn't be working more for less and watching my financial stability whittle away as the minimum wage rises.

Unfortunately, if Chairman Scott's one-size-fits-all bill is passed, I won't even have that option to consider.

Thank you, and I would be happy to answer questions.

[The statement of Ms. Barron follows:]

Testimony of Simone Barron

House Committee on Education and Labor

"Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy"

Thursday, February 7th 2019

Good afternoon and thank you Chairman Scott and
Ranking Member Foxx for the opportunity to testify today.

My name is Simone Barron. I am a mom of a smarty-pants teen boy, I am a semi-professional actor and I have worked in the full service restaurant industry for nearly 33 years. I have worked in several cities across the country, including Indianapolis and Chicago, but I am coming to you today from Seattle, Washington.

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To understand my predicament, you first need to understand my industry. Control over my earnings is one of the biggest perks of working in the restaurant industry. The harder I work to show hospitality to my guests, the better my tip. That's an average of 20 percent I make on each bill. The standard tipping model has a cost of living increase built into its structure, too — as the cost of goods goes up, so do menu prices and then so do tips.

Contrary to the rhetoric of my industry's critics, I'm not "forced" to rely on tips — I've been able to thrive on tips. Historically, in short four to six hour shifts, I can earn $25 to $50 an hour — enough to make a life for myself and my son.

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Things have started to change in Seattle in our industry, in ways that have negatively affected workers like myself. At my restaurant, it was the loss of tipping. As $15 went into effect, some restaurants made the decision to change the tipping model, either in favor of flat stagnant wages or replaced with service charges to substitute for tipping.

The math on that is pretty simple: If you're forced to give a raise to tipped employees who are already making hundreds of dollars a night in tips, where does the money to pay for it come from without a huge jump in prices?
My employer, who is a leader in our restaurant community, took away tip lines and went to a service charge model in order to keep his restaurants sustainable for as long as possible. Service charges are a mandatory charge to a guest that must be filtered through the employer and in which the employee receives a percentage instead of a customer tip. In my case, I receive only 14% of my sales, from a 20% service charge on a bill. From a $100 sale I receive $14 on my paycheck as a salary commission—instead of the $20 in cash tips I would have received before. The other $6 is retained by the house to be paid out to support other team employment costs and benefits like insurance and vacation.

The few dollars an hour increase in my minimum wage doesn't cover the loss of income because of not receiving tips. Under a service charge model, it's less about how I use my knowledge and skills to maximize my income; I am no longer bothered to give excellent service to receive the tip, but must instead sell you the most expensive item on the menu to make the sale. The minimum wage increase has literally changed the job from the art of service to a routine sales job.

I used to work 4 shifts a week and made enough money to raise a son, pay my rent, go to school and be a part of a vibrant arts community. With the cost of living skyrocketing and the impact of the minimum wage increase on my income, I had to get a second job and work 6 days a week. I couldn't sustain that pace. Now, I worry every month about paying my rent. This is a worry I have never had until the minimum wage increase impacted my job. I have had to give up my passion of acting, I no longer can take trips with my kid in the summers. My smaller income all goes to bills, all my time goes to picking up just one more shift.

I have many friends who have lost jobs because of the rise in the wage. These are not people of privilege, these are working folks. People who have invested in their jobs, moved up ladders through experience and education, worked hard to grow in their jobs only to lose their jobs because of a policy forced onto their employers. My friend JW is one of those. He worked his way up from busser to sommelier over years of experience, but lost his job because the restaurant he worked closed in Seattle because of the

minimum wage increase. My friend Ritu was excited when she opened her pizza place. As an Indian female business owner, she was proud that all of her hard work and experience had led her to a place where she could be an owner. After the increase, she closed because she could not make the numbers work. These are just two of several dozen stories.

I understand the typical arguments for legislating higher wage rates. I especially understand it in Seattle where the cost of living is incredibly high. But there's no free lunch. Under our minimum wage increase, tipped workers are losing our incomes and moving backward to $15 an hour. I'd happily trade my gig in Seattle for the golden days in Indianapolis, a so- called "low wage" market where I wouldn't be working more for less and watching my financial stability whittle away as the minimum wage rises. Unfortunately,if Chairman Scott's one-size-fits-all bill is passed, I won't even have that option to consider.

Thank you, and I'd be happy to answer any questions.

Chairman SCOTT. Thank you.
Ms. ECKHOUSE.

STATEMENT OF MS. KATHY ECKHOUSE, OWNER, LA QUERCIA, NORWALK, IA

Ms. ECKHOUSE. My name is Kathy Eckhouse. I am the co-owner with my husband of La Quercia in Norwalk, Iowa. We make award-winning cured meats, like prosciutto and pancetta. We source exclusively from family farms in the United States, primarily in Iowa and Missouri. I strongly support raising the Federal minimum wage to $15 by 2024 as called for in H.R. 582 because it will be good for businesses, workers, and our economy.

We founded our business in 2000 and by 2004 we were able to build our own production facility. We started with just ourselves and now have 60 employees. Our products are sold across the United States and Canada in large grocery chains like Hy-Vee and Whole Foods as well as independent shops.

We have always paid a livable wage, and that is an important factor in our success. We are a meat processor, a generally low-paying sector of the economy. We have been committed from the start to true sustainability and livability in our work chain from the farmers to our employees.

Our starting hourly wage for production staff is $12 to $14 an hour, depending on experience. The cleanup crew, which works a later shift, gets a $2 an hour premium. Anyone with us for 2 years or more is currently making at least $16 to $17 per hour plus a quarterly bonus equivalent to a week's wages. We also provide paid time off, paid maternity leave, and other benefits. All our employees work full-time year round.

The Raise the Wage Act does not call for a quick jump to $15. It calls for gradually raising the minimum wage to $15 by 2024 which will give businesses time to adjust and experience the benefits of higher wages.

Reduced turnover is one benefit. High employee turnover is common in low wage industries. Turnover is costly for a business in terms of both money and time, requiring advertising open positions, screening applicants, training, and onboarding.

Employees new to our operation or any operation are less productive. It takes at least 3 months for an employee to learn our particular processes and be efficient, even those who worked in meat processing plants before. It takes a year for true proficiency. We see more waste, more downtime, and more inefficiency on our production line with newer staff. That is costly.

In addition, not spending time on a constant cycle of rehiring and training frees us to look beyond the day to day to innovate and grow our business. It encourages employees to be part of that process, too, as they develop new skills and techniques and familiarity with our work.

A minimum wage that covers the basics like rent, groceries, and transportation reduces turnover, reduces employee stress, and allows them to be more focused and productive at work.

It also has a broader societal impact. When businesses pay wages that are not enough to live on, the costs of necessities get partly

shifted to the community at large, the taxpayer-funded government assistance programs and food banks, for example. It also means that our business is subsidizing the profits of low pay competitors.

This is not a fair or efficient way to run an economy. Workers in one business are the consumers for another. Minimum wage increases put money in the hands of people who will spend it. Increased wages mean increased consumer spending.

My home, State of Iowa uses the Federal minimum wage floor of $7.25, as do 20 other States. In 2017, Iowa enacted a law that blocked cities or counties from setting higher minimum wages, and it is unlikely that Iowa will raise our state minimum wage ahead of the Federal. We need a Federal increase to ensure that wherever people live and work in Iowa or around the country and whoever they work for, they can at least meet their basic needs.

For 80 years, the Federal minimum wage has set the national wage floor. I do not support a regional approach to the Federal minimum wage. Nobody should receive a geographical penalty on their wages.

Raising the minimum wage is not a threat to business. Inadequate wages are, weakening the consumer demand that businesses depend on to survive and grow. The minimum wage is the floor in working people's lives and should enable a minimum standard of living that workers and businesses can build on, as we have.

This is why I have joined with businesses across the country to call for raising the Federal minimum wage. It is time to get moving to $15 by 2024 to help businesses, workers, communities, and the economy to thrive.

Thank you for having me today, and I am happy to answer questions.

[The statement of Ms. Eckhouse follows:]

American Made. American Inspired Cured Meats®
La Quercia LLC - 400 Hakes Dr. Norwalk, IA 50211 - (515) 981-1625

Written Testimony from Kathy Eckhouse
Owner of La Quercia in Norwalk, Iowa

Before the U.S. House Committee on Education and Labor
The Honorable Robert C. "Bobby" Scott, Chairman
Hearing on H.R.582, "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy"
February 7, 2019

My name is Kathy Eckhouse. I am the co-founder and co-owner of La Quercia in Norwalk, Iowa. We make award-winning cured meats like prosciutto and pancetta. We source exclusively from family farms, primarily in Iowa and Missouri and all in the United States. I strongly support raising the federal minimum wage to $15 by 2024, as called for in H.R.582, the Raise the Wage Act of 2019, because it will be good for businesses, good for workers, and good for our economy.

My husband and I founded our business in 2000 and by 2004 were able to build our own production facility. We started with just ourselves and now have 60 employees. The deli sector is one of the fastest growing components of retail food, and antibiotic-free meat, which we have always used, is the fastest growing sector of deli. Our products are sold across the U.S. and Canada, in large grocery chains like Hy-Vee and Whole Foods, as well as in local grocery chains and independent shops.

We've always paid a livable wage and that's an important factor in our success. We are a meat processor, a generally low-paying sector of the economy. But we have been committed from the start to true sustainability and livability for all elements in our work chain, from the farmers to our employees.

Our starting hourly wage for production staff is $12 to $14 per hour, depending on their experience. The clean-up crew, which works a later shift, gets a $2/hour premium. After 90 days, employees have a review and an opportunity for a raise. Anyone with us for two years or more is currently making between $16 and $17 per hour or more, plus a quarterly bonus equivalent to a week's wages. We also provide paid time off, paid maternity leave, and other benefits. All of our employees work full-time and year-round.

The Raise the Wage Act does not call for a quick jump to $15. It calls for gradually raising the minimum wage to $15 by 2024, and that will give businesses time to adjust and experience the benefits of higher wages.

Let's look first at turnover. Paying higher wages helps reduce turnover by providing a more livable wage and increasing employee loyalty. High employee turnover is common in many low-wage industries. People switch jobs frequently, trying to make ends meet. Turnover is costly for a business in terms of both money and time, requiring advertising open positions, screening applicants, training, and onboarding. Employees new to our operation – or any operation –

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aren't as productive as long-term staff. They require skills and training specific to us. It takes at least three months for an employee to understand our particular processes and be efficient, even those who have worked in meat processing plants before. That's just the beginning. It takes a year for true proficiency; all jobs in all occupations require familiarity and skill. We see more waste, more down time, and more inefficiency on our production line with newer staff. That's costly to us. And because turnover is costly for all employers, reduced turnover is an important benefit of raising the minimum wage.

In addition, not spending time on a constant cycle of rehiring and training frees us to look beyond the day-to-day to innovate and grow our business. It encourages employees to be a part of that process, too, as they develop new skills and techniques in our field, and familiarity with what customers want.

A wage that covers the basics like rent, groceries and transportation reduces employee stress and allows them to be more focused and productive at work. We want our employees to earn wages that enable them to live and thrive. This is not only good for our business, it's good for our local community and society more broadly.

When businesses pay wages that are not enough to live on, the costs of necessities like food and housing get partly shifted to the community at large, to taxpayer-funded government assistance programs and food banks, for example. It also means that our business is subsidizing the profits of low-pay competitors. This is not a fair or efficient way to run an economy.

At a minimum, someone working full-time and earning the minimum wage should be able to pay for basics like safe housing, sufficient food, and reliable transportation. The minimum wage is the floor in working people's lives, and it should be a decent minimum standard of living that a business can build on, as we have. For example, many of our employees have been able to obtain better lodging or new vehicles because they earn better wages with us. Their improved wages enable them to afford enrichment activities for their children after school and during the summer and enable them to afford vacations out of town.

Workers in one business are the consumers for another. Minimum wage increases put money in the hands of people who most need to spend it – for car repairs and new shoes for a child, or by not having to choose between groceries and a medical bill. Increased minimum wages mean increased consumer spending across all businesses, helping other businesses grow.

My home state of Iowa uses the federal minimum wage floor of $7.25, as do 20 other states. The federal minimum wage has been stuck at $7.25 since 2009. In 2017, Iowa enacted a law that blocked cities or counties from setting higher minimum wages, and it is unlikely Iowa will raise our state minimum wage ahead of the federal. We need a federal increase to ensure that wherever people live and work in Iowa or around the country, they can meet their basic needs.

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For eighty years, the federal minimum wage has set the national wage floor and it's important it remain a national floor when it increases. We do not support a regional approach to the federal minimum wage. Nobody should receive a geographical penalty on their wages; we do not want to lock in the current poverty of regions where wages are depressed and communities are struggling.

It's not raising the minimum wage that is a threat to business. It's stagnant wages, such as we've seen in recent decades, which weaken the consumer demand that businesses depend on to survive and grow. We need to address the erosion of the federal minimum wage and reestablish a strong national wage floor supporting our national and local economies.

When the minimum wage is too low, it is a drag on our businesses, our customers, our communities, and our economy. This is why I've joined with businesses across the country in Business for a Fair Minimum Wage to call for raising the federal minimum wage. Raising the minimum wage supports a healthy food system that sustains everyone from producers and sellers to customers and the communities we live in.

It's time to get moving to a national minimum wage of $15/hour by the year 2024 to help businesses, workers, communities, and the economy to thrive.

Thank you.

Kathy Eckhouse
Owner
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Chairman SCOTT. Thank you. Dr. Strain.

STATEMENT OF DR. MICHAEL R. STRAIN, PH.D, DIRECTOR OF ECONOMIC POLICY STUDIES, AND RESIDENT JOHN G. SEARLE SCHOLAR, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, D.C.

Mr. STRAIN. Chairman Scott, Ranking Member Foxx, and members of the Committee, thank you for the opportunity to be here today to discuss raising the Federal minimum wage to $15 per hour. It is an honor. Congress should not increase the minimum wage to $15 per hour. The benefits of doubling the minimum wage would accrue to middle class households while the cost would be borne by workers with relatively fewer skills and less experience.

It is already difficult enough for workers without a college education, workers trying to get their start in the labor market, and more vulnerable workers, including the formerly incarcerated, to find jobs. Congress should not erect a barrier in their paths in order to legislate a raise for the middle class.

Increasing the minimum wage to $15 per hour would very likely result in significant reductions in employment. For context, consider the Congressional Budget Office's analysis of President Obama's proposed $10.10 minimum wage. CBO found that would cost half a million jobs. Importantly, CBO also found that the extra earnings generated by a $10.10 minimum wage would accrue to households above the poverty line. Three dollars out of every $10 of extra earnings would go to households earning more than triple the property line, while only $2 in every $10 would go to the working poor. Fully $8 in $10 of extra earnings generated by the $10.10 minimum wage would go to families in the working and middle classes and not to the working poor.

CBO's analysis then highlights several important tradeoffs for minimum wage increases. First, they reduce employment while raising earnings. Second, most of the benefits of increases go to families that aren't in poverty, while most of the costs are borne by the least-skilled and least-experienced workers in the labor market. These tradeoffs are only more severe for a $15 minimum wage, because $15 is such a high-wage floor.

It is hard to overstate how high this wage floor would be. Over half of all workers in Mississippi and Arkansas make less than $15 an hour. In 20 States, half of all workers earn less than $17 an hour. Nationally, around one-third of workers, one-third earn less than $15 per hour.

Given how many workers earn at or just above $15 per hour, a $15 wage floor would be extremely disruptive to the labor market and would likely cause significant employment reductions and other unintended consequences. It is hard to forecast with confidence how severe employment reductions would be, because a $15 minimum is so far outside our evidence base. But research I have done studying previous minimum wage increases finds that larger increases produce disproportionately larger employment reductions. In other words, if employment fell by X percent when we last increased the minimum wage, my expectation is that employment will fall by more than X percent as the minimum wage goes higher and higher.

The productivity of workers, the additional revenue they are able to generate for their employer for each hour they work, is the primary determinant of their wages. Why would a firm pay a worker $15 per hour when that worker is only generating, say, $9 in revenue for every hour he or she works? If a firm paid this high minimum wage to that worker, it would be losing money every hour he or she worked. Businesses can absorb and have absorbed minimum wage increases through channels other than reducing employment, but they can only cut profit margins so much or raise the prices they charge for goods and services so much higher.

Doubling the Federal minimum wage will leave many with no choice other than to cut jobs. This is particularly true if Congress indexes the minimum wage to median wage growth or to any other measure of price or wage inflation. Research I have done shows that preventing the value of the minimum wage from eroding over time through indexing leads businesses to reduce employment more than they otherwise would. My research finds the magnitude of employment reductions is three times more severe in the presence of indexing.

Raising the minimum wage to $15 an hour sends us into unchartered waters. It is imprudent. It is a very risky gamble, with the employment opportunities and livelihoods of the least skilled, least experienced, and most vulnerable workers in the United States bearing the risk. There are better ways to help the working poor than a policy that risks putting so many of them out of work. Thank you.

[The statement of Mr. Strain follows:]

Statement before the House Committee on Education and Labor
On "Gradually Raising the Minimum Wage to $15"

A $15 Minimum Wage Will Harm Workers

Michael R. Strain, Ph.D.
Director of Economic Policy Studies
John G. Searle Scholar

February 7, 2019

The American Enterprise Institute (AEI) is a nonpartisan, nonprofit, 501(c)(3) educational organization and does not take institutional positions on any issues. The views expressed in this testimony are those of the author.

Chairman Scott, Ranking Member Foxx, and Members of the Committee, thank you for the opportunity to appear before you today to discuss raising the federal minimum wage to fifteen dollars per hour. It is an honor.

WAGE DETERMINATION[1]

Worker productivity is the primary factor that determines wages. The textbook economic logic is simple: If a worker generates, say, eight dollars of additional revenue for his firm for every hour he works, then his firm will not pay him more than eight dollars per hour in wages. If the firm did pay him more than eight dollars per hour, then the firm would lose money every hour the worker works. Similarly, the worker will not accept a wage lower than eight dollars per hour, because he knows he can take his skills and effort elsewhere for a higher wage. In this way, market forces push wages to correspond with productivity.

Of course, the real world is not so simple, and there are important frictions in the smooth operation of the market mechanism that can create a divergence between the wages workers receive and the revenue they generate for their employers. For example, the time, effort, and financial costs associated with changing jobs can allow workers to be paid at a rate different than their productivity should require. Firms may pay workers above-market wage rates if it is difficult to monitor their output. Workers may not have all the information they need to make decisions about better-paid employment opportunities. Labor market regulations like occupational licensing can reduce mobility,[2] which can in turn affect wages. I suspect that a general decline in labor market dynamism can also push wages and productivity further apart.

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[1] For a more thorough discussion, see, Michael R. Strain, "The Link Between Wages and Productivity Is Strong," in Melissa S. Kearney and Amy Ganz editors, *Expanding Economic Opportunity for More Americans*, The Aspen Institute, 2019; and Jeffrey Clemens and Michael R. Strain, "Estimating the Employment Effects of Recent Minimum Wage Changes: Early Evidence, an Interpretative Framework, and a Pre-Commitment to Future Analysis," *NBER Working Paper Series*, no. 23084, January 2017.

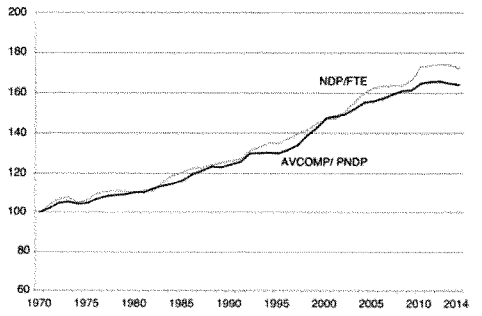
[2] Janna E. Johnson and Morris M. Kleiner, "Is Occupational Licensing a Barrier to Interstate Migration?" *NBER Working Paper Series*, no. 24107, December 2017.

And changes in worker bargaining power, including the decline of private sector unions, can as well.

In my view, then, the best way to think about wage determination is as the product of competitive market forces, bargaining power, and institutions. Productivity is the baseline for wage determination, and other factors can push wages higher or lower relative to that baseline.

Recent empirical estimates support this view. A paper by economists Anna Stansbury and Lawrence Summers finds that over the last four decades, a one-percentage-point increase in productivity growth is associated with a 0.73 percentage point increase in the growth rate of median compensation.[3] And aggregate productivity tracks compensation very closely over time, as the following chart by economist Robert Lawrence demonstrates.[4]

Figure 3. Net Domestic Product and Real Product Compensation per Full-Time Equivalent Employee



Source: US Bureau of Economic Analysis, National Income and Product Accounts Tables, http://www.bea.gov/iTable/iTable.cfm?ReqID=9#reqid=9&step=1&isuri=1.

[3] Anna M. Stansbury and Lawrence H. Summers, "Productivity and Pay: Is the link broken?" *NBER Working Paper Series*, no. 24165, December 2017.
[4] Robert Z. Lawrence, "Does Productivity Still Determine Worker Compensation?" in Michael R. Strain editor, *The U.S. Labor Market: Questions and Challenges for Public Policy*, AEI Press, 2016. See also Strain (2019).

A $15 MINIMUM WAGE WILL REDUCE EMPLOYMENT

Increasing the federal minimum wage from its current level of $7.25 per hour to $15 per hour over a six-year period will likely have a significant and negative effect on employment. The reduction in employment opportunities will be felt most strongly among workers with relatively fewer skills and workers with relatively less labor market experience (e.g., young workers).[5]

The effect that minimum wage increases have on employment is an area of active research among labor economists, with different studies reaching differing conclusions.[6] And views on this issue differ among economists. In my research, I have found evidence that employment decreases when minimum wage rates are increased.[7] And my reading of the economics literature leads me to conclude that the weight of the evidence suggests that minimum wage increases lead to non-negligible employment reductions.

In a 2014 analysis, the Congressional Budget Office examined the labor market effects of increasing the federal minimum wage to $9 per hour and to $10.10 per hour. CBO found that increasing the minimum wage to $9 per hour would reduce employment by 100,000 workers, while also increasing the earnings of 7.6 million workers. CBO also found that a $10.10 minimum wage would reduce employment by 500,000 workers while increasing earnings for 16.5 million workers.[8] More generally, CBO's analysis highlights the tradeoff present in

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[5] Jonathan Meer and Jeremy West, "Effects of the Minimum Wage on Employment Dynamics," *Journal of Human Resources*, vol. 51, no. 2, spring 2016.

[6] For example, Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," *Review of Economics and Statistics*, vol. 92, no. 4, 2010; and David Neumark, J. M. Ian Salas, and William Wascher, "Revisiting the Minimum Wage-Employment Debate: Throwing Out the Baby with the Bathwater?" *Industrial and Labor Relations Review*, vol. 67, 2014.

[7] For example, Jeffrey Clemens and Michael R. Strain, "The Short-Run Employment Effects of Recent Minimum Wage Changes: Evidence from the American Community Survey," *Contemporary Economic Policy*, vol. 36, no. 4, 2018. We study minimum wage increases enacted between January 2013 and January 2015, and find that increases exceeding $1 per hour reduced employment among low-skilled population groups by just over one percentage point. We also found that smaller increases had smaller effects on employment.

[8] Congressional Budget Office, "The Effects of a Minimum-Wage Increase on Employment and Family Income," February 2014.

minimum wage increases: Employment is reduced, but the earnings of employed workers increase.

Of course, minimum wage increases can be absorbed by firms through channels other than, or in addition to, reducing their employee headcount or the number of hours their employees work. For example, minimum wage increases are associated with reduced turnover,[9] which can help defray the cost of higher wages by reducing recruiting and training costs. Modestly higher wage payments can induce greater effort among workers, increasing productivity. Minimum wage increases can reduce profit margins. Importantly, firms can raise the prices they charge for the goods and services they produce as a way to pass their higher wage bills onto their customers (who are often low-wage workers themselves).[10]

But recent research suggests that the larger the minimum wage increase, the more pronounced its effect on employment.[11] I expect that raising the federal minimum wage to $15 per hour would significantly reduce employment among lower-skilled workers and less-experienced workers.

A $15 MINIMUM WAGE IS FAR OUTSIDE OUR EVIDENCE BASE

A $15 minimum wage is outside both the national and international evidence base. Perhaps the most relevant study available is of the effects of Seattle's decision to raise gradually its minimum wage from $9.47 per hour to $15. A team of researchers found that once the

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[9] Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Shocks, Employment Flows, and Labor Market Frictions," *Journal of Labor Economics*, vol. 34, no. 3, 2016 and R. Kaj Gittings and Ian M. Schmutte, "Getting Handcuffs on an Octopus: Minimum Wages, Turnover, and Employment," *Industrial and Labor Relations Review*, vol. 69, no. 5, 2016.

[10] Daniel Aaronson, Eric French, and James MacDonald, "The Minimum Wage, Restaurant Prices, and Labor Market Structure," *Journal of Human Resources*, vol. 43, no. 3, 2008.

[11] For example, Ekaterina Jardim, Mark C. Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething, "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle," *NBER Working Paper Series*, no. 23532, May 2018; Jeffrey Clemens and Michael R. Strain, "Minimum Wage Analysis Using a Pre-Committed Research Design: Evidence through 2016," *IZA Discussion Paper Series*, no. 11427, March 2018; and Clemens and Strain (2018).

minimum wage was as high as $13 per hour for some workers, hours of work fell by 6.9 percent and employment fell by 5.9 percent.[12] But a 2016 headline from Vox captures the sentiment well: "California just passed a $15 minimum wage. Even left-leaning economists say it's a gamble."

A $15 per hour federal minimum wage is a large and risky gamble, and is outside our evidence base, because it is such a high minimum wage relative to the existing distribution of wage rates. Data from the Bureau of Labor Statistics for May 2017 show that over half of all workers in Mississippi and Arkansas make less than $15 per hour. Eight states, including those two, have a median wage less than $16 per hour. In total, twenty states have a median wage less than $17. In thirty-four states, over one-third of total employment is in occupations with a median wage of $15 per hour or less.

These simple statistics show that a $15 per hour federal minimum wage is not a modest policy change. It is a very large policy change. It will impact a very large share of the labor market. Such a large increase in the minimum wage would send labor market policy into uncharted waters, and would risk harming the very groups of workers and individuals the policy is designed to help.

EMPLOYMENT IS NOT THE ONLY RELEVANT OUTCOME

A minimum wage increase of this magnitude is also imprudent because of the likelihood that such a large increase will create unintended consequences. For example, recent research suggests that minimum wage increases during this decade have reduced the share of workers who report having employer-provided health insurance. This research finds that among workers in very low-paying occupations, coverage declines offset nine percent of the wage gains from

[12] Jardim *et al.* (2018).

minimum wage increases.[13] In my own research, my coauthors and I have found that minimum wage increases are associated with decreases in self-reported health outcomes among men, particularly among unemployed men.[14] These are just two channels among many along which unintended consequences of a policy change this dramatic could be transmitted.

LONGER-TERM EFFECTS

Minimum wages are typically increased to a certain dollar amount, where they remain in nominal terms until the next increase. They are typically not indexed to a measure of inflation — that is, they typically do not automatically increase as consumer prices increase. Therefore, as consumer prices increase, the purchasing power of the minimum wage decreases over time, falling each year until the next nominal increase. Likewise, the cost of the minimum wage to businesses decreases between nominal increases.

The Raise the Wage Act of 2019 calls for the federal minimum wage to be indexed to median wage growth to ensure that its purchasing power does not fall over time. This is another reason to be concerned about the effects of the act on employment.

Since inflation will erode the real value of a nominal minimum wage increase over time, businesses may view moderate minimum wage increases as a temporary increase in the cost of production. It is costly for businesses to change the way they produce goods and services — for example, by investing in automated checkout machines and hiring fewer cashiers — and businesses may be reluctant to make these types of changes in the face of a temporary increase in the cost of employing workers. But indexing the minimum wage to a measure of prices makes

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[13] Jeffrey Clemens, Lisa B. Kahn, and Jonathan Meer, "The Minimum Wage, Fringe Benefits, and Worker Welfare," *NBER Working Paper Series*, no. 24635, May 2018.

[14] Brady P. Horn, Johanna Catherine Maclean, and Michael R. Strain, "Do Minimum Wage Increases Influence Worker Health?" *Economic Inquiry*, vol. 55, no. 4, 2017.

the increase more permanent, and businesses may be more willing to make significant changes to their operations in the face of such an increase.

Over the last fifteen years or so, it has become increasingly common for states to index their minimum wages to inflation.[15] In a recent paper, my coauthor and I study whether employment responds differently to minimum wage increases in states that index their increases to inflation. We find that the immediate disemployment effect of an increase in the minimum wage in a state that indexes its minimum wage to inflation is around three times as large as the disemployment effect associated with nominal increases.[16]

EXPANDING OPPORTUNITY AND FIGHTING POVERTY

Young workers need to get their start in the labor market, using their first jobs to learn and gain invaluable experience. Lesser-skilled workers should have the opportunity to contribute to society through paid employment. Government should not erect barriers in their paths; it should expand their opportunities.

At the same time, no one who works full time and heads a household should live in poverty — regardless of the wage they can command in the labor market. These goals are not irreconcilable. Congress should focus on expanding earnings subsidies to help increase employment and pull workers and their families out of poverty.

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[15] For more information on state minimum wage regulation, see Jeffrey Clemens, Michael R. Strain, and Duncan Hobbs, "A database on the passage and enactment of recent state minimum wage increases," *AEI Economics Working Paper Series*, no. 2018-08, August 2018.

[16] Peter Brummund and Michael R. Strain, "Does Employment Respond Differently to Minimum Wage Increases in the Presence of Inflation Indexing?" *Journal of Human Resources*, forthcoming. On long-run effects, see also: Isaac Sorkin, "Are there long-run effects of the minimum wage?" *Review of Economic Dynamics*, vol. 18, no. 2, April 2015 and Daniel Aaronson, Eric French, Isaac Sorkin, and Ted To, "Industry Dynamics and the Minimum Wage: A Putty-Clay Approach," *International Economic Review*, vol. 59, no. 1, 2018.

Congress should not double the federal minimum wage. The benefits of a $15 per hour minimum wage would accrue to middle-class households. The costs would be borne by workers with relatively fewer skills and less experience. Setting the wage floor substantially higher than the productivity of many workers will likely result in significant employment reductions. A $15 per hour federal minimum wage is a risky gamble because it is so far outside our evidence base. There would likely be significant unintended consequences to such a high minimum wage. Indexing the minimum wage will likely exacerbate employment reductions and unintended consequences.

Workers deserve better than a minimum wage that will likely put so many of them out of work.

Chairman SCOTT. Thank you. Dr. Reich.

STATEMENT OF DR. MICHAEL REICH, PH.D., PROFESSOR, UNIVERSITY OF CALIFORNIA, BERKLEY, CA

Mr. REICH. Thank you, Chair Scott, Ranking Member Foxx, and the other members of the committee, for the opportunity to testify today about the Raise the Wage Act of 2019.

I want to begin—and this is not planned—by talking about Amazon. Amazon announced last October it was going to raise its minimum wage for all its workers—temporary, seasonal regular, 250,000 workers in the United States—to $15 an hour. It was a substantial increase, even in rural areas and in low-wage areas of the South. These are for the big warehouse centers that they maintain.

This was a good business decision by Amazon. It has not disrupted those local labor markets, those rural labor markets. In fact, Amazon, the only disruption I guess is that Amazon got 850,000 requests for a job at Amazon, quite a large number, reducing their recruitment and retention costs.

I wanted to make five points or touch on five points. Well, rather than say what they are I will just go through them, because I don't have enough time to do the prelims. First of all, the increase from $7.25 to $15 is over 6 years, is surprisingly smaller than it might appear. First, $15 in 2024 is about $13 or $13.33 in 2019 dollars, depending on which price series and forecast you use.

Second, entry-level wages in unskilled jobs in our low-wage states, not just in high-wage states, in our low-wage states are already near or above $9. We heard some testimony, some comments earlier today to that effect in North Carolina. And those wages are going to go up anyway, 3 percent per year has been the forecast that was mentioned. That would bring you to $10.50 anyway by 2024.

So an increase from $10.50 to $13 is about a 30, 35 percent increase, 5 percent per year. That is well within the range of previous experience. If you want to calculate it another way, you could say that the increase from $9, the entry-level pay today, to $13.33 is a 48 percent increase. That sounds high, but it is over 6 years, so it is about 8 percent per year. By comparison, most of the 140 or more State and Federal minimum wage increases of the past 35 years have averaged between 6 and 9 percent. Some of the citywide minimum wage increases have been as high as 28 percent in a given year.

Now, 5 years ago, many minimum wage experts, including myself, told officials in Seattle and Los Angeles that a $15 minimum wage would be a bold experiment into unchartered territory. In 2019, however, we have the early results from many recent minimum wage experiments. These include States like California and Massachusetts that are $12 an hour, New York City that is at $15, San Francisco is at $15, Seattle is at $15 and so forth. So the increase in real wages from H.R. 582 actually does lie within our historical experience. That means that the studies that researchers have done does provide a good roadmap to what the likely effects are going to be.

Now, I want to emphasize that the studies that minimum wage economists have done have really changed in their findings over the last 30 years, especially in the last 10 years and even in the last year. Increasingly, we find very small effects of minimum wages on employment. It is really important to be up to date when doing a review of this literature. And these new studies are of better quality, they have better data than the old ones, and they have been influential.

In 2015, a panel of prominent economists put together by the University of Chicago Booth School of Business asked the panel what would be the likely effects of a $15 minimum wage? This was in 2015. An overwhelming majority did not think it would have a substantial negative effect on employment. Since then, we have had further improvements in our research methods and the datasets that we can use to study the effects of minimum wages.

These newer studies really supersede the estimates from the old ones. It is just not Ok anymore to rely on these very old studies. We now, for example, have excellent estimates of the effects on all jobs. Our older studies used to look at teens and restaurant workers, and we would then try to guess how many workers would be affected throughout the labor force. CBO just took a guess at that in 2014.

What do these studies tell us? Well, I review the literature in detail in my submitted testimony. In one sentence, I would say the new studies indicate that a $15 minimum wage by 2024 will work as it was intended to, that is intended to, increase pay, will have minimal to no adverse effects on employment.

I have to say, of course, that I have been a participant, an active participant in doing these studies. My most recent one looked at minimum wages in six cities that are the pioneers in going above $10 all the way. By 2016, they were $13, which is the equivalent of—well, it is higher than what $15 would be in 2024. And those included some low-wage cities or low-cost cities like Chicago as well as San Francisco and Seattle and so on. And we found, a very careful study, that it did not have any effect on restaurants' employment.

Why does the minimum wage have such small effects? We are also making progress on that front. Labor demand might fall, that is true, but automation is really overrated. A lot of it has already happened. It is going to happen anyway, because technology costs are falling. Don't blame the minimum wage for the good effects of automation. Labor supply has not been mentioned very much, but labor supply of low educated workers is going to increase, especially those who have young children and high child—

Chairman SCOTT. Summarize the rest of your testimony. You are about a minute and a half over.

Mr. REICH. I am not following what you are saying. I still have a minute and a half, right?

Chairman SCOTT. No, you are over a minute and a half.

Mr. REICH. Oh, my God. Ok. I will bring it to a close. All right. I will bring it to a close.

I will just say very briefly that there are price adjustments that will occur that are pretty small that could be handled by most industries. Individual businesses can't understand how much the

prices are going to go up, because they are just an individual business. But these costs are changing for all businesses, and when you do the math, simple math, you find very small price increases. The latitude to increase prices is more limited in manufacturing, but we have already lost all or most of our low-wage manufacturing.

And then we are going to have an economic stimulus, because there will be more consumption demand. The effects will be greater in the low-wage cities—low-wage states, I am sorry. And the low-wage States will have a more educated, more healthy, and a bigger work force. So I would say, contrary to the fears that some people have said that you have to look only at cost, in fact, the effects are going to be much better in the low-wage States.

Thank you. And apologize for going over.

[The statement of Mr. Reich follows:]

POLICY REPORT
February 7, 2019

Institute for Research on Labor and Employment
University of California, Berkeley

Likely Effects of a $15 Federal Minimum Wage by 2024

By Michael Reich, Ph.D.*

Testimony prepared for presentation at the hearing of the House Education and Labor Committee, Washington, DC, "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy," February 7, 2019.

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1. INTRODUCTION AND PREVIEW OF FINDINGS

Thank you, Committee Chair Scott, Ranking Member Foxx and other Members of the Committee, for the opportunity to testify today about HR582, The Raise the Wage Act of 2019. I have conducted research on low-wage labor markets since I was a Harvard Ph.D. in the late 1960s. During the past decade I have published numerous studies of living and minimum wages.

HR 582 proposes to increase the federal minimum wage in six steps, from its current $7.25 level to $15 by 2024. It would gradually eliminate, by 2027, the subminimum wage for tipped workers, which has stood at $2.13 since 1991, and it would eliminate as well as the subminimum wages for youth and for workers with disabilities. The Act also calls for the federal minimum wage to be indexed annually after 2024 by the percentage increase of each year's BLS-calculated median hourly wage.

My testimony today primarily concerns the likely effects of HR582 on the number of jobs, especially in low-wage states. I also briefly touch on whether the federal floor should vary with regional living costs and subminimum wages for tipped workers and youth. Finally, I review the important downstream positive effects of minimum wages on children and on adult physical and mental health, and how these benefits would in turn increase employment and economic growth.

My testimony does not consider the likely effects of minimum wages that would be well above the $15 level set out in HR 582. These may differ, of course.

Other witnesses have discussed the percent of workers who will get increases and the effects of these increases on higher living standards for workers and their families. I will note only that these increases will be larger among women and various racial-ethnic groups. I also note that a $15 per hour minimum wage would reduce poverty rates significantly (Dube 2018), especially in low-wage, high-poverty states. Nonetheless, our poverty measures do not adequately account for the growing costs of childcare. A $15 wage does not suffice to permit households with young children to afford organized child care for children under six—in any county in the U.S.

Much minimum wage discussion, including my own today, focuses on the effects on the number of *jobs*. I will argue that a $15 minimum wage will have at worst a minimal negative effect on the number of jobs. However, it is important to clarify at the outset that more pessimistic scenarios, such as a loss of say, X jobs or Y hours of work per job, do *not* imply that X or Y *workers* will never again hold jobs. Failure to make this distinction has led to considerable confusion.

Low-wage labor markets are characterized by high rates of worker turnover, with relatively short unemployment spells between jobs. A hypothetical reduction in the number of jobs will most likely slightly increase the duration of unemployment spells between jobs. As a result, some workers will end up working fewer hours per year. But even pessimistic minimum wage studies all suggest that the positive effects on hourly pay greatly exceed any earnings losses that would occur because of a reduced number of jobs or reduced number of hours per job. Putting these points together, pessimistic scenarios may imply fewer hours of week per year for some workers, but higher *annual* earnings among these workers.

Preview of my remarks In contrast to much commentary, I will argue today that a phased minimum wage to $15 by 2024 does lie within the range of our previous experience. Economists have conducted literally hundreds of studies based on over 160 minimum wage changes in the past thirty-five years. The best of these studies do provide a credible guide to the likely employment effects of a $15 floor. They indicate that the Act will have minimal to no adverse effects on employment and that they will have substantial positive dynamic effects on the lowest-wage areas of the U.S.[1]

Why would minimum wage increases up to $15 have minimal negative effects? The answer requires examining empirically which industries will experience the greatest cost increases, how much they will raise their prices to absorb the increase, and the responses of consumers to those price increases. The answer also involves the extent to which workers receiving pay increases will want to increase their working hours and increase their spending on consumer goods. Automation is much less of a factor, because so much automation is happening anyway, as the costs of technology have fallen so much in recent decades.

Minimum wage effects are concentrated in a small number of industries, most notably restaurants and retail, but also farming, janitorial services, security guards, home health care and residential and nursing care homes for the elderly and childcare. Minimum wage costs are mainly absorbed through slightly higher prices in these industries, by increased spending by low-income households and-- for eldercare and child care-- by increased public funding, most of it federal.

A $15 minimum wages will increase costs for the lowest-paying manufacturing industries, such as apparel and wood furniture. Since the latitude to increase prices is more limited in these industries, some jobs may move elsewhere. The amount of relocation will be limited by the transportation costs of moving durable finished goods from more distant locations. My analysis of recent manufacturing job trends indicates that these effects will be modest, even in such a low-wage state as Mississippi, in large part because the number of remaining low-wage manufacturing jobs in these states is quite small.

On the plus side, a $15 minimum wage will generate a substantial economic stimulus because of the increased purchasing power for consumption. These effects, which will be greatest in the lowest-wage states, will offset employment loss among low-wage manufacturing industries. The lowest-wage states will also experience lower outmigration and hence become more attractive locations for investment. Workers in these states will also be healthier, more able to enter the workforce and to be more productive workers.

The greater positive effects for the lowest-wage states suggest the advantages of retaining a single national floor. Regional minimum wage differentials would have the disadvantage of locking in current inequality between higher and lower-wage areas. Subminimum wages do not accomplish their goals of increasing employment.

Minimum wage increases have substantial beneficial downstream effects on children and adults. They reduce child neglect and poverty and improve child educational outcomes. They also reduce adult smoking rates, absenteeism from work for health reasons and obesity. For example, a ten percent

[1] For recent reviews of this literature, see Arindrajit Dube's 2013 testimony to this Committee and the recent volume by Belman and Wolfson (2014).

increase in the minimum wage would lead to 770 fewer suicides per year. These important downstream effects suggest that minimum wage policy should be evaluated, as are most other programs, on criteria that are broader than their effects on employment and government budgets. Moreover, a healthier population is also a more economically active and productive population. Health benefits can therefore translate over time in further positive effects of minimum wages.

2. $15 BY 2024 LIES WITHIN THE RANGE OF PREVIOUS INCREASES

A $15 per hour federal minimum wage in 2024 is the equivalent of about $13.33 in 2019 dollars. HR 582 would thus raise the federal minimum wage beyond its previous peak, reached in the late 1960s, of about $11.50, when expressed in 2019 dollars (Figure 1).

The early adopters of a $15 minimum wage policy—Seattle in 2014 and Los Angeles in 2015—were told they were engaging in a bold experiment, that they were moving into uncharted territory. Some observers made the same characterization of HR 582's 2016 predecessor. In 2019, however, we have the early results from many recent minimum wage experiments. The examples now include states that have reached $12 per hour and cities that have already reached $15 per hour. The examples also include percentage increases that are comparable to or exceed those in HR 582.

A $15 standard by 2024 would not place us in uncharted territory. The actual increases in *real* wages that would result from this bill are much smaller and lie within our historical experience. We do therefore have a road map, laid out by the findings of the best minimum wage research by economists, of the likely effects of $15 on employment levels. Moreover, improvements in our research methods and data provide a more reliable road map than economists could provide in 2016.

The size of the increases $15 in 2024 from now does not equal $15 in today's dollars. The Congressional Budget Office's January 2019 ten-year forecast estimates that the Consumer Price Index will increase at about 2.5 percent per year over the period from 2019 to 2024.[2] $15 in 2024 is thus equivalent to about $13.33 in 2019 dollars. In real terms, the bill would thus increase the federal minimum wage by $6.08 over its current level of $7.25. This inflation-adjusted increase in levels amounts to an 83.9 percent real increase over six years, which translates into annual increases of about 13.9 percent per year, compounded over the six years.

These are substantial, but not unprecedented, increases. In 1950 the federal minimum wage increased by 87.5 percent in a single year, from the equivalent of about $4.10 in 2019 dollars to just above $7.50. The 1966 amendments to the Fair Labor Standards Act raised wages by 35 percent (over the extant average wage) in the newly-covered industries (Derenencourt and Montialoux 2018). The minimum wage in San Jose, CA increased 25 percent in 2013 and stands at $15 today. Most important, the federal increases that were last enacted in 2007 raised the minimum wage by 41 percent over three years; the average annual increase was just under 14 percent, similar to the 13.9 percent increase we are discussing today.

[2] https://www.cbo.gov/about/products/budget-economic-data#4

Moreover, HR 582 will have a smaller effect in the states that have already raised their minimum wages. Figure 2 provides a map of 2019 minimum wages in all fifty states. The Act will not generate any pay increases in California, the District of Columbia, Massachusetts, New Jersey and New York (downstate), all of which have already enacted laws to increase their minimum wages to $15. Small increases would occur in the fifteen states that are already scheduled to increase their minimum wages to between $10 and $15. Somewhat larger increases will occur in the states that are currently scheduled to have minimum wage increases above $7.25 but below $10 by 2024.[3]

The increases in low-wage states The greatest increases will occur among the slightly under 40 percent of the U.S. population who resided in 2018 in the twenty-one states with a $7.25 floor (Congressional Research Service 2019). However, even in these states the mandated increases will not be as large as the actual increases. The $7.25 floor is not as binding in these states as it was in 2009. Actual entry-level wages for unskilled jobs in these states have been increasing in recent years; they are now about $9 or more, depending on the state.

Consider the case of Mississippi, which has one of the lowest wage levels of any state. Table 1 shows the most recent Bureau of Labor Statistics hourly wage data for the nine largest (measured by employment) lowest-wage occupations in Mississippi. Median hourly pay in these occupations in the three years up to May 2017 averaged $9.19. Entry-level (25th percentile) pay in the same occupations averaged $8.34. Since nominal wages have been rising at about 2.5 percent per year, 2019 entry-level wages in these occupations are already about around $9.

If $9 is the current entry-level wage in Mississippi, an increase to $13.33 (which is $15 in 2019 dollars) amounts to a 48.1 percent increase over five years, or about 9.6 percent per year. By comparison, most state minimum wage increases in the past thirty-five years have ranged between 6 and 10 percent.

Some wage increases would occur even without the policy Equally important, we need to recognize that nominal wage increases would continue even if the minimum wage itself is not increased, especially as the growth of nominal wages has begun to exceed inflation. *The Economist* recently forecast that nominal wages will grow by 3 percent in 2019; the Economic Policy Institute finds that nominal wages grew by 2.85 percent in 2018 and above 3 percent in the past quarter.[4] Moreover, recent wage increases in the bottom quartile of the wage distribution have exceeded wage growth at higher percentiles.

Absent the policy, and assuming that current 3 percent growth trends continue, entry-level wages could therefore grow by 15 percent over current levels by 2024, in Mississippi to $10.35 in 2024 dollars.[5] We should compare this projected entry-level wage of $10.35 in 2024 to the $15 policy level. Doing so, we obtain a policy-related increase of 44.9 percent, or 9 percent per year.

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[3] Additional states are likely to enact higher minimum wages by 2024. I do not take these into account here.
[4] https://www.epi.org/blog/the-fed-shouldnt-give-up-on-restoring-labors-share-of-income-and-measure-it-correctly/
http://country.eiu.com/article.aspx?articleid=1347272918&Country=United%20States&topic=Economy
[5] Table 2 shows how industry-level weekly wages have changed in Mississippi between 2014 and 2017.

The above calculation is for the lowest-wage state. Entry-level wages are higher in many of the other states that are still at $7.25. In Georgia and Pennsylvania, for example entry-level wages are $1 to $2 higher than in Mississippi. The average increase from current entry-level wages among all the $7.25 states would therefore be somewhat lower.[6]

Let me summarize. The likely real wage increases attributable to HR 582 lie within the range of current local and state levels and previous state and federal increases. We therefore can draw from those experiences to examine the effects on employment.

3. EMPLOYMENT EFFECTS: WHAT DO THE STUDIES TELL US?

With over 160 federal, state and local minimum wage increases in the U.S. in the past thirty-five years, economists have a considerable number of events to study the impact of this policy. This section first provides a brief review of how economists conceptualize the mechanisms through which minimum wages may affect employment. I then review the recent empirical literature on the subject—on teens, on restaurant workers, and most importantly, on all minimum wage workers.

Economic theory is ambiguous Modern economic theory recognizes that employers and worker adjust to economy-wide minimum wage increases in ways that can both reduce and increase the demand for less-skilled workers. The potential negative employment effects come from automation, reductions in operating hours, reductions in sales if companies raise prices, reductions in benefits (such as health insurance), substitution of skilled workers for unskilled workers and relocation of economic activity to other areas. The potential positive effects include increases in the labor supplied by workers, savings for employers in labor recruitment and retention costs because of reduced employee turnover, productivity gains that make hiring workers more desirable, and increased demand for goods and

[6] Economists often use other metrics besides the percentage increase in the minimum wage to contextualize the effects of a given minimum wage level on business costs. These measures include the proportion of workers who would receive a pay increase and the ratio of the minimum wage to the full-time median wage. However, these metrics are just mechanical rules-of thumb, historical indicators. They do not directly inform how the economy today would adjust to minimum wage increases. First, a greater proportion of our economy today consists of goods and services that have to be produced in the same area that they are consumed—economists call these nontradeables. The room for minimum wage adjustments in nontradeables depends upon how much prices would increases and how consumers respond to higher prices. As a result of growing inequality, a larger number of more affluent consumers are more able and willing to pay higher prices for nontradeables than was the case in the past. Second, many of the low-wage tradeable industries have already left the U.S. for lower-cost areas. As I argue below, the remaining low-wage producers of tradeables constitute a small proportion of jobs, even in low-wage states. The pressure on their average costs, and therefore on their likelihood of departure, depends on the current level and distribution of wages in their industry, not on the number of their employees or on local median wage levels.

services from low-wage workers, who have higher income increases and higher propensities to consume than do more affluent individuals. (See Reich et al. 2017 for a more detailed discussion.)

Some, but not all, of these individual mechanisms have been examined in empirical studies. For example, Aaronson and Phelan (2015) study the effects on the use of technology; they find that minimum wages accelerated a decline in highy routinizable low-paid jobs (such as cashiers) and a similar increase in the number of less routinizable low-paid jobs (such food prep workers). Allegretto and Reich (2018) find a small increase in restaurant prices after a 25 percent minimum wage increase in San Jose. Cooper et al. (2017) find that state-level minimum wage increases have modest positive effects on restaurant prices and sales, as well as on local consumer spending growth. Cengiz (2018) finds that minimum wage increases do not lead to reductions in health insurance benefits. These studies illuminate the magnitudes of individual adjustment mechanisms, but they do not themselves provide estimates of how the mechanisms interact to generate overall effects. I return to this point below.

As this brief discussion highlights, minimum wages can have positive or negative net effects on employment. Economic theorizing is insufficient by itself to identify the likely net employment effects. For this very reason, economists have spent considerable effort on empirical studies on this question. We turn next to these studies.

Empirical research on teens and restaurant workers The effect of minimum wages on employment constitutes one of the most studied questions in all of empirical economics. Great strides have been made, partly through improved statistical methods and partly from greater access to administrative microdata. As a result, the effects of minimum wages are clearer than they were in previous decades.[7]

Earlier empirical studies focused on two groups of workers with very low wage levels: teens and restaurant workers. This strategy made sense-- employment effects are likely to be smaller to nonexistent for groups that experience smaller or no increases in their pay as a result of minimum wage increases. The early teen studies often found that a 10 percent increase in the minimum wage reduced teen employment by one to three percent (Neumark and Wascher 2008).

However, teen employment has been falling for at least three decades, and unevenly so in different states. The challenge for minimum wage studies involves isolating the effects of the policy from the confounding effects of declines in teen employment that are attributable to other causes. For example, states that raised their minimum wages were more likely to emphasize educational policies that result in teens continuing their schooling longer, which reduced the number of available teen workers. Careful studies that credibly take such confounding forces into account find that a ten percent

[7] Nonetheless, the literature is not unanimous. Consider, for example, the exchange between Neumark, Salas and Wascher 2014 and Allegretto, Dube, Reich and Zipperer 2017.

minimum wage increase reduces teen employment by a much smaller amount, between 0.5 percent and zero (Allegretto, Dube and Reich 2011; Allegretto, Dube, Reich and Zipperer 2017).

Economists have also attempted to estimate the effects of minimum wages on low-paid adult workers. One such group of studies looks at restaurant workers, many of whom are also exposed to minimum wage increases. Remarkably, given previous controversies among minimum wage scholars, studies of restaurant workers have arrived at a consensus: A ten percent increase in the minimum wage affects restaurant employment somewhere between - 0.5 percent and zero (Dube, Lester and Reich 2010; Allegretto et al. 2017; Cengiz, Dube, Lindner and Zipperer 2019).

Although recent studies have not been unanimous (a rare event in economics), the most credible teen and restaurant worker studies have visibly shifted the views of the economics profession. In 2013, a panel of 41 prominent economists organized by the University of Chicago's Booth School of Business was asked about the desirability of raising the minimum wage to $9 an hour, as proposed by President Obama.[8] Only one-third of the panel agreed that the minimum wage hike "would make it noticeably harder for low-skilled workers to find employment." The panel supported the Obama proposal by a 3 to 1 margin. In 2015, the panel was asked the same question, but for a $15 an hour federal minimum wage. Only 26 percent of the panel agreed with the proposition about job loss.

Empirical studies of all low-wage jobs and workers The teen and restaurant worker studies together account for about 90 percent of all minimum wage studies. However, these studies leave an incomplete picture, as these two groups of workers together account for only about half of all the workers exposed to minimum wages. In the past few years, two advances have allowed empirical economists to overcome this limitation.

The first advance is methodological—the development of a "bunching" estimator that allows examination of the net change in the number of *all* jobs that are just below and just above the minimum wage (Cengiz, Dube, Lindner and Zipperer 2019). Using this method, Cengiz et al. find that federal and state minimum wage changes over the period 1992 to 2016 did not reduce employment, either overall or among specific groups of less-educated workers.

Cengiz et al. are also able to assess methodological issues in two oft-cited studies of all workers that do obtain negative employment effects: Clemens and Wither 2014, and Meer and West 2016. These issues include whether the highest minimum wage policies have more negative employment effects than more modest increases, whether previous studies adequately control for changes in business cycle conditions, and whether previous studies spuriously find negative employment effects where they should not, such as among professional and other highly-paid workers. Cengiz et al. find that both the Clemens and Wither and the Meer and West studies do not pass these basic methodological checks.

Cengiz et al. do find negative employment effects among one group of low-wage jobs—those that are located in tradeable industries. As I mentioned above, tradeables are goods and services that can be

[8] http://www.igmchicago.org/surveys/minimum-wage

produced in a different locations from where they are consumed. Tradeables account for 13.4 percent of the jobs in their sample. The employment effect is small—a ten percent increase in the minimum wage generates a 0.5 percent loss in such jobs—and it is balanced by an increase of the same magnitude in all other jobs.

The Cengiz et al. paper has already proven very influential. David Autor of MIT and Co-Director of Labor Studies at the National Bureau of Economic Research, has called this study the most important minimum wage paper since Card and Krueger's in the 1990s.[9]

The second and also very recent important advance in the minimum wage literature involves the new availability, at least for Census Bureau researchers, of data obtained from income tax filings that are then linked to Current Population Surveys. These data permit much greater statistical precision because the number of tax filings is so much larger than the sample size of the CPS. Studies by Census Bureau economists using this newly-available data do not find negative employment effects, even five and ten years after a minimum wage increase (Rinz and Voorheis 2018; Toddy and Zipperer 2018).

Studies of citywide minimum wage studies The highest minimum wage levels in the U.S. today are found at the city level. San Francisco was the first city to implement a citywide minimum wages—at $8.50 in 2004 and currently at $15. Dube, Naidu and Reich (2007) studied the San Francisco policy effects through a survey of affected and non-affected restaurants in San Francisco and the East Bay. They found no employment decreases. Dube, Naidu and Reich (2014) updated the San Francisco study, also with similar results.

A new wave of citywide minimum wage policies began to be enacted in 2014, with Los Angeles, San Francisco and Seattle leading the way among large cities, and Oakland, San Jose and many other cities following shortly thereafter. By the end of 2016, minimum wage levels in Oakland, San Francisco, Seattle and San Jose had reached $13. These levels are higher in 2019 dollars than the minimum wage levels in HR 582.

Two studies of the Seattle minimum wage appeared in June of 2017. In a food services industry study, Reich, Allegretto and Godoey (2017) found that minimum wages raised pay and did not adversely affect employment. To isolate the causal effect of the policy, Reich et al. compared Seattle's experience to a "synthetic" control group drawn from urban metro areas across the U.S. In contrast, Jardim et al. (2017) found that reduced hours and employment left Seattle workers worse off after the minimum wage increased from $12 to $13. Jardim et al. also drew upon a synthetic control, but theirs was drawn exclusively from other urban areas in Washington State. However, Seattle experienced an economic boom—related to the expansion of Amazon—at the same time that the minimum wage was

[9] Another important study --Cengiz (2018) -- uses Machine Learning methods to identify about 75 percent of all minimum wage workers. This innovative approach also finds no effect of minimum wages on employment.

implemented. Other areas of Washington did not experience a boom in those years, undermining the validity of using those areas as a control group.

Jardim et al. were thus criticized for not having an adequate control for business cycle conditions (Schmitt and Zipperer 2017). The boom-related wage growth in Seattle was well above wage growth in the rest of Washington. Thus Jardim et al.'s data contained fewer low-wage jobs, but because of the boom, not because of the minimum wage policy. Jardim et al. revised their study in 2018, with estimates that were about half the size of their previous numbers, but they did not expand their control group, continuing to leave open the credibility of their finding. A second study by Jardim et al. (2018), using longitudinal data and the same control groups, found positive effects overall, but again did not address the issue of how to control for the economic boom in Seattle that did not occur in the rest of the state.[10]

Finally, Allegretto et al. 2018 and Nadler et al. (2019) expanded their previous work to examine high minimum wages in the six large cities that were early adopters: Chicago, District of Columbia, Oakland, San Francisco, San Jose and Seattle. Using a variety of state-of-the-art statistical methods and checks, and again with control groups from around the entire U.S., they found that pay increased in food services, that employment did not change, and that there was no evidence that employers switched their hiring to more-educated workers.[11]

Summary To summarize, our most credible evidence comes from studies that carefully check that their treatment and control groups exhibited similar trends prior to the minimum wage policy treatment, that their effects on pay line up with the size of the mandated increases, and that the methods do not find results where they should not—such as among the college-educated or in high-paying industries. The studies that meet these criteria do unanimously find no negative employment effects.[12]

The Cengiz et al. paper constitutes our most definitive study of past minimum wage increases. As I discussed above, the increases they study are not so different from those that would occur with a federal $15 minimum wage by 2024. Allegretto et al. (2018) and Nadler et al. (2019), study minimum wages that are already as high in real dollars or exceed $15 in 2024. They also find that they do not cause adverse employment effects. The weight of the evidence in careful empirical minimum wage studies increasingly has tilted toward finding small to zero negative employment effects of citywide, state and federal minimum wages. This conclusion has been reinforced by the results in the newer studies that used improved methods and data. These newer studies supersede the older ones.

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[10] The Jardim et al. data also did not include most of the multi-location employers in the state, also limiting the validity of their study.

[11] Nadler et al. (2019) further examined a claim made by Jardim et al. 2018--that using industry-based averages from Quarterly Census of Employment and Wages data attenuated employment effects that would be detected in individual-based data. Their evidence refutes the attenuation argument.

[12] Appendix A discusses these issues in more detail

4. WHY DID MINIMUM WAGE INCREASES HAVE SUCH SMALL EFFECTS ON EMPLOYMENT?

Why have past minimum wages had such small effects? The answer lies in the multiple channels through workers and employers adjust to minimum wages increases. Here is a list that includes only mechanisms that have been demonstrated by empirical research. It is nonetheless quite long. They include reductions in employer rents (i.e. above competitive levels of profits), automation and staff reductions, price adjustments in nontradeable sectors and stimulus effects from increased purchasing power of low-wage workers. These adjustment mechanisms interact with one another. In research conducted in 2017, Reich, Allegretto and Montialoux (2019) examined these mechanisms and their interactions for an earlier but similar version of HR 582. They quantify the individual and overall effects using the best research available and integrate them into a simulation model. Their bottom-line results for employment effects in the U.S. and in Mississippi are consistent with the findings of the econometric studies in the previous section.

Employer wage-setting power Low-wage workers are concentrated in a small number of industries: food service and retail lead this list. Inter-industry wage studies show that wages are lower in these industries than would be predicted for workers with comparable levels of schooling and experience (Nadler et al. 2018). This result suggests that employers or consumers are collecting above-competitive market economic rents. A higher minimum wage can help compete away such rents without adverse effects on employment.

Modern search and matching models of the labor market recognize that employers can choose between two equally profitable strategies: a low-wage/high-turnover human resource management model or a high-wage/low-turnover model. In the low-wage industries, many employers, but not all, opt for the first model. Higher minimum wages can then move these employers closer to the high-wage model. Employers then save on vacancy, recruitment and retention costs and have greater incentives to provide training to their workers. These adjustment mechanisms reduce negative effects on their demand for workers (Manning 2003). Dube, Lester and Reich (2016) find that minimum wage increases do indeed reduce turnover.

A recent study by John Abowd et al. (2012) demonstrates the substantial room for wage growth in low-wage industries in the U.S. Using longitudinal linked employer-employee data available only to some researchers, Abowd et al. can disentangle wage differentials among industries that are attributable to individual heterogeneity (such as the demographic, educational, and work experience characteristics of workers in the industry), which they label person effects, from the characteristics of the product market and bargaining power of firms in the industry, which they label industry effects.

Abowd et al. can observe wage changes when individual workers move from one employer to another. They find very strong industry average firm effects, particularly for industries that have high average

pay and low average pay. Among restaurants, for example, they find that 70 percent of the relatively low wages in the industry are attributable to firm effects, and only 30 percent to person effects. Their findings suggest that a change in an industry's environment can have large effects on worker pay.

Employers also possess wage-setting power by deploying non-compete agreements that suppress wages. Recent research shows that such agreements are widespread in low-wage sectors (Ashenfelter and Krueger 2018).

Automation and staff and hours reductions Automation has already occurred rapidly where technological possibilities permit. Additional automation may occur in manufacturing, but the minimum wage effects will be small because labor costs increases are far outweighed by reductions in technology costs. Employer survey and behavior shows that firms would prefer to raise prices over reducing capacity-- by reducing staff and operating hours.

Price adjustments Price adjustments provide the principal adjustment mechanism for minimum wage increases: higher labor costs are passed through to consumers, mainly for food consumed away from home. Such an increase does not deter restaurant customers. Price increases are also detectable for grocery stores (Leung 2018; Renkin, Montialoux and Siegenthaler 2019), but not more generally. The effect on inflation is therefore extremely small.

Daniel Cooper and Maria Luengo-Prada, research economists at the Federal Reserve Bank of Boston, and Jonathan Parker of MIT provides the most careful study of the price effects of minimum wages. Using detailed data for 27 metro areas, (Cooper et al. 2017) credibly show that restaurants absorb the costs of higher minimum wages entirely by slightly higher restaurant prices. A ten percent increase in the minimum wage increase costs and restaurant prices about 0.5 percent. This result is consistent with the Allegretto and Reich (2018) case study of an overnight minimum wage increase of 25 percent San Jose in March 2013. The price effects alone can explain why there are no negative employment effects in non-tradeables.[13]

Stimulus and dynamic effects Cooper, Luengo-Prada and Parker (2017) also find a modest positive stimulus effect. Low-wage workers purchase more food away from home and more cars. In other words, low-wage workers spend their increased incomes locally, stimulating the local economy modestly.

Since wage increases are greater in low-wage states, the stimulus is also greater. Reich et al. 2019 quantify how much the stimulus effect increases with higher minimum wage increases, taking into account how consumption propensities vary by household income. They find that stimulus effects will be stronger in the low-wage states.

Labor supply effects An emerging literature finds that minimum wages *increase* labor supply and employment among vulnerable groups—single low-educated parents (Godoey, Reich and Allegretto

[13] We discuss the effects on tradeables in Section 5.

2018), older workers (Borgschulte and Cho forthcoming), and among the formerly incarcerated (Agan and Makowsky (2018)..

Godoey, Reich and Allegretto estimate positive employment effects for low-educated parents of young children. They find significant positive effects for single mothers, similar to positive labor supply effects found for the Earned Income Tax Credit. They also find positive effects for fathers. In a recent paper studying elderly workers, Borschulte and Cho (forthcoming) find positive effects on earnings, suggesting small positive labor supply response for individuals who are near retirement age. Agan and Makowsky show that higher minimum wages lead released prisoners to obtain employment rather than to engage in criminal activity.

These positive supply-side effects provide a relatively new explanation of why minimum wages can have such small employment effects: Negative demand and positive supply effects cancel out each other.

Outmigration from low-wage states Migration from the low-wage states is a long-standing problem in low-wage states such as Mississippi (ALME 2018). Out-migrants are disproportionately younger and better-educated than those who remain. Higher minimum wages will reduce outmigration, which means better quality workers for Mississippi's employers and consumers. A higher quality workforce also means more incentives for investors to locate new plants in states that have been locked into a low-wage/low education labor market equilibrium.

5. WILL A $15 MINIMUM WAGE MAKE LOW-WAGE STATES UNCOMPETITIVE?

A key issue often raised about minimum wages concerns whether they could make businesses uncompetitive. Some states may have not raised their minimum wages because of fears that they are vulnerable to becoming uncompetitive. I discuss this issue here in the context of Mississippi.

Tradeables Industries with jobs that are likely to leave when wages rise are often characterized by economists as tradeables. The underlying idea is that prices in the tradeables are determined at the level of international markets, while nontradeables are produced for local consumption, and at prices that can vary by location. As we have seen above, minimum wage increases to $15 for nontradeables are mainly absorbed by the local population through price increases. But cost increases in tradeables may force companies with less room to increase their prices to exit the industry or relocate in a lower-cost area. I take up this question here by examining the exposure of Mississippi's low wage jobs to relocation.

Table 2 shows that manufacturing accounted for about 140,000 jobs, or nearly 14 percent of private sector employment in 2017. This proportion is very similar to the size of the tradeables sector in the U.S. as a whole over the period 1992-2016 (Cengiz et al. 2019). Recall that Cengiz et al. did find a small negative employment effect among tradeables.

Manufacturing employment in the U.S., and in Mississippi, continued their long decline in the years prior to and during the Great Recession. Most of this decline occurred in low-wage manufacturing industries. Manufacturing employment has remained relatively stable during the long recovery from the Great Recession, while manufacturing wages have been increasing. These trends suggest that the remaining manufacturing jobs are concentrated in higher-paying industries. In the Southern states as a whole, textiles and apparel no longer ranks as the largest manufacturing industries; they have been replaced by advanced manufacturing plants.[14]

The question mark for Mississippi employment is greatest for its remaining low-wage tradeables. Figure 3 shows that manufacturing jobs have been declining in Mississippi, while tourism-related industries, such as restaurants have been growing (see also Miller 2018). As Table 2 also shows, the weekly wage in manufacturing averaged $927 in 2017, well above the reach of a $15 minimum wage. A substantial portion of manufacturing in Mississippi consists of (transportation equipment. Seven Southern states, including Mississippi, now are home to fourteen motor vehicle assembly plants. Aircraft assembly plants for Airbus and Boeing are also located in these states. These jobs already pay well above $15 per hour and are highly automated.

About 40,000 Mississippi manufacturing jobs are located in two lower-wage industries: wood furniture and food processing. However, pay in both of these industries ($610 in food manufacturing and $661 in wood furniture) averages substantially above that in non-tradeable services. Pay in these two industries has grown steadily in recent decades. These considerations further suggest only a minor effect of minimum wages on employment in these industries.

6. SHOULD THE FEDERAL MINIMUM WAGE FLOOR VARY WITH REGIONAL LIVING COSTS?

Some observers suggest that minimum wage policy should not maintain a single federal standard.[15] Such recommendations usually reflect concerns from employers and policy makers in lower-wage areas. They can also reflect a concern about fairness among workers: Why should workers in low living cost areas have a higher real minimum wage than workers in high living cost areas? We take up this issue briefly here.

There is surprisingly little recent research on the advantages and disadvantages of regional wage standards. Congress discussed including a Southern differential in the debates leading up to the Fair Labor Standards Act of 1938. In 1938, wage and living cost differentials between the South and the

[14]Quarterly Census of Employment and Wages; Rafter 2012.

[15] A similar policy is in place for tax and transfer payments. Income and payroll tax rates, including the Earned Income Tax Credit do not vary with local living costs. States can and do add their state taxes. Public benefits form a more mixed picture. Social Security, Medicaid and food stamp benefits are uniform across the U.S., while child care, TANF and housing subsidy levels are set by the states.

non-South were much greater than they are today. But in the end, Congress decided to establish a single national minimum wage floor.[16]

By establishing a single national floor at a time of other major economic transformations, Congress set in motion a series of substantial positive economic changes in the South (Wright 1997). In particular, the isolated economies of the rural South became more linked to the national economy. The South prospered in succeeding decades, and the southern regional wage differential became much smaller. A similar development occurred as a result of the civil rights revolution and the associated extension of Fair Labor Standard Act coverage to more of the South's industries (Wright 2005, 2015; Derenencourt and Montialoux 2018).

Congress did authorize states to set higher floors. States began to do so in the 1980s and with increasing frequency, especially as Congressional inaction has allowed the real value of the minimum wage to decline over time. The patchwork of state minimum wages today allows states to adjust their minimum wages to reflect living cost differences among the states.[17]

The key disadvantage of regionalizing the federal floor concerns the potential dynamic effects that high minimum wages can exert on low-wage areas. Minimum wage policy cannot by itself transform a stagnating economic region into a dynamic one. But it can contribute to such a transformation.

7. SHOULD WE KEEP SUBMINIMUM WAGES FOR TIPPED WORKERS AND YOUTH?

Tipped workers The minimum wage for tipped workers has remained at $2.13 since 1991. Numerous states set a higher subminimum; seven states set the tipped worker minimum as the same as for other workers. Tips are approximately the same percentage in non-tip credit states as in the $2.13 states, suggesting that most consumers leave tips as a gratuity for customer service. They are not aware that their tips help pay the employee's minimum wage, in many cases benefiting owners more than the workers. Tipping is substantially a U.S. practice, not common in other industrialized countries.

Allegretto and Nadler (2015) used the variation among the states in the size of the "tip credit" to analyze the effects of the policy. They found that lower subminimum wages left more restaurant servers, many of them female and of color, in poverty. They did not find any positive effects on

[16] Congress also exempted major economic sectors from minimum wage protection, diminishing its effects, especially in the Southern states. Most of these exclusions were reversed in subsequent amendments to the FLSA.

[17] State minimum wage variation also reflects other economic and political factors that are beyond our scope here.

restaurant employment. These results suggest that the restaurant industry could adjust to the elimination of the subminimum wage for tipped workers.

Youth subminimum wages The subminimum wage for youth is generally understood to be a training wage—reflecting the lack of experience of teen workers--and also an incentive to provide additional jobs for teens. The subminimum creates perverse incentives to substitute teens from non-poor families for incumbent adult workers who might be supporting a household. Moreover, the labor supply of teens might be greater without a subminimum wage, contrary to the intention to encourage teen employment (Giuliano 2013). In any case, employer take-up of the youth minimum wage is extremely low (Card and Krueger (1995), perhaps because of administrative complexities of compliance.

These considerations suggest that the federal youth subminimum wage is not accomplishing its intended purpose.

8. IMPORTANT DOWNSTREAM EFFECTS ON HEALTH, EDUCATION AND PARENTING

The effects of minimum wages on "downstream" outcomes represent a relatively new area of research. In recent years, over three dozen papers have examined the effects of minimum wages on twenty different health outcomes.[18] On the whole, these studies find beneficial effects and no consistent evidence of harmful effects. However, not all of this literature meets the standards of the credibility revolution in economics. The studies that do pass the tests of the credibility revolution find beneficial effects on smoking rates, obesity, suicides, health-related absenteeism from work, and as well as on child maltreatment (Raisian and Bullinger 2017).

For example, Godoey et al. 2019 find that minimum wages reduce deaths of despair. A ten percent increase in the minimum wage would likely prevent 770 suicides each year. The average cost of a single suicide averages $1.3 million per year in lost productivity. The overall gain in output would therefore amount to $1 billion per year.

The results in these studies are important in themselves. They also have implications for economic growth. For example, obesity is linked to pre-diabetic issues. Both have been linked to high poverty rates, on the one hand and low levels of labor force participation and productivity, on the other (Figure 4). Mississippi has both the highest diabetes incidence of all states and the one of the lowest rates of labor force participation.

These results are consistent with the now-accepted finding that minimum wages reduce poverty (Dube 2018) and with a large related literature that finds that anti-poverty programs have substantial beneficial effects on the health, educational outcomes and well-being of adults and children (Hoynes and Schanzenbach 2018).

[18] For recent surveys, see Leigh and Du 2018; Leigh, Leigh and Du 2019.

Anti-poverty programs such as SNAP and the EITC are typically assessed on grounds other than their effects on employment. Minimum wages should similarly be assessed on criteria that are broader than just their effects on employment.

9. SUMMARY AND CONCLUSIONS

HR 582 proposes to increase the federal minimum wage to $15 by 2024 and to gradually eliminate subminimum wages for tipped workers, youth and the disabled. This policy will have its greatest effects in the twenty-one states that today remain at the 2009 federal level of $7.25. The increases even in these states lie within the range of our previous minimum wage policy experience. Studies of past minimum wage increases thus provides a guide to the effects of HR 582 on employment.

The best research studies of minimum wage-employment effects have found very small to negligible effects on teens and on restaurant workers. Newer studies use improved methods of identifying minimum wage jobs and/ or data linked to administrative tax records. These state-of-the-art studies find even less evidence that minimum wage policies have had negative effects on employment. Other studies, focused on the high minimum wages already in place in a number of U.S. cities, obtain similar findings.

These results make sense when one considers that minimum wages can offset employer power that suppresses wages, that small price adjustments in a few industries largely shift the costs of minimum wages from employers to affluent consumers who can pay higher prices, and the stimulus effects of increasing purchasing power among groups that spend most or all of their income on consumption goods. High minimum wages might seem to be more of a threat in industries that can relocate to other countries. However, the proportion of low-wage employment in these industries has become quite small.

A single national floor for all workers is likely to be much more beneficial than carve-outs for some groups or regional differentials. The advantages of a single national floor are likely to be especially higher in the lowest-wage states and could generate dynamic advantages to the economies of those states. Finally, new research is demonstrating that minimum wages have beneficial effects on the health and well-being of children and adults. These benefits should be included in any assessment of minimum wage policy. They are likely also to have longer-term economics benefits as well.

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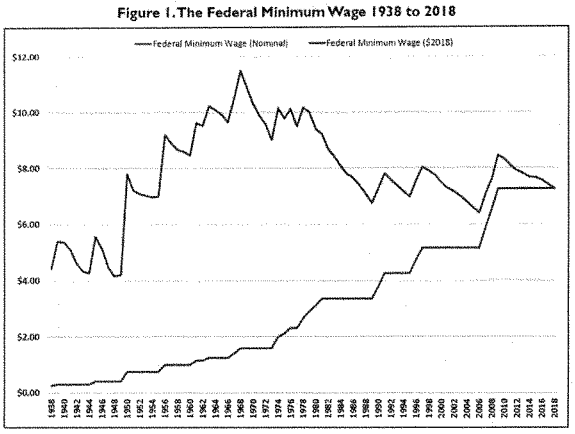
FIGURES AND TABLES

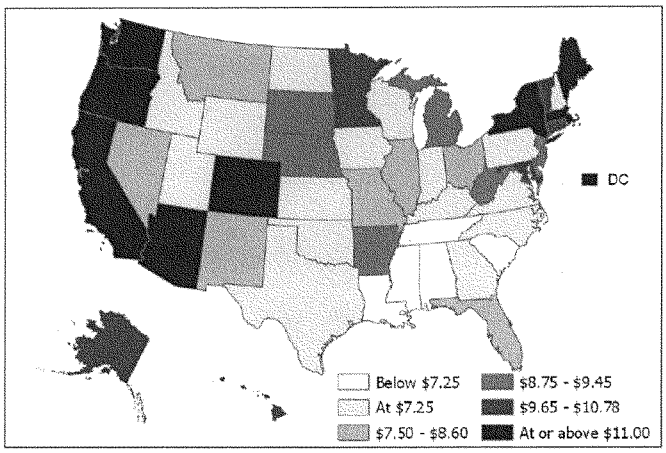
Figure 1. The Federal Minimum Wage 1938 to 2018



Source: Figure created by CRS using data from the DOL Wage and Hour Division, https://www.dol.gov/whd/minwage/chart.htm.

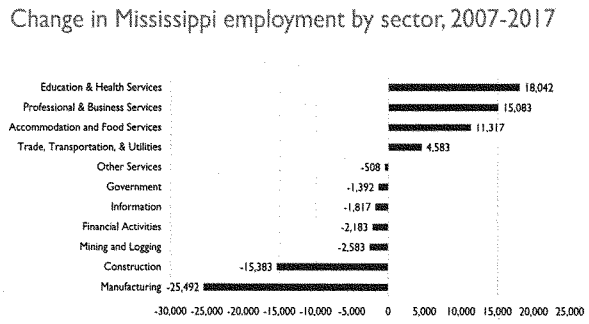
Notes: The inflation-adjusted minimum wage is expressed in 2018 dollars based on the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average. The CPI-U value for 2018 is the semi-annual average for the first half of 2018.

Figure 2. State Minimum Wage Rates in 2019



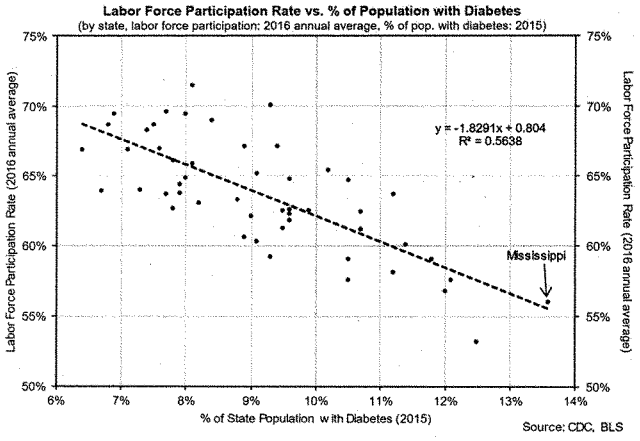
Source: CRS analysis of U.S. Department of Labor data.
Notes: Rates in **Figure 2** are either currently in effect or are scheduled to be in effect at some point in 2019.

Figure 3



Source: ALME 2018

Figure 4



Source: ALME 2018

Table 1. Entry-level (25th percentile) and median hourly pay, nine largest unskilled occupations, Mississippi 2016

Occupation Title	Entry-level	Median
Cooks, Fast Food	$8.1	$8.69
Cooks, Restaurant	8.7	9.77
Cooks, Short Order	8.41	9.25
Food Preparation Workers	8.22	8.92
Janitors and Cleaners	8.53	9.56
Maids and Housekeeping Cleaners	8.29	9.01
Childcare Workers	8.18	8.84
Personal Care Aides	8.53	9.63
Cashiers	8.1	8.79
Average(unweighted)	8.34	9.16

Source: U.S. Bureau of Labor Statistics, Occupational Employment Survey May 2017

Note: OES data are based on three-year rolling surveys of establishments. Pay rates above are therefore more representative of 2016 rates than 2017 rates.

Table 2. Employment and Pay, Selected industries, Mississippi, 2014 and 2017

Industry	NAICS	2014 employment (000s)	2017 employment (000s)	2014 Average weekly wage	2017 Average weekly wage
Manufacturing	31-33	139.6	144.11	877	927
Food manufacturing	311	22.3	23.7	563	610
Apparel	315	1.4	1.6	580	601
Wood furniture	337	18.4	18.9	596	661
Transportation equipment	336	26.8	27.6	1152	1,176
Food services	722	87.2	95.4	256	273
Accommodations	721	29.3	31.5	488	493
Nursing and residential care facilities	623	31	31.6	489	513
Social assistance	624	27.3	30.8	368	386
All private employment		1,077.3	1,103.2	701	733

Source: Mississippi Department of Employment Security, *Covered Employment and Wages, Annual Reports*

APPENDIX: SCIENTIFIC CRITERIA FOR CREDIBLE MINIMUM WAGE-EMPLOYMENT STUDIES

A new generation of minimum wage studies has been much influenced by the "credibility revolution" that has swept all areas of empirical economics. This revolution uses quasi-experimental methods and careful research designs to identify causal relationships and rule out spurious correlations.

Much work in applied econometrics thus now routinely uses the language of treatment and control groups. Credible studies conduct tests to check that: the treatment and control groups are indeed similar before the treatment is administered, that we can observe a treatment effect in the treated group but not in the control group, that the effect of the treatment should be greater when the treatment is more intense, and that the treatment effect should be robust to small changes in specifications, such as in sample years or the presence of linear or nonlinear controls.

These basic scientific principles provide the basis for assessing the validity of conflicting minimum wage studies. It is no longer sufficient to report whether a minimum wage coefficient is statistically significant or insignificant.

The parallel pre-trends test, and the falsification and robustness tests comprise the core of the credibility revolution in econometric methods that has swept through all of empirical economics, not just the study of minimum wages. (For examples, see Angrist and Pischke 2010, 2014; Athey and Imbens 2017.) The leaders of this revolution span both conservative and liberal economists.

As it turns out, the minimum wage literature provides many examples of studies that either decline to conduct these tests or that do not pass them. We thus have new tools to assess conflicting results in the minimum wage literature. Here are some examples:

Common pre-trends between the treatment and control groups Much of the recent debate concerns whether minimum wage states are a random sample of all states, or whether they are clustered geographically or along other dimensions in a manner that is correlated with low-wage employment trends. Such correlation could involve confounding factors that are not caused by minimum wages themselves. These confounding factors could be detected by examining whether treatment and control states exhibited common (parallel) employment trends before the minimum wage policies were introduced.

Dube, Lester and Reich (2010) and Allegretto, Dube and Reich (2011) showed that previous work by Neumark and Wascher (2008) did not pass the parallel pre-trends test. Low-wage employment was trending downward in treatment states relative to control states well before minimum wages were introduced. Adding controls—such as examining contiguous border county pairs where minimum wages differed at the state border—eliminated the pre-trends, did not change the estimated effects on pay, and resulted in a small or zero estimated employment effect.

Neumark, Salas and Wascher (2014) contested these findings. Dube, Lester and Reich (2016) and Allegretto, Dube, Reich and Zipperer (2017) reported additional results confirming the pre-trends problem and showed the fragility of the Neumark, Salas and Wascher findings.

Allegretto et al. (2017) also showed that studies without controls for spatial heterogeneity failed a placebo test—that is, they found effects of minimum wages on employment among high-wage groups, such as professionals with a BA degree, who would not be affected by a minimum wage increase. Studies with controls passed such tests. (Placebo tests are also referred to as falsification tests.)

Allegretto et al. 2017 further conducted robustness tests. These tests examined groups that were affected by minimum wages and asked whether employment effects were greater among groups that were more affected. Here again, studies without the controls failed such tests; studies with the controls passed them.

Effects of economic expansions and recessions Minimum wage enactment and implementation occur more frequently during economic expansions than during recessions. Since wages increase during expansions, the number of low-wage jobs may decrease just because of the expansion. A key issue therefore concerns distinguishing the effects of the minimum wages from the effects of economic expansions. A number of often-cited studies that find negative employment effects fail to account appropriately for these effects of the business cycle. These include Jardim et al. 2018a, 2018b, Meer and West (2016). For details, see Cengiz et al. 2018.

In a similar vein, as Zipperer (2016) has shown, Clemens and Wither (2015) fail to control adequately for the steep economic recession that began in 2007.

CENTER ON WAGE AND EMPLOYMENT DYNAMICS

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Chairman SCOTT. Representative Brodeur.

STATEMENT OF THE HONORABLE PAUL A. BRODEUR, ESQ., STATE REPRESENTATIVE, 32ND MIDDLESEX DISTRICT, COMMONWEALTH OF MASSACHUSETTS HOUSE OF REPRESENTATIVES

Mr. BRODEUR. Good afternoon, Mr. Chairman, Ranking Member Foxx, and members of the committee.

My name is Paul Brodeur, and I have the honor of serving the residents of Melrose, Wakefield, and Malden in the Massachusetts State Legislature as their State Representative.

I wish to share my perspective on the success we have had in the Commonwealth of Massachusetts confronting the problem of wage stagnation while creating a stronger economy by increasing our minimum wage to $15 an hour by 2023. Two years ago, under the leadership of our Speaker, Robert DeLeo, I was appointed to serve as the House chair of the Joint Committee on Labor and Workforce Development.

The Commonwealth faced significant challenges. Despite historically low unemployment rates, income inequality was growing. New jobs were being created at a promising rate, but overall wage growth remained stagnant. Like you, our committee held extensive hearings and heard many hours of testimony. The statistics and expert testimony were compelling, but I was particularly struck by the stories we heard from Massachusetts workers and their families. We heard from single moms and dads that were working multiple jobs, teens who helped their families make ends meet, and families who have been working paycheck to paycheck for generations.

We also heard from employers who care deeply about their workers, but were concerned about the impacts on their businesses. In particular, middle-skilled jobs went unfilled, which limited their business growth. And we heard from folks who want to get ahead, who want the training and skills to move out of low-wage jobs but cannot, because they do not have the time, energy, or money to seize those new opportunities.

In response, our committee convened negotiations among a broad coalition of community organizations, religious groups, labor unions, and representatives of businesses, both large and small. Ultimately, we were successful in passing into law a bipartisan bill, which improved the financial stability of working families in the Commonwealth within a robust Statewide economy. Here is what shaped our efforts: We knew from our past experience that previous increases to our minimum wage had produced economic gains for workers while unemployment decreased and business confidence increased.

Looking forward or projecting ahead, the Massachusetts Budget and Policy Center testified that nearly one-quarter of Massachusetts workers would benefit from an additional gradual increase in our minimum wage, and that this would include nearly one-fifth of all working parents in Massachusetts. We also knew that these working families will spend their additional income on our main streets and in our downtowns. These observations of our past expe-

rience, coupled with projections based on sound economic principle, led us to raising our minimum wage.

During our deliberations, we considered a regional minimum wage, but rejected implementing one. We found it is very difficult to draw those lines, particularly when geography is not a clear indicator of cost of living. Locking certain regions of our State into lower wage status by using regional wage boundaries would detract from our hard work in investing in and revitalizing those cities, towns, and neighborhoods that needed help the most.

Similarly, we rejected the creation of a training wage or teen minimum wage. Now, we all agree on the importance of getting that first job. It can be an incredible learning experience and can be a foundation for lifetime success. However, the testimony we heard and the statistics we reviewed told a more complicated story about teen employment.

Teen workers are responsible in Massachusetts for nearly a fifth of household income amongst our poorest families. These teens are not merely working a summer job for extra spending money, but they are functioning as breadwinners for their families or earning money to further their education. Creating a complicated training wage system that few would use or a teen wage that would push other low-wage workers, including seniors, out of the job market was inconsistent with our goal of helping working families.

So, contrary to what you may think, Massachusetts isn't populated exclusively with elitist, wealthy, Ivy Leaguers. We are a diverse state of financiers and family farmers, laborers and lawyers, researchers and entrepreneurs, blue bloods and blue-collars. We have a proud history of tackling hard problems by working together to solve them. Finding a balance between these diverse and often conflicting interests was at the forefront of our work in raising up the minimum wage.

I appreciate the opportunity to address you today. I thank you for the opportunity, and I am available to answer any questions you might have.

[The statement of Mr. Brodeur follows:]

PAUL A. BRODEUR
STATE REPRESENTATIVE
32ND MIDDLESEX DISTRICT

The Commonwealth of Massachusetts

HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON, MA 02133-1054

Chair
Joint Committee on Labor and
Workforce Development

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Statement of the
Honorable Paul A. Brodeur, Esq.
State Representative, 32nd Middlesex District
Commonwealth of Massachusetts House of Representatives

Testimony Before the U.S. House of Representatives
Committee on Education and Labor

February 7, 2019

Good Afternoon, Chairman Scott, Ranking Member Foxx and members of the Committee. My name is Paul Brodeur and I have the honor of serving the residents of Malden, Melrose, and Wakefield in the Massachusetts State Legislature as their State Representative. I appear before you today in support of the Raise the Wage Act (HR 582), and, as a fellow legislator, I wish to share my perspective on the great success we have had in the Commonwealth of Massachusetts relative to empowering our workers and equipping our businesses with the tools they need to succeed.

Two years ago, under the leadership of Speaker Robert A. DeLeo, I was given the opportunity to serve as House Chair of the Joint Committee on Labor and Workforce Development. I realized that the work of my committee would be marked by several unusual circumstances both from an economic and a policy perspective. Despite historically low unemployment rates, income inequality had grown to new heights. New jobs were being created at promising rates, while wages remained stagnant. Legislative proposals before my committee called to increase our state minimum wage to $15 an hour. While these proposals had tremendous support from legislators, we were eager to determine what their impacts would be on small, locally-owned businesses.

Statistics painted part but not the entire picture. Behind each number was a family who called my office seeking help and resources, a worker who worried about the future of their industry, or an employer who wanted to know how proposed policies would affect them. I know that each of you receive calls like these, and as dedicated public servants, it is our duty to listen to and address our constituents' concerns.

The way forward was unclear, but the demand for action was pressing.

It was against this landscape that we convened negotiations among a broad coalition of community organizations, religious groups, labor unions, and established employer advocate organizations which hailed from across the Commonwealth and represented both large multinational corporations, as well as small, family-owned legacy businesses. Together with these stakeholders, and guided by nationally celebrated economists and scholars, we endeavored to determine if we could arrive at a compromise that ensured economic stability for working families within a robust statewide economy. We were successful in this effort and enacted into law a bipartisan bill, which, among other provisions, raises the state's minimum wage to $15 an hour by 2023. I wish to review with you now the policy decision points that shaped our efforts.

Impacts on Massachusetts Workers and Employers

We began with the foreknowledge that previous increases to the minimum wage had produced net positive economic gains for businesses and workers in the Commonwealth. Since 2000, the state Legislature had increased the minimum wage gradually seven times. During that period, we saw median family incomes increase while employers created more jobs. We also knew that this strategic decision to invest in the working families of Massachusetts would be a positive step forward for our business community. During that same period, Massachusetts businesses demonstrated relative stability and growth following the great recession of 2009.

While pleased with our success, we soon realized that our moderate gains would not be sufficient in tackling the issue of income inequity. The Economic Policy Institute found that in 2015 the top 1% of Massachusetts families had earned 31 times as much as the average of the bottom 99%.[1] Our own concerns were mirrored in a letter signed by 90 leading Massachusetts economists hailing from both academia and the private sector urging us to approve a $15 minimum. Furthermore, according to the Massachusetts Budget and Policy Center (MassBudget), an economic and policy research firm based in Boston, nearly a quarter of Massachusetts workers would benefit from an increase in the minimum wage to $15 by 2023.[2] This would include nearly a fifth of all working parents in the Commonwealth. We knew that these working families would be spending their additional income on our main streets and in our downtowns. These observations of our past experience, coupled with projections based on sound economic practices, lead us ultimately to raising the statewide minimum wage to $15 an hour by 2023.

Impacts on Government Services and Resources

While the economic benefits to workers and businesses in the Commonwealth were clear, articulating the consequences of raising the minimum wage for state budgeting purposes was, and has been, more difficult. In determining these impacts, we first examined our experience over the past five years and saw that the increased purchasing power, increased taxable income, reduced caseloads in social benefits programs, and growth in business confidence and success were outcomes of our incremental increases in the minimum wage. We sought to ensure that these trends would continue, and as such, structured our minimum wage increase schedule in a similar manner.

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[1]https://www.epi.org/publication/the-new-gilded-age-income-inequality-in-the-u-s-by-state-metropolitan-area-and-county/

[2]http://massbudget.org/report_window.php?loc=FAQ-The-Massachusetts-$15-Minimum-Wage-Proposal.html

The secondary, and in some cases tertiary benefits of raising the minimum wage are clear. Issues such as food insecurity, improved childhood health statistics, reduced employment turnover, and other factors have emerged as having been largely effected by these increases. For example, a 2016 report by the Century Foundation estimated that the increase to a $15 minimum wage would decrease food insecurity in the Commonwealth by 7% as 18,000 households would no longer be food insecure.[3] We expect these trends to continue.

Implementation Questions

Having identified the benefits to businesses and workers in the Commonwealth and having reviewed what impact these increases would have on government services, we then considered a variety of implementation options. We recognized that other states had implemented regional minimum increases, establishing varying minimum wages and increase schedules across geographic boundaries. At first, this proposal garnered some interest, with proponents observing that despite the relatively small size of our Commonwealth, significant economic differences persist between the rural and urban parts of our state. According to the U.S. Bureau of Labor Statistics, the average weekly wage in Suffolk County, which encompasses the city of Boston, is $1,711. Just a few driving hours away in the western and more rural part of Massachusetts is Berkshire County, where workers are earning only $880 a week on average, which is nearly half of what their friends in Boston take home.[4] The cost of living, consumer goods, and housing vary not only from county to county, but also among neighborhoods, towns, and cities.

Ultimately, we determined that a regional approach would be deleterious to the economic wellbeing of our state. Already, much of our fiscal and economic development policy must grapple with our proximity to other states which have differing minimum wages. Our targeted investments in public transportation intended to improve worker mobility would be stymied by artificial boundaries either drawn along existing county and municipal lines, many of which pre-date the American Revolution, or through more data-driven approaches like census tracts or distance from major urban centers.

Our Commonwealth has endeavored diligently and for decades to invest in our historically industrial but chronically under resourced cities. As many of these cities are turning a new corner in their histories, and are transforming into the vibrant, thriving communities they were designed to be, we would be hampering their progress by imposing certain wages in some parts of the Commonwealth while ensuring higher rates in others.

Good public policy in Massachusetts hinges on our recognition that the continued concentration of resources in our capital city will result ultimately in the weakening and fraying of our state as a whole. A regionally based minimum wage would result in an asymmetric allocation of resources which many of my colleagues, hailing from Provincetown out in the Atlantic to Pittsfield on the New York border and all in between soundly rejected. It is for these reasons that I urge you to reject a regional approach to increasing the minimum wage at the national level and instead embrace the establishment of one fair wage floor for the whole country.

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[3]https://tcf.org/content/report/the-impact-of-a-15-minimum-wage-on-hunger-in-america/?agreed=1&agreed=1
[4]https://www.bls.gov/regions/new-england/news-release/countyemploymentandwages_massachusetts.htm#tab1.xlsx

Subminimum Wages

In the same manner that we determined that a regional wage approach was the wrong choice for our state, we also recognized the importance of avoiding the establishment of new subminimum wage categories, especially a so-called "teen minimum wage". Initially, I was intrigued by the concept, and from my efforts on workforce development issues as well as my own experience, I understood the lifelong benefits of learning the value and dignity of work at a young age. However, as I continued to meet with my constituents and review expert testimony submitted to my committee, I again determined that this policy would adversely impact the very population it was designed to help. Among families in Massachusetts whose earnings are at the bottom 20th percentile, teen workers bring home nearly 18% of the family income.[5] These teens are not merely working a summer job for extra spending money, but are instead functioning as breadwinners for their families. To tell these hardworking young people that their work product or services, which might be rendered alongside and identical to those of an older worker, are somehow less valuable because of their age was unacceptable to me.

I applaud Chairman Scott and the co-sponsors of this legislation for targeting the payment of subminimum wages to individuals with disabilities. According to the Wage and Hour Division of the U.S. Department of Labor, as of July 2018, there were 1,337 people with disabilities working in Massachusetts for a sub-minimum wage. That represents a 63% drop from just two years prior.[6] Massachusetts is gradually moving away from the model of paying subminimum wages to residents with disabilities, and I believe it makes sense for the nation to do so as well.

Federal Action Needed

In Massachusetts we increased the minimum wage to ensure that even our low paid workers earn enough to put rooves over their heads and food on the table, while we also addressed the serious problem of income inequality. Multiple studies have shown that the minimum wage does not have the buying power that it once had. It has not kept up with inflation, and it does not reflect the increased productivity levels of our workers. Massachusetts ranks as the sixth most income unequal state in the union, and we have mitigated this disparity by gradually raising our minimum wage. That being said, income inequality is rising in 50% of other states across the country at rates higher than the Commonwealth's.[7] This is an unacceptable and unsustainable trend, which demands a national intervention.

Conclusion

In the chamber of the House of Representatives in the Massachusetts State House, where we voted to raise the minimum wage to $15, there is inscribed a quote from President John F. Kennedy: "For what Pericles said of the Athenians has long been true of this Commonwealth: 'We do not imitate, for we are a model to others.'"

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[5] http://massbudget.org/report_window.php?loc=Teens,-Employment,-and-the-Minimum-Wage.html
[6] https://www.dol.gov/whd/specialemployment/CRPlist.htm
[7] https://www.wbur.org/bostonomix/2018/07/19/income-inequality-massachusetts-epi

I am aware of the inaccurate perception of my home state as being populated entirely by highly educated, wealthy, and perhaps, uncharitably, elitist urbanites. This is not the model state that Pericles thought the Athenians to be, and it is not the model Kennedy thought our Commonwealth to be. Today, we are a state of financiers and family farmers, lawyers and laborers, blue bloods and blue collars. The conflicts among these diverse and often conflicting interests were at the forefront of the work we accomplished. We brought each stakeholder to the negotiating table, asked tough questions, and found a solution. I hope this achievement will serve as a model for you as you contemplate the bill before you today.

I urge each of you to consider carefully the fact that the forces and efforts which lead to a gradual increase in our minimum wage are the same forces and efforts that each of you must contend with in your own home states and districts. It is my sincere hope that you will take note of the careful, balanced, and deliberative process that we employed and apply it to your own work here. My constituents, the Commonwealth of Massachusetts, and our country depend on it.

Chairman SCOTT. Thank you. Thank you.

We will now recognize members in the order of appearance this morning, and the first one is Representative Adams of North Carolina.

Ms. ADAMS. Thank you, Mr. Chair, and thank you, Ranking Member. And thank you all for your testimony and for being here today to our second panel of witnesses.

We have been here a while and we have had I think a lot of testimony and certainly testimony to the fact that poverty level wages don't instill dignity. That is the first thing I want to say. Equality makes dignity, and dignity demands a job and a paycheck that lasts throughout the week, and I am quoting Dr. Martin Luther King on that.

I am glad that we split today's hearing into two parts, because I don't think enough is said about the positive impact that raising the minimum wage has on our economy as a whole. Too often we view economic progress as a zero-sum game where if workers win, employers lose. But our economy is built by consumers. The more money Americans have in their pockets, the more they can spend on the goods and services that American businesses produce. So don't take my word for it, a consensus of economists say the same thing.

And with that, Mr. Chair, I want to enter into the record two letters, both from the Economic Policy Institute, one from Senior Economist and Director of Policy Heidi Shierholz, and the other signed by a collection of over 100 of our Nation's leading economists.

Chairman SCOTT. Without objection.

[The information follows:]

Economic Policy Institute
POLICY CENTER

February 5, 2019

The Honorable Bobby Scott
Chairman

Committee on Education & Labor
U.S. House of Representatives
Washington, DC

Dear Chairman Scott,

On the behalf of the Economic Policy Institute Policy Center, I write to express my strong support toward H.R. 582, The Raise the Wage Act of 2019. The Economic Policy Institute is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-income workers in economic policy discussions.

For the last decade, the federal minimum wage has stalled at $7.25 per hour, leaving today's workers earning 29 percent less per hour than their counterparts made 50 years ago (after adjusting for inflation.) On January 16, members of the House and Senate introduced the Raise the Wage Act of 2019, which would raise the minimum wage to $15 per hour by 2024 and index it to median wages going forward. The bill would also eliminate the subminimum wage for tipped workers, which has been fixed at $2.13 since 1991, by gradually increasing it until it reaches parity with the federal minimum wage.

The Economic Policy Institute estimates that a $15 minimum wage by 2014 would result in $120 billion in higher wages for 39.7 million low-wage workers—over a quarter of the wage-earning workforce. This means a directly affected worker who works year round would receive a raise of $4,000 a year as a result of this bill. The vast majority of workers who would benefit from this increase would be adults in working families—disproportionately women—who work full time jobs to make ends meet. In addition to benefiting workers, raising the federal minimum to $15 by 2024 would benefit communities as low-wage workers are more likely to spend their extra earnings, which would boost consumer spending and spur business activity and job growth. Overall, raising the federal minimum wage to $15 by 2024 would lift pay for tens of millions of workers, help reverse decades of growing pay inequality, and stimulate the economy.

EPI Policy Center urges Congress to pass the Raise the Wage Act of 2019 and provide America's working families a much needed raise.

Sincerely,

Heidi Shierholz
Senior Economist and Director of Policy, Economic Policy Institute Policy Center

Economic
Policy
Institute

Economists in support of a federal minimum wage of $15 by 2024

February 6, 2019

Today, workers who earn the federal minimum wage make $7.25 an hour—about 29 percent less per hour than their counterparts made 50 years ago (after adjusting for inflation). We can afford to pay the lowest-paid workers in America substantially more than what their counterparts were paid a half century ago. Workers produce more today from each hour of work, with productivity nearly doubling since the late 1960s.

We, the undersigned, support gradually increasing the minimum wage to $15 by 2024, and then indexing it to median wages to protect against future erosion. We also support gradually phasing out the outdated subminimum wage for tipped workers, which has been frozen at $2.13 since 1991.

This policy would directly lift the wages of 28.1 million workers by 2024. Another 11.6 million workers whose wages are just above the new minimum would likely see a wage increase through "spillover" effects, as employers adjust their internal wage scales. The vast majority of employees who would benefit are adults—disproportionately women—in working families, who work at least 20 hours a week and depend on their earnings to make ends meet.

A $15 minimum wage by 2024 would **result in $121 billion in higher wages** for 39.7 million low-wage workers, which would also benefit their families and their communities. Since lower-paid workers spend a large share of their additional earnings, this injection of wages would modestly **stimulate consumer demand, business activity, and job growth. Further, modest and infrequent minimum wage increases are directly responsible for growing inequality between the bottom and the middle class; this minimum wage increase would provide a significant and much needed boost to the earnings of low-wage workers. And, because it would be indexed to growth in median wages, it would ensure that the wage floor keeps up with growth of middle-wage workers going forward.**

The last decade has seen a wealth of rigorous academic research on the effect of minimum wage increases on employment, with the weight of evidence showing that previous, modest increases in the minimum wage had little or no negative effects on the employment of low-wage workers. It is time to support a bolder increase to address the fact that wages for workers at the low end of the labor market have continued to stagnate. Even if the growth of aggregate work hours for low-wage workers were to slow somewhat, workers who work less could still break even, or come out ahead, in terms of annual earnings. Since as many as 10 percent of the lowest-wage workers leave or start jobs every month, any decrease in the number of full-time equivalent jobs will mean that some workers will take more time finding a new job, or will work fewer hours. But many of these workers may still see their annual earnings rise because of their wage increase.

The benefits of gradually phasing in a $15 minimum wage by 2024 would be far-reaching, lifting pay for tens of millions of workers and helping reverse decades of growing pay inequality. The benefits of a $15 minimum wage in 2024 for workers, their families, and their communities far outweigh the potential costs. Of course, the minimum wage is just one of many policies designed to help low-wage workers. We believe that an increase in the minimum wage should be accompanied by complementary policies such as an expanded Earned Income Tax Credit (EITC), enhanced safety net, increased job training, and policies to generate full employment.

Sincerely,

Daron Acemoglu, Massachusetts Institute of Technology, Ph.D.
Jacqueline Agesa, Marshall University, Ph.D.
Alan Aja, Brooklyn College, CUNY, Ph.D.
Randy Albelda, University of Massachusetts Boston, Ph.D.
Sylvia A. Allegretto, University of California, Berkeley, Ph.D.
Bernard E. Anderson, University of Pennsylvania, Ph.D.
Robert M. Anderson, University of California, Berkeley, Ph.D.
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Kate Bahn, Washington Center for Equitable Growth, Ph.D.
Dean Baker, Center for Economic and Policy Research, Ph.D.
Erdogan Bakir, Bucknell University, Ph.D.
Stephen Baldwin, Retired, Ph.D.
Nina Banks, Bucknell University, Ph.D.
James Baron, Yale School of Management, Ph.D.
Lourdes Beneria, Cornell University, Ph.D.
Jared Bernstein, Ph.D.
Josh Bivens, Economic Policy Institute, Ph.D.
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Peter Diamond, Massachusetts Institute of Technology, Ph.D.
Adrienne Eaton, Rutgers University, Ph.D.
Peter Eaton, University of Missouri-Kansas City, Ph.D.
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Martin Hart-Landsberg, Lewis and Clark College, Ph.D.
Jeff Hayes, Institute for Women's Policy Research, Ph.D.
Adam Hersh, Former Chief Economist of the Joint Economic Committee, Ph.D.
Stephen Herzenberg, Keystone Research Center, Ph.D.
Emily Hoffman, Western Michigan University, Ph.D.
David Howell, The New School, Ph.D.
Candace Howes, Connecticut College, Ph.D.
Jennifer Hunt, Rutgers University, Ph.D.
Jeffrey Keefe, Rutgers University, Ph.D.
Mary C. King, Portland State University, Ph.D.
Janet Knoedler, Bucknell University, Ph.D.
Ebru Kongar, Dickinson College, Ph.D.
Brent Kramer, City University of New York, Ph.D.
Haydar Kurban, Howard University, Ph.D.
Paul Leigh, University of California, Davis, Ph.D.
Henry Levin, Columbia University, Ph.D.
Oren Levin-Waldman, Metropolitan College of New York, Ph.D.
Mark Levinson, SEIU, Ph.D.
Frank Levy, Massachusetts Institute of Technology, Ph.D.
David B. Lipsky, Cornell University, Ph.D.
Pamela Loprest, Urban Institute, Ph.D.
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Prasannan Parthasarathi, Boston College, Ph.D.
Manuel Pastor, University of Southern California, Ph.D.
Mark Paul, New College of Florida, Ph.D.
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Emmanuel Saez, University of California, Berkeley, Ph.D.
Isabel Sawhill, Brookings Institution, Ph.D.
Peter Schaeffer, West Virginia University, Ph.D.
William Schaniel, University of West Georgia, Ph.D.
Stephen J. Schmidt, Union College, Ph.D.
John Schmitt, Economic Policy Institute, Ph.D.
Geoffrey Schneider, Bucknell University, Ph.D.
Juliet Schor, Boston College, Ph.D.
Robert E. Scott, Economic Policy Institute, Ph.D.
Heidi Shierholz, Economic Policy Institute, Ph.D.
Rachel Silbermann, Connecticut Voices for Children, Ph.D.
Andria Smythe, Howard University, Ph.D.
Younghwan Song, Union College, Ph.D.
Sarah Spell, Ph.D.
Case Sprenkle, University of Illinois, Urbana-Champaign, Ph.D.
William E. Spriggs, Howard University and AFL-CIO, Ph.D.
Marshall Steinbaum, Roosevelt Institute, Ph.D.
James Stewart, The Pennsylvania State University, Ph.D.
Frank Stricker, CSU Dominguez Hills, Ph.D.
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Chris Tilly, University of California, Los Angeles, Ph.D.

Laura Tyson, University of California, Berkeley, Ph.D.
Johan Uribe, Denison University, Ph.D.
Paula Voos, Rutgers University, Ph.D.
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Robert Wassmer, California State University, Sacramento, Ph.D.
David Weil, Brandeis University, Ph.D.
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Jeannette Wicks-Lim, University of Massachusetts, Amherst, Ph.D.
Charles Wilber, University of Notre Dame, Ph.D.
Sarah Wilhelm, Ph.D.
Robert B. Williams, Guilford College, Ph.D.
Valerie Wilson, Economic Policy Institute, Ph.D.
Yavuz Yasar, University of Denver, Ph.D.
Alexandria Zhang, Ph.D.
Ben Zipperer, Economic Policy Institute, Ph.D.

Ms. ADAMS. All of these individuals are in support of the notion that a $15 minimum wage is beneficial to our economy and is long overdue.

Ms. Eckhouse, you state in your testimony that when workers have more money in their pockets, they spend it. Why is it that—so why is it that it is so important for a business, including a business like yours that does not sell directly to consumers?

Ms. ECKHOUSE. Thank you for your question, Congresswoman.

One thing that is very important to us is, of course, what we make is sold to be eaten, and people need to be able to buy it so that they can enjoy it and we can continue as a business. So that is the first element. People have to have money in their pockets to buy food, and we make food. That is one thing that we do.

The other thing that is important is that if people in our employ or in other companies' employ have more money, they can do things like purchase goods and services in their communities, and that is really important.

Ms. ADAMS. Ok. Everybody has to eat, and we heard this morning from laborers, workers who are in the fast food business and other businesses who have a difficult time trying to make the ends meet for their family.

Professor Reich, the research and the testimony of Ms. Eckhouse clearly makes a compelling case that increasing the minimum wage boosts consumer spending. What about savings?

Mr. REICH. First, I think her argument is borne out by a number of studies from the Federal Reserve Bank of Boston that show that the bigger the wage increase, minimum wage increase, the more consumer spending goes up. I think people who are making the minimum wage, most of them aren't saving, and probably most of their income, most of their increased income goes to items like food, to buying a used car.

The other effect that it has is on improving credit scores. And if you improve credit scores, you know, you have much lower interest rates and you can borrow. So ultimately, maybe it will get you to savings, but I don't think at $15 we are talking about a lot of savings.

Ms. ADAMS. Ok. Can you make the argument that raising the minimum wage allows individuals and families to make investments that provide long-term sustainable returns?

Mr. REICH. Well, first of all, I think people who are struggling to make ends meet every month—and that isn't just people who are below the poverty line, it is many people who are above the poverty line. The Federal Reserve just did a survey showing about one-third of Americans couldn't meet a sudden $400 financial requirement. One-third, that is a very large number.

Anyway, people who are struggling on a day-to-day level like that aren't—you know, they are having a hard time being organized. They are having a hard time getting their kids to school, getting their cars to work, dealing with all the disruptions that everyday life has. And so I think if they want to, you know, be able to invest in training and education, it requires more income. Often it requires more time, you know, being able to work.

Ms. ADAMS. Ok. Thank you very much.

Mr. Chair, I yield back.

Chairman SCOTT. Thank you. Ranking Member Foxx, do you want to be recognized?

Ms. FOXX. Would you recognize Mr. Comer?

Chairman SCOTT. Ok.

The gentleman from Kentucky, Mr. Comer.

Mr. COMER. Thank you, Mr. Chairman.

And, Ms. Barron, I really appreciated your testimony. The minimum wage is often talked about as a policy to help low-wage or lesser skilled workers, but you didn't seem to fit in either of those categories. You are earning a good living—

Ms. BARRON. I do, yes.

Mr. COMER [continuing]. in the restaurant business. But that was because of your skills and your work ethic—

Ms. BARRON. Yes.

Mr. COMER [continuing]. and your experience. Seattle's $15 minimum wage did not appear to help you. Would it have been better for the city of Seattle to just not do that and not try to help you?

Ms. BARRON. I didn't ask for the help. I was doing just fine. We don't have a tip credit in that city, and that is another reason why it just is not working out.

Mr. COMER. That is my experience. I was a state legislator for 11 years in Kentucky, and I look back from a historical standpoint and there were a lot of bills that passed with good intentions but had unintended consequences. And I want to say it sounds like a policy that was supposed to help workers now appears to be doing the opposite in Seattle.

As we are considering a legislative proposal to radically increase the Federal minimum wage and eliminate the tip credit, what would you want us to take into consideration, based on your experience?

Ms. BARRON. I would say take into consideration tip credit for sure. I mean, that is one of the reasons why tipped workers in Seattle are having a hard time now. The tip models are changing, and we are losing money. And, you know, I lose money on a daily basis under a service charge, which is something that is going citywide now.

And so I would say you have to look at this whole situation. It is a one-size-fits-all deal, and it doesn't fit everything. So please, you know, look at it a little closer.

Mr. COMER. And I couldn't agree more that one size does not fit all, because the economy in Washington State is significantly different than the economy in rural Kentucky, where I represent. So I appreciated that.

Dr. Strain, as you noted in your testimony, there are large regional differences in cost of living and average income. Obviously, the cost of living in Seattle is significantly higher than it is in Monroe County, Kentucky, where I reside. Can you elaborate on how a $15 minimum wage may result in disproportionate job losses in regions that have lower cost of living and lower average incomes?

Mr. STRAIN. Yes. In addition to those differences, there are also differences in the existing minimum wages. Some States follow the $7.25 Federal minimum. Other States have significantly higher minimum wages. And, you know, the important thing to consider

is how big of a shock will this be to the employers of low-wage workers?

There are many businesses who will see the cost of employing minimum wage workers double. There are some businesses who will see the cost of employing minimum wage workers not double, but go up by 50 percent or something like that. And it stands to reason, and the evidence bears out, that the larger that shock and the larger the increase, the harder it will be for businesses to deal with that without reducing employment.

Mr. COMER. And I will say again what I said in the first segment of testimony this morning. I believe that we are in a position in America now where we are finally starting to see wage growth. I think it is a result of policies over the last 2 years from a regulatory standpoint and from a lower taxation standpoint. Hopefully, we won't do anything to deter the job growth that is being created just from the market. There is a shortage of workers. It is basic supply and demand.

So I appreciate you all's testimony. Thank you, Ranking Member Foxx, for letting me ask questions.

And I yield back, Mr. Chairman.

Chairman SCOTT. Thank you. The gentlelady from Oregon, Ms. Bonamici.

Ms. BONAMICI. Thank you, Chairman Scott.

And to the witnesses, I apologize I was not here to hear you present your testimony, but I certainly have reviewed it. I think it is important to keep in mind as we have this conversation about the Raise the Wage Act, which I am proud to support, that the increase is phased in. It is not all of a sudden. And also, low-wage workers spend their additional earnings. They go right back into the local economies.

Ms. Gupta, in your testimony, you talk about how over 31 million children, two out of every five children live in households with at least one working person earning less than $15 an hour. Can you talk a little bit about how—because we talked a lot about the wage earners, but can you talk a little bit about the children and how these low incomes affect them, their health, their education as they are growing up?

Ms. GUPTA. Yes. Thank you, Congresswoman, for the question. Everyone should be paid fairly, including young people. And some young people working—some young working people I should say currently being paid the lower youth subminimum wage, they are also students. Some of them are the sole family wage earner. We heard from Mr. Wise this morning, who talked about his own experience being the main provider for his family and being unable to do so on the existing minimum wage.

The National Employment Law Center notes that of the 18-and 19-year-olds that are enrolled in college, 70 percent are working. And so that is why we have to be paying attention to the role that young people play in their families. For many of them, they really are, you know, mainstream supporters and earners for their families and have a lot of other obligations.

Ms. BONAMICI. So it is fair to say that the children who are being raised by parents making less than minimum wage are affected as well. It doesn't just affect the wage earner; it is affecting their fam-

ilies and their children as they are growing up, because they might not have the food and resources and healthcare they need.

Ms. GUPTA. Absolutely.

Ms. BONAMICI. And also, Ms. Gupta, I want to get a couple questions in. Oregon is one of those States that prohibits employers from paying tipped workers a subminimum wage. I said this morning I was surprised to find out that there were other states that allowed a subminimum wage. Research demonstrates that workers in the seven States that have eliminated subminimum tipped wage continue to receive tips from customers. Businesses have not suffered hardship.

In your testimony, you discuss the origins of the tip minimum wage, which are intertwined with the history of slavery in this country. Why do some states still continue to allow it and who would benefit from gradually phasing it out, as proposed in the Raise the Wage Act?

Ms. GUPTA. Well, the civil rights history I think or the history of the tip minimum wage is crucial to understanding why States need to move away from it. The reality is that poverty rates for people who work for tips are more than twice as high as rates for working people overall. And the people most affected are women of color, low-wage earners. The median annual income for tipped workers of color is $14,300. For black working people, it is even lower at about $12,900 per year.

And as we noted, tipped workers have not received a raise in 28 years, but the actual racial impact and the gender impact of the current policies in states that have frozen the tip minimum wage for so long really disproportionately impacts women of color in families.

Ms. BONAMICI. Thank you.

And, Dr. Reich, thank you for your testimony. The most recent increase to the Federal minimum wage a dozen years ago did not address inflation rates, or in my State of Oregon, we indexed to inflation, based on the CPI.

And I wonder if you could talk a little bit about how $15 in 2024 does not equal $15 in today's dollars. When you adjust past increases to the Federal minimum wage for inflation, how does the Raise the Wage Act compare? Based on your research, can you address projected effects on employment?

Mr. REICH. On employment? Well, first, the question on indexing, there are about ten states that index their minimum wages, and I couldn't find any difference on the employment effects in the states that do and the states that don't.

The States that do index and have for a long time, like Washington and Oregon, are actually a very interesting research topic, because in the rest of the country the real minimum wage has fallen where there hasn't been indexing and it stayed at $7.25. So you see an increase in the minimum wage, but then in the subsequent years the real value decreases. So, you know, are we really observing an increase in the minimum wage when we look at those events? In the index states, we do see those events. So I think that is—and in those states, we don't see negative effects on employment from indexation.

Indexation means that there is a planful, you know, approach to the minimum wage each year, which means a small couple of percent increase rather than the kind of sawtooth pattern that we have, we have big increases every 10 years or so followed by long periods where we don't.

Ms. BONAMICI. Thank you.

And I yield back. Thank you, Mr. Chairman.

Chairman SCOTT. Thank you.

The gentleman from Kansas, Mr. Watkins.

Mr. WATKINS. Thank you, Mr. Chairman.

Dr. Strain, you bring up the fact that there is a lack of international evidence regarding the effects of doubling minimum wage. In fact, you explained how States who increase their minimum wage are taking on a gamble. Now, I asked for international comps because I have lived outside the U.S. most of my career. I have been to about 75 countries, and I have never seen a country with more economic opportunity and more freedom and a chance to advance as the United States.

So my question is, why is there a lack of international evidence that might compare to what this committee is considering today?

Mr. STRAIN. Well, I think it serves to highlight how major, how big of a decision this would be for the Congress. There are not countries that have gone up to a level like $15, because $15 is a very high wage. There is a reason why in the United States only until very recently no states had gone up to $15, and there is a reason why the Federal minimum wage is less than half of $15.

Mr. WATKINS. Can you think of any other nations in particular that might have come close?

Mr. STRAIN. I think Great Britain is around $12 or so.

Mr. WATKINS. All right. That is all I have.

Thank you, and special thanks to Ms. Barron. I really appreciate your willingness to come and speak with us today. Your testimony was very moving and you are very selfless. Thank you.

Ms. BARRON. Thank you.

Chairman SCOTT. The gentleman yields back.

The gentlelady from Florida, Secretary Shalala.

Ms. SHALALA. Thank you very much, Mr. Chairman.

Just to begin, Florida's minimum wage as of January 1st is $8.46. It does increase with the rate of inflation, but a living wage in Miami-Dade, in my district in particular, would have to be almost $13. So I very much support this gradual increase.

If I could start with Mrs. Eckhouse, I am very excited to see you, because I get your meat through Murray's.

Ms. ECKHOUSE. Wow, I am thrilled. Thank you.

Ms. SHALALA. I have to disclose that. So I am a big fan.

Ms. ECKHOUSE. Wow, that is really exciting. Thank you so much.

Ms. SHALALA. I am interested because you are in the middle of Iowa, obviously in a small—it looks like a small town in Iowa. Tell us a little about the turnover rate, how long your employees have worked for you, because I have always been interested in when you raise wages what that actually does with turnover and retention. You obviously have done this over a long period of time.

Ms. ECKHOUSE. So we opened our plant—we built our plant in 2004 and we opened it in 2005, in February. Our longest term em-

ployees have been with us since then, just a few. And we have had periods of greater and lesser turnover, but we do have a lot of loyalty among our employees. They appreciate that we pay high wage to them, as high as we can manage, that we give them regular increases in their wage. And we have a lot of other elements that we offer to our employees in addition to their hourly wage or their salary.

But we have—we really—given the industry that we are in, which is the meat processing industry, we have a relatively low rate of turnover among our employees; and that is, as I said in my testimony, really critical to us, because, like all businesses, what we do is unique, but ours is possibly more unique than others, which I realize is not a grammatically correct formulation. But really, what we do is unusual and we need to train people very carefully to do a good job. And it takes a long time to train them, and to have people walk out the door because they can get more money somewhere else, that is damaging to us as a business and discouraging to us as well.

Ms. SHALALA. Thank you very much.

Dr. Reich, I have been very interested in your work for some time, and I am particularly interested in the discussion, and you are talking to us a little about the offset for minimum wage, the SNAP program, for example. And that is, by raising the minimum wage, I believe we would save money on the Supplemental Nutrition Assistance Program, because there would be less people using that program as the minimum wage went up.

Mr. REICH. That is right. I looked at not just the rules, which say that there is a ceiling above which you are no longer eligible for the SNAP program, and that it is not really—or to mix my metaphors up, I guess, it is not a cliff. You don't fall off it all of a sudden. It is a gradual decline in the food stamps that you get. And when I compared that across states with different minimum wages and try to make everything else controlled so that it was a controlled experiment, we found that, indeed, higher minimum wages led to lower food stamp expenditures as well as food stamp enrollments.

Ms. SHALALA. I appreciate that.

Mr. Chairman, just raising, increasing the minimum wage in my State of Florida to $10.10 per hour would decrease SNAP expenditures by $290 million. So when we talk about raising the minimum wage, we have to look at how it would offset certain Federal programs and actually create an offset that would be significant for the Federal Government.

Thank you. I yield back.

Chairman SCOTT. Thank you. The gentleman from Idaho, Mr. Fulcher.

Mr. FULCHER. Thank you, Mr. Chairman.

I think my question is best geared toward Dr. Strain. In our State of Idaho, approximately 65 percent of our commerce in the tax receipts come through what would be considered a small business or ag-based economy. And I just try to look at this, and I understand what my good colleague from Florida just mentioned about the potential offsets with Federal programs, but that is tax-

payer money as well. If we take that minimum wage to $15 in our State, where does that money come from?

Mr. STRAIN. Well, the money comes from smaller profit margins for businesses that can continue to employ workers. The money comes from employing fewer workers and finding more cost-effective ways for businesses to conduct their operations without workers. So one obvious example of that is switching from human cashiers to automated kiosks and things of that nature.

You know, there is no kind of magic source of money for these things. When Federal regulation says that you can't pay a worker less than $15 an hour, businesses take that as a given unless they break the law. And, of course, there is a nontrivial rate of subminimum wage payments. The higher the minimum wage goes, the more of a problem that will be.

But businesses take that as a given and then decide whether or not it makes sense to hire the next worker. And the concern is that businesses will decide it does not make sense to hire the next worker.

Mr. FULCHER. Thank you. So in our situation potentially as policymakers, we would need to go into this understanding that part of the calculus, part of the result, part of the impact of implementing this would be that we are knowingly redistributing that revenue from one party to another, because what I am hearing you say is that the prices would have to go up or they would have to figure out how to put cost down in some other area.

Mr. STRAIN. Yes. One way to think about it in those terms is that you are taking money away from low-skilled, less experienced workers and giving it to workers who get to continue keeping their jobs, who will disproportionately be higher skilled workers with more experience. And, you know, I think the position that you are in is to decide whether that is a good tradeoff.

Mr. FULCHER. Thank you, Dr. Strain.

Thank you, Mr. Chairman. I yield back.

Chairman SCOTT. Thank you. The gentleman from Michigan, Mr. Levin.

Mr. LEVIN. Thank you, Mr. Chairman.

With permission, I would like to submit for the record a letter from I think 10 or 12—I didn't count them—organizations representing disability rights groups, just an incredible range of groups, the Autism Society of America, Disability Rights and Education Defense Fund, National Down Syndrome Congress, supporting the bill.

Chairman SCOTT. Without objection.

[The information follows:]

January 15, 2019

The Honorable Bobby Scott
The Honorable Mark Pocan
The Honorable Stephanie Murphy
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Scott, Representative Pocan, and Representative Murphy:

The undersigned organizations are writing regarding the introduction of the Raise the Wage Act of 2019. We want to thank you for including in the bill a phase out of the use of 14 (c) certificates under the Fair Labor Standards Act (FLSA), which currently allows certificate holders to pay workers with disabilities less than the minimum wage.

Employment of people with disabilities has long been a bi-partisan national goal. The Workforce Innovation and Opportunity Act (WIOA) of 2014 established as a priority competitive integrated employment, where people with disabilities work in mainstream jobs alongside, and are paid comparable wages to, co-workers without disabilities. WIOA furthers the goal of the Americans with Disabilities Act (ADA) to advance the economic self-sufficiency of people with disabilities.

Yet despite the clear national priority for competitive integrated employment, nearly 230,000 people with disabilities are legally paid sub-minimum wages under Section 14(c) of FLSA, largely in settings where they are segregated from their nondisabled peers and broader society. The subminimum wage creates and reinforces a life of poverty and dependency on public support.

As the Congressionally-created federal Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities ("the Committee") described in its report to Congress and the Labor Secretary:

> [There is an] underlying need to amend Section 14(c) of the FLSA so that it reflects and aligns with modern federal disability policy and laws, which are based on the assumption that all individuals with disabilities are capable of, and have a right to, [competitive integrated employment]. The current widespread practice of paying workers subminimum wages, based on assumptions that people with disabilities cannot work in typical jobs, or on assumptions about the unavailability of alternative work opportunities, is antithetical to the intent of modern federal policy and law.[1]

The National Council on Disability, an independent federal agency charged with advising the President, Congress, and other federal agencies regarding policies that impact people with disabilities, has repeatedly called for the elimination of sub-minimum wages under Section 14(c), including in its recent report, "National Disability Employment Policy, From the New Deal

to the Real Deal: Joining the Industries of the Future."[2]

The inclusion of 14(c) in the Raise the Wage Act sends a clear message to Congress and to the public that it is no longer acceptable to pay individuals with disabilities less than the minimum wage. The undersigned organizations stand ready to assist you and your offices as this critical bill moves through Congress. The inclusion of 14(c) in the Raise the Wage Act sends a clear message to Congress and to the public that it is no longer acceptable to pay individuals with disabilities less than the minimum wage. The undersigned organizations thank you again for including in the bill provisions to end this unfair and outdated treatment of people with disabilities.

Please contact Alison Barkoff, Policy Advisor to the Collaboration to Promote Self Determination (abarkoff@cpr-us.org or 202-854-1270) or Amanda Lowe, Senior Policy Analyst at the National Disability Rights Network (amanda.lowe@ndrn.org or 202-408-9514 ext. 101) if you have any questions or to follow up on this letter.

Sincerely,

Association of People Supporting Employment First
Association of University Centers on Disabilities
Autism Society of America
Autistic Self Advocacy Network
Bazelon Center for Mental Health Law
Center for Public Representation
Collaboration to Promote Self Determination
Disability Rights & Education Defense Fund
Institute for Community Inclusion
National Association of Councils on Developmental Disabilities
National Council on Independent Living
National Disability Institute
National Disability Rights Network
National Down Syndrome Congress
TASH

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[1] https://www.dol.gov/odep/topics/pdf/ACICIEID_Final_Report_9-8-16.pdf
[2] https://ncd.gov/publications/2018/new-deal-real-deal

Mr. LEVIN. And, Ms. Gupta, I would like to ask you a question about this very matter, their letter. The FLSA has a provision, section 14(c), as you know, that allows individuals with disabilities to be paid a subminimum wage. As your testimony States, some are paid as little as pennies an hour. Why is it important to phaseout 14(c) to ensure all people in this country are paid a fair wage, as these groups are requesting?

Ms. GUPTA. Thank you, Congressman. Section 14(c) of the FLSA was actually written at a time when individuals with disabilities were predominantly housed in institutions and endured long-term segregation. At that time, there were no statutory requirements that would support individuals with disabilities in the workplace, and individuals with disabilities didn't actually have legal protections from discrimination.

And when Congress passed the ADA in 1990, it ushered in a new era, and then the Supreme Court issued their *Olmstead vs. L.C.* opinion. And the reality is that people with disabilities deserve to work alongside friends, peers, and neighbors without disabilities. They deserve to earn fair wages, to access equal opportunity for advancement. And the 14(c) of the FLSA has really locked classes of people with disabilities, particularly with intellectual and developmental disabilities, into really degrading subminimum wage and sheltered workshops.

Mr. LEVIN. And I assume it almost assures their continued dependence on family or Federal dollars of other kinds to be able to live and have food and shelter and so forth.

Ms. GUPTA. That is right. It has created an increased long-term dependency and, of course, this also can create deeply kind of humiliating and personal experiences that make people with disabilities feel like kind of subhuman.

Mr. LEVIN. Yes. I have to say, Mr. Chairman, for 4 years I ran the work force system of the State of Michigan, and one of the most delightful parts of my job was handling all the areas that help people with disabilities live independently and gain employment. And it was probably the area I learned the most in, but also we really do a disservice to huge swathes of our population if we say that they don't deserve to earn a basic minimum wage. So thank you for that.

Dr. Reich, I would like to ask you a question I don't think has come up that much. And I don't know if there is good research on this or not, but I feel like these discussions about the minimum wage lack imagination. And your profession is famous for lacking all imagination, so maybe it is an unfair question.

There are profound, profound effects on the economy of having more money in working people's pockets. Is there research to show the economic impacts to the restaurant, to, you know, the local store, to the barber shop, to the auto dealer when people are making more money in the community, and what happens, where that money goes and what it does to Main Street?

Mr. REICH. Thanks for the question. I know of two studies on spending effects of the minimum wage. One is done at the Federal Reserve Bank in Chicago, in the research department, and the other more recently the Federal Reserve Bank of Boston.

Both found big spending effects, because people had more money in their pockets. And the Boston one actually looked most closely at food—restaurant spending, rather. And it found that while restaurant prices went up, restaurant sales also went up. So the prices did not deter people going to restaurants at all.

Mr. LEVIN. You know, I think that is such a profound point. I know from my own experience that the restaurant industry is, you know, is a big opponent of this. And I just think that the experience in States and cities that have raised their minimum wage, and when you visit them they have unbelievably thriving restaurant scenes and high, high employment.

So I really hope that we will pass this bill and we will allow workers to have more dignity and more self-sufficiency in our country, and it will actually help grow our economy and make it more fair. Thank you very much.

I yield back, Mr. Chair.

Chairman SCOTT. Thank you.

The gentleman from Pennsylvania, Mr. Thompson.

Mr. THOMPSON. Chairman, once again, thank you for this marathon hearing.

Thanks to all of our panelists that are here. I appreciate that. I just want to make a comment, then I have got a couple questions. My comment is, I don't know how many of you have ever—I spent 28 years before I came to Congress serving individuals facing life-changing disease and disability. I have spent a lot of time in supported workshops, supported employment sites. I spent a career trying to help adapt equipment, help look at facilitating processes, you know, to be able to help people achieve a competitive level of work.

And you can do all that, and there are still individuals with some very severe complex disabilities who you throw by the wayside by eliminating piecework or subminimum wage, you know, folks who are just so complex in their disability. But I challenge you if you have not, where these folks are still working—and, unfortunately, a lot of them have lost their jobs and are no longer able to have that sense of accomplishment, that thing that defines them, the pride that they take.

The coolest place I have ever been is in one of those sites on payday. And those checks, some of those checks aren't very large, but you would think that the way they receive it was like for a million dollars. The self-esteem, the work.

And so before you throw people with complex severe disabilities under the bus with some type of flawed policy that ignores the needs of the very, very disabled. We are not talking about—you know, I worked to help facilitate people back into life in a full and robust way. I encourage you to check that out.

Dr. Strain, I want to just—the first question is about the future of a lot of minimum wage jobs. As I travel around, I am from a very rural district. You know, I go into grocery stores, self-checkout counters now. Restaurants, there is no wait staff, you order on electronically. Gas stations. I mean, all just kind of a lot of places where—not everywhere, but a lot of minimum wage jobs that I have heard referenced today, I mean, they are low-skilled jobs and so technology is eliminating a lot of those. It is not going to totally

eliminate them, but—and that is really why I look to a ladder of opportunity. You want people to do better in life, help them connect with the work that this body has already done, in terms of career and technical education training, skills-based education.

Dr. Strain, any thoughts on how the advancement of technology in some of these settings where we have low-wage jobs are impacting low-wage jobs?

Mr. STRAIN. Yes. I think that is an excellent point. The cost of that technology has been going down over time. And low-skilled workers, minimum wage workers have to compete more fiercely in order to have those jobs. A potential risk of raising the minimum wage at all, much less to $15 an hour, is that just tips the cost-benefit calculus in favor of those kiosks and that technology and away from hiring a human worker.

But there is even a more important point than that. Low-skilled workers, even if they are no longer going to be employed as cashiers as technology continues to get better and cheaper, do constitute a pool of available resources for businesses. And businesses are smart, and they are going to try and figure out a way to use those workers.

So a $15-an-hour minimum wage not only makes it harder for businesses to employ those workers today, it makes it much harder for businesses to figure out how to employ those workers in the future doing new kinds of jobs that don't currently exist yet.

Mr. THOMPSON. Dr. Strain, you note in your testimony that worker productivity is primarily a factor in wage levels. How do education and skills development, the skills-based education factor into productivity?

Mr. STRAIN. Well, they increase it. So if you are thinking about productivity is roughly how much revenue can you generate every hour you work for your firm? How much additional revenue can you generate for the firm? The more skills you have, the harder you work, the more education you have, which is a primary way we transmit skills, the more revenue you are going to generate, the more valuable you are going to be, the more firms are going to compete over you and the more your wage is going to go up in the market.

Mr. THOMPSON. And we have a skills gap today. And I would just love, encourage folks to, you know, to check with the work force investment boards, the different great agencies that are out there, our community colleges, just the great places where you can access this type of education.

The Federal Government is supporting that in a way more than what we ever have in the past with this piece of legislation that we enacted last year. And I really do think that is the pathway to greater opportunity.

Thank you, Chairman.

Chairman SCOTT. Thank you. The gentleman from New York, Mr. Morelle, is recognized for 5 minutes.

Mr. MORELLE. Thank you, Mr. Chair. I will pay particular attention to the shot clock. I apologize for exceeding my time earlier today.

Thank you to the panelists for being here. Over the years in the New York Assembly, I met regularly with the Center for Disability

Rights, a not-for-profit community-based advocacy and service organization for people with all types of disabilities. And during my many conversations with the CDR, a recurring topic was the question of phasing out the subminimum wage for individuals with disabilities and working toward a Federal law, to allow those workers to earn the same wage and not face discrimination on the basis of the discrimination.

Ms. Gupta, if I might ask you, section 14(c), the Fair Labor Standards Act, allows for individuals with disabilities to be paid a subminimum wage. It was written at a time when individuals with disabilities were predominantly housed in institutions, something that, gratefully, is no longer the case in many places. There was no statutory requirement, as I understand it, to support individuals with disabilities in the workplace, and the individuals did not even have legal protections from discrimination.

I am just curious, can you describe how our legal framework has changed regarding those protections and supports for individuals in all aspects of society and how this does impact and necessitates the phasing out of 14(c)?

Ms. GUPTA. Yes. As you said, Congressman, section 14(c) of the FLSA was written at a very particular period of our Nation's history when there really was no legal framework for understanding discrimination against people with disabilities. And then when Congress passed the Americans with Disabilities Act in 1990, it really ushered in a very broad new wave of protections, kind of a new era for people with disabilities in our country.

And then the Supreme Court kind of further elucidated the protections in 1999 in a case called Olmstead versus L.C. and recognizing I think what was a crucial tenet of the ADA, the community integration mandate. And it was there in that case that the court said that the ADA bars unjustified institutional isolation of persons with disabilities.

And when I was in the Justice Department, although my predecessor started this, there was a real effort to ensure that mandate had real meaning in the lives of people with disabilities and to seek to make sure that where there were sheltered workshops that were segregated facilities that really excluded or primarily just focused on employment for people with disabilities who had little to no contact with people who did not have disabilities, there was a real effort to ensure that people with disabilities could work alongside peers and have equal opportunity to employment.

And that is why we have seen a number of states actually now, both through litigation but happily through legislative action, take the charge to end 14(c) and to have a phased-in opportunity to raise the minimum wage for people with disabilities.

Mr. MORELLE. Thank you for your answer. And actually, you answered my next question, which related to the conflict with the 14(c) and the ADA, so I appreciate your comment on that.

Let me just in closing, six states, as you mentioned, have completed or are in the process of phasing out 14(c). I think Vermont and New Hampshire have completely phased out. Maryland, Alaska, Oregon and Rhode Island are in the process of it, and I understand Hawaii and Kentucky are at least considering it.

Can you just talk about the other benefits individuals with disabilities experience other than financial benefits from the phasing out of 14(c) and moving into a competitive integrated employment setting?

Ms. GUPTA. Yes. I mean, so much of what we are talking about today is really about the dignity of work and people with disabilities feeling the dignity of being human beings entitled to the same protections as any other people in this country and being able to participate in the mainstream economy with people without disabilities, to have the opportunity, to have equal opportunity for jobs and housing and the like.

And that this move from the ADA to Olmstead and beyond is really about ensuring that people with disabilities have equal opportunity and are not kind of considered, you know, folks to be segregated out of the mainstream economy.

Mr. MORELLE. Very good. Thank you again to all the panelists for your great work.

Thank you, Mr. Chair. And with that, I ask unanimous consent to submit into the record a 2018 report from the National Council on Disability that renews its recommendations for the phaseout of section 14(c) of the Fair Labor Standards Act.

Chairman SCOTT. Without objection.

[The information follows:]Mr. Morelle

National Council On Disability: https://www.govinfo.gov/content/pkg/CPRT-115HPRT36713/pdf/CPRT-115HPRT36713.pdf

Mr. MORELLE. Thank you, sir.

Chairman SCOTT. Thank you. Thank you.

The gentleman from Pennsylvania, Mr. Smucker.

Mr. SMUCKER. Thank you, Mr. Chairman.

One of the opportunities I think we have here is to implement policies that continue to lift more people out of poverty. I know one of the goals of mine is to try to find ways that we can give people the opportunity to connect with a good-paying job and to provide that dignity that Ms. Gupta was just referring to.

Dr. Strain, I would like to talk about the doubling of the Federal minimum wage in that context. Some people believe that doubling the minimum wage is an effective antipoverty policy. Is that the right way to view it?

Mr. REICH. It is certainly not the way I view it. The benefits of increasing the minimum wage are that workers' earnings go up. But if you look at who those earnings accrue to, they are to households that are not below the poverty line, on the whole. So it is certainly the case that the minimum wage is a very poorly targeted antipoverty tool. In addition, the costs of the minimum wage are borne by workers without a lot of skills, workers without a lot of experience. Those workers are much lower income, on average.

And so you have this policy where the benefits go to people who are further up the income distribution. The costs are borne by the least-skilled, least-experienced, most vulnerable workers in society. If your goal is to help out, you know, middle class households, maybe that is a reasonable tradeoff. If your goal is to help the working poor, then it is certainly not, in my view.

Mr. SMUCKER. Ms. Barron, just to followup to that, according to the U.S. Census Bureau, about 60 percent of working age Ameri-

cans who live in poverty do not work at all and, therefore, would potentially not benefit from a minimum wage increase. But, that said, I firmly believe that the vast majority of Americans desire the dignity of earning that success and would work for a living if the opportunities existed.

Based on your experience, do you think that more than doubling the Federal minimum wage will make it easier or harder for unemployed Americans to find work and begin to make a living?

Ms. BARRON. In my opinion, I would think it makes it harder. I mean, we have seen support staff jobs, which are typically jobs that people who are right out of school take or people, you know, low-income workers I guess you could say or just people starting out would take, and those jobs are going away.

In Seattle, we have a chain called Red Robin, and they employ a lot of people across the State and across the country, I believe. And due to the $15-an-hour minimum wage increase, they went ahead and wiped out all of their support staff. Now, that is bussers and hosts and food runners and things of that nature. And these are, again, jobs that, you know, when you are first starting out of school, I started that way. I started as a busser. And, you know, you work your way up through that industry.

So, you know, I think people that are unemployed looking for jobs to start out in any sort of industry probably are going to have trouble, if something like Red Robin is an indicator.

Mr. SMUCKER. There has been some discussion about teens, teens entering the work force.

Ms. BARRON. Yes.

Mr. SMUCKER. And my son is 16 years old, has several different jobs, is, by the way, thrilled with that one job was $9.50 per hour. But I was part of a presentation recently—I would just like to get your reaction to this—measuring the success of people who enter the work force.

And in the view of this presenter, he was showing statistics that where he believed that having a job during high school was one of the best indicators of whether someone would be successful after that. Do you agree with that?

Ms. BARRON. I do agree with that. And my son is going to be turning 16 next week. And, you know, I have raised him since at a very young age to start to work. You know, whether that is doing dishes at home or now he currently has a job walking dogs.

Mr. SMUCKER. I was speaking to an owner of a restaurant in my area, a mixed bar and grill, saying that, you know, people who have been there for some time were earning well over $40,000 per year and more. And his view, as an owner of a business who enjoyed providing jobs for teens, said that would be much more difficult to do if they had to start at $15 an hour. Do you see that as well?

Ms. BARRON. Yes. At the restaurant where I work, we are trying to hire people now that, you know, have way more experience. So, again, we don't have those support staff jobs. So now we have to hire—you know, if we are hiring bartenders and such like that, we are looking at people that have had a lot of, lot of experience. And, again, those are hard to find, because now we are going to a service charge. And so people with a lot of experience have actually moved

out of the city. So we are seeing people leaving the city, because the minimum wage increase is impacting how they make their money.

I honestly—I mean, for young kids, I think of myself when I was 17 coming out of high school. And my mom worked in a restaurant. She got me a job bussing tables. And I think about how I worked my way up through the industry, and it has allowed me to survive and do some of the things that I wanted to do in my life. And I think about myself at 17, 16 years old, and wonder about the kids nowadays. Like my son, like I don't know what he is going to be doing, you know, if he starts in the restaurant industry. I am trying to tell him don't do that, but—

Mr. SMUCKER. Thank you.

Chairman SCOTT. The gentlelady from Michigan, Ms. Stevens.

Ms. STEVENS. Thank you, Mr. Chairman, and thank you for this wonderful day of hearings on a very important topic. And thank you to our incredible panelists for being here today. Your testimonies have mattered a great deal.

As someone who was managing a multimillion dollar federally funded portfolio focused on the future of work in the digital age of manufacturing in the age of automation before I was running for Congress and was now in Congress, it is obvious that the question around the future of work must be undergirded within our present reality, that the question of our economic orientation is, how do we choose to value human work and what are we handing over to automation versus what are we giving to people.

The question of has a hamburger—excuse me, has a machine ever been able to buy a hamburger? No, that machine never has, that we must live in a human-driven and oriented economy.

So I have got four quick questions for Dr. Strain, who I believe you are, you know, capable of answering these. Could you answer quickly, what is the yearly income of a person living in poverty?

Mr. STRAIN. The yearly income of a person living in poverty?

Ms. STEVENS. Yes. What is our federally indexed rate for somebody—

Mr. STRAIN. It varies, depending on how many children you have in the household. Say $20,000 dollars.

Ms. STEVENS. Ok. And what is the income of a person working full time at the minimum wage?

Mr. STRAIN. A person working full time at the minimum wage is $15,000, roughly.

Ms. STEVENS. And do you know how much our Federal Government spends on SNAP benefits a year?

Mr. STRAIN. Not precisely, no.

Ms. STEVENS. Ok. And so I take it you don't know how many are working full time who may happen to be utilizing SNAP benefits?

Mr. STRAIN. Who are working full time who are utilizing SNAP benefits? Not—

Ms. STEVENS. Yes, the percentage of our work force. Ok. Well, we can do that as a question for the record after the hearing.

So, Ms. Gupta, quickly for me, can you describe for us what this means to work full time in the U.S. at the poverty rate? How does this impact a person's access to healthcare, to equal opportunities?

What does this mean for women, and particularly what does this mean for women of color?

Ms. GUPTA. Yes. I mean, this means that women and women of color are harmed by—there is a pretty significant gender pay gap, and it targets in particular women of color because they can't access and won't have as much security around healthcare, and transportation, and additional money to support their families. And so there is a lot of—you want me to do this quickly, so I will just say that women of color in particular are deeply harmed by these kinds of policies and their ability to actually enter the mainstream economy.

Ms. STEVENS. Well, there is lots of narratives to share around this important topic, and I appreciate your deep and thorough testimony that covers this, and thank you for being here with us today.

Mr. Brodeur, you gave a great testimony, and I come from the great State of Michigan where increasing the minimum wage is overwhelmingly popular in my home state. And as I talked about the future of work in the digital age of everything, it certainly means a great deal to you, someone who is representing the largest robust automotive supply chain in the country. But I would love for you to share a little bit more about your experience and your work, particularly how did you see increasing the minimum wage as stimulating or revitalizing cities or towns across your state? What impacts did that on your local economies?

Mr. BRODEUR. You know, thank you for the question because Massachusetts, I think, has had a little bit of a different perspective because we have done what you all started to talk about doing here in terms of gradually raising the minimum wage. Starting in 2015, we did a round dollar year minimum wage increases. We took a year off, and then with the most recent legislation, over the next 5 years we will go up to $15.

So we do not have the problem that I think is built into the system you currently have where if you don't raise it, then it becomes harder to raise it, and then there is an argumentative that is a shock to the system, so we better not raise it, so folks get left behind.

What I think is really important for you people to understand about Massachusetts and why I appreciate the question is particularly from the morning session. I heard Boston talked about maybe two or three or four times as, you know, a wonderful place but a very high wage, high expense place, and therefore, all of Massachusetts must be the same. That is not at all the case. We have rural areas, particularly in Western Mass, that struggle with some of the issues that I have heard about here today.

In some places, median income is less than half of what is in Boston. We also have gateway cities. My friend from Greater Lowell can tell you about Lowell and Lawrence and some of those surrounding communities that essentially were—were really industrial dynamos but have struggled a little bit to make the transition that Boston and Cambridge already have into the digital economy, the service economy.

So when we thought about how to approach the minimum wage and how to target things, we viewed it as an opportunity to raise

folks up, to put money into people's pockets so that those parts of the economy that aren't entirely Boston-driven will have an opportunity to participate in that success. And that was part of—you know, we kind of did a lot, quite frankly, in the last legislative session around raising people up.

This was an important part of it, but again, we approved that we needed to give folks the opportunity to invest in themselves, and really, get off the ground floor, to get education, to get into some of the middle skilled jobs that we are desperate to fill in Massachusetts.

Ms. STEVENS. Well, thank you for doing that work, and I yield back the remainder of my time.

Chairman SCOTT. My distinguished colleague from Virginia, Mr. Cline.

Mr. CLINE. Thank you, Mr. Chairman. I appreciate everyone's time today, and I noted with interest the comments of my colleague from Michigan talking about the industries that are there. And it is a different economy than the economy of my State, the Commonwealth of Virginia, and different than Representative Brodeur's Commonwealth of Massachusetts, another commonwealth. But we do share similarities in that there are rural parts and suburban parts that have more robust economies, more diversified economies.

And so I wanted to start by asking Dr. Strain. The effect of an increase in the minimum wage on unemployment is fairly straightforward. You have noted that in your testimony. Is there an indirect inflationary pressure on the cost of goods and services in an area, say, rent or other types of products that an increase in the minimum wage may influence?

Mr. STRAIN. Yes. So when a business faces an increase in the minimum wage, they have to absorb that cost somehow. One way to absorb that cost is by having fewer workers work there. Another way to absorb that cost is by raising prices. And you see that when the minimum wage goes up, the prices that businesses that employ minimum wage workers charges also go up.

This is, you know, kind of a double-edged sword for those minimum wage workers in that sense because a lot of the customers of businesses who employ minimum wage workers are low wage workers themselves. So you give a worker a raise with your right hand, and then you take it back or some of it back at the cash register with your left hand.

Mr. CLINE. And so those States that are pushing for a higher minimum wage are adjusting to the cost of living in their respective States, and I think what you are seeing are different States facing different pressures.

Representative Brodeur, you may be able to answer this. In Massachusetts, with regard to a Federal minimum wage, there is a support for a floor in the wage versus a set dollar amount, all States shall pay a minimum wage of X. But would there be any kind of support for an increase in the minimum wage beyond an adjusted amount that reflected the cost of living? I mean, would you want to increase the minimum wage if the cost of living mandated an increase to $15, and you all were given a choice to increase it to $20? Would that be something that you all would enter-

tain in Massachusetts, or would you want to target it more toward the cost of living?

Mr. BRODEUR. We just got to the 15 thing, and that was a big lift, so we would like to take a little bit of time off, I think.

One thing we did not do is indexing, and I know that is part of the chairman's bill. And I think one reasons it is part of the chairman's bill is because what historically was a bipartisan, well supported kind of regular process where the minimum wage would go up has become something of a political football. Quite frankly, that hasn't happened in Massachusetts.

One thing that is interesting about the commonwealth and our legislature is any bill that is filed gets a hearing, and every session folks file bills around minimum wage in many flavors, quite frankly. So it is kind of always on our mind. It is always a topic of discussion. It is not something we do and then hope it goes away—

Mr. CLINE. If in a state like Virginia or a state that is more rural where you may not have the inflationary pressures or the pressures on cost of living to increase to a full $15 minimum wage, should a state be able to adjust it to something less where it maybe more accurately reflects the cost of living for that state?

Mr. BRODEUR. I don't think so, respectively. When I think back to the original setting of the minimum wage toward the end of the Great Depression, there was a national floor, and what we have heard from people that are way smarter than me, both in this panel and the panel before, is if we kept up with inflation and productivity, where would that be on the national level? It would be somewhere between 12 and 18 to 22, it sounded like.

Mr. CLINE. As a former fellow State Representative, I would rather leave that to the states to make that decision as it specifically applies to each state's cost of living.

But I appreciate it, and I yield back, Mr. Chairman.

Chairman SCOTT. Thank you. The gentlelady from Massachusetts, Mrs. Trahan.

Mrs. TRAHAN. Thank you, Mr. Chairman. Thanks again for bringing us together to hear this important panel. I am so proud that Massachusetts—well, I am so proud to be from Massachusetts for a number of reasons, and it is because of Senator Brodeur's work not just on this issue but on healthcare, education, on gun violence prevention. We are one of the states leading on raising the wage, and for that I am grateful.

There is no one more well suited to speak before us today than you, and in terms of what it took, the collaboration and thinking creatively to get this done. In your testimony, you talked about the importance of coalition this to pass the grand bargain that resulted in both paid leave and raising the wage. I love that your approach was inclusive and truly people powered, so my question. In your testimony, you mentioned that it was a strategic decision to invest in the working families of Massachusetts while also being a positive step forward for our business community. During that same period, Massachusetts businesses demonstrated relative stability and growth.

So I am wondering if you can talk about some of the specific positive feedback that you heard from Massachusetts businesses in terms of raising wages.

Mr. BRODEUR. There was certainly not unanimity of opinion, and that is why it was a grand bargain. There was give and take across a range of issues, both within paid family medical leave which was a more complicated, quite frankly, and challenging piece to put together because there were so many moving parts and the minimum wage piece and some other issues.

And we heard from—you know, we talked to folks, you know, one or two-person operations, folks in my district to some of the biggest employers in Massachusetts. One thing that everyone recognized was that both programs were incredibly popular, that there was tremendous support across the spectrum for the general idea of both initiatives, maybe not particular details.

You know in terms of the minimum wage, Mass, Inc. which is an organization that you are familiar that others might not be, a nonpartisan kind of think tank and polling entity that tested the waters on how popular or how supportive the public would be of these things, and they were popular across the board. Republicans, Democrats, IUndependents all supported it.

So what I think we needed to do, and why it was such a long process, is we needed to start with paid family medical leave and some fact-finding and some exploration, and we all needed to kind of speak the same language and understand what kind of benefits we were trying to provide, what would actually help working families, what would be impediments.

And we tried to be respectful of that and listen to what the business community in certain segments already provided in terms of wages and benefits and made sure that we didn't reinvent the wheel, that we didn't take away something that was better than what might be complemented or implemented under any particular plan.

And I think that went a long way toward building trust, for lack of a better way to say it, and having constant communication, having some significant disagreements for sure along the way but recognizing that this was coming, and it is important to working families, it is important to the economy of Massachusetts, and you know, and then kind of putting the pieces together.

And it was a humbling process to be a part of because you don't see a lot of progress on big issues these days, and I think that is unfortunate, and I don't think that needs to be the case.

Mrs. TRAHAN. Yes, thank you. It was a testament not just to your leadership but I know that the grand bargain was in concert with our Republican Governor Baker as well as the many groups that you mentioned. Can you just discuss the implementation and the timetable for Massachusetts to transition to the $15 minimum wage?

Mr. BRODEUR. I can. So it will be over 5 years, and first—let me make sure I get this right. The first 3 years will be a dollar increase, and then the final 2 years will be $0.75 increase, ultimately bringing it to 2023. On the tip wage, we did not eliminate the tip credit, but we did expand. Compared to some of our peers, we had a very low tip credit. Not as low as the Federal tip credit for sure, but that will grow over the same timeframe up to $6.75 when it is done in 2023.

Mrs. TRAHAN. Great. Thank you so much. Thanks so much for all of your time. I yield back.

Chairman SCOTT. Thank you. The gentleman from Georgia, Mr. Allen.

Mr. ALLEN. Thank you, Mr. Chairman, and I appreciate everyone being here today. I come from the State of Georgia who is the best state to locate your business 6 years in a row. I was a small business owner in that state, and in Georgia, we pay the wages according to our employee's skill set. It is a free market environment, a growing economy that grows job which grows opportunity which grows wages. We reward a good day's work. My Democrat colleagues don't want to believe that we can produce economic opportunity in concert with growing wages without the government interfering.

Signing the front of the paycheck and providing folks with a good job has been the greatest honor of my life. That is why I oppose the Raise the Wage Act. This one size fits all, top down government regulation will destroy millions of hard-earned jobs and turn our growing economy and wage growth into decline. Democrats have focused on economic growth and getting the American people back to work. Free market initiatives that we know grow wages and grow jobs.

Dr. Strain, millions of jobs were created by our strong economy thanks to lower taxes and deregulation. How would raising the minimum wage to $15 hurt all of these economic gains we have been able to achieve?

Mr. STRAIN. Well, I think it is certainly the case that we have seen the low wage labor market doing a lot better over the last few years. A hot economy really has benefited that group of workers. We have started to see wages grow at a more rapid pace, for example. We have been seeing vulnerable workers, workers with disabilities, workers who have been incarcerated getting jobs at higher rates, and this is all wonderful news.

I am very concerned that doubling the Federal minimum wage will put a halt to a lot of that progress and will really gum up the works of job creation for workers without a lot of skills and without a lot of experience.

Mr. ALLEN. Three hundred and four thousand jobs in January.

Mr. STRAIN. That is quite a few.

Mr. ALLEN. Yes. Do you agree that raising prices is not always an option for many businesses?

Mr. STRAIN. Raising prices is not always an option for many businesses, particularly businesses in more competitive product markets. And again, you know, you have to raise prices quite a bit to absorb a $15 an hour minimum wage. This is not a $9 an hour increase we are talking about. This is doubling the Federal minimum.

Mr. ALLEN. Right. So how would a business double its rate of pay and not raise its prices?

Mr. STRAIN. Well, I think it would be hard for a lot of them to do that.

Mr. ALLEN. Which then causes the cost of living to increase—

Mr. STRAIN. Some of those businesses might invest in technology instead of hiring workers.

Mr. ALLEN. Yes—

Mr. STRAIN. Some of those businesses will—

Mr. ALLEN. They are going to figure out a way. Yes.

Ms. Barron, how has the Seattle minimum wage hike affected your working career?

Ms. BARRON. Well, I lose money on a daily basis. It is as easy as that.

Mr. ALLEN. Yes.

Ms. BARRON. And it is due to my employer having to navigate—

Mr. ALLEN. Yes.

Ms. BARRON [continuing]. the higher wage. So he went to taking away tip lines and going with a service charge. And under that service charge, I don't make as much as I could. And there is no way for me to maximize my income with my job, so it has changed my job quite a bit. It has pretty much stagnated what I could make.

Mr. ALLEN. So the government said we are going to raise wages, and your wages went down?

Ms. BARRON. Yes.

Mr. ALLEN. Ok. Your testimony talks about your friend who started her own pizza place.

Ms. BARRON. Uh-huh.

Mr. ALLEN. Tell us about that and what happened to your friend?

Ms. BARRON. So my friend Retu, she has been in the service industry as long as I have. She decided she wanted to try her hand at being an owner, and she started a pizza place called—I think it is called Z pizza, And she employed I think about 10 people, and then the minimum wage came. So she had her business for about 5 years, and she looked at the books and she said I can't make the numbers work. And she even went to our city council and said look. If you want to see, you know, try to make them work for me because I don't understand. I can't make it work, and so she just—instead of struggling, she just went ahead and closed it because she couldn't do it.

Mr. ALLEN. Ok. Well, thank you so much for your testimony, and I yield back, Mr. Chairman.

Chairman SCOTT. Thank you. The gentleman from Maryland, Mr. Trone.

Mr. TRONE. First of all, I want to thank everybody for their long day today, but it is a really important subject that we are embarked on. Raising the minimum wage is, plain and simple, the right thing to do for hard-working Americans. We heard a lot today from many people that have never owned a business, never been an employer, that raising the wage is bad for business.

Well, I started a business 30 years ago as an entrepreneur. I was the first employee. Guess what? I figured out how to make it work, and now that business employs over 7,000 folks across America in every region, every area of the country. We also employ hundreds of returning citizens as they deserve a fair wage too. But paying a fair wage was not just the right thing to do. It is the key to our success. The key to our success was paying a fair wage.

Higher wages lead, we spoke about earlier, lower employee turnover, reduced recruiting and training costs. But at the end of the day, happier customers. Ms. Eckhouse, in your testimony you also

connected, and Ms. Shalala was talking about it, higher wages with lower turnover so the growth of your business.

Could you talk a little bit about the piece that we don't touch on enough here, and that is all the productivity gains, the efficiency gains, the awesomeness of having team members that know a business and care about the customers, and those folks stay with you. They stay with you long times, long term, because they make a good wage, and they have good benefits. So could you talk about and give us some insights on how important that is?

Ms. ECKHOUSE. Well, thank you for your question. It is really critical to us to have people who work for us, whether they are working out in the fields selling what we make or whether they are working at home with us in the plant making what we sell who really understand what we are making, how it is sourced, how it is processed in our plant, how it is sent out in the world for people to consume.

And if they don't understand that, they cannot do a good job. And once they do a good job, they become invested in the process. They learn about it. They come up with ideas. If they have been with us for enough time, they can see improvements and suggest them to us. So we end up having a business that is not just a top-down business where we are telling people what to do. People are able to buildup from the bottom and because they fully understand the process, and they are invested in working for us because they can make an income that allows them to support their families.

Mr. TRONE. I think you hit on what is such an important point that nobody really talks about, and that is a business isn't run from top down. A business is run on ideas, great ideas, and that is what makes it success. And when the team members are empowered, the team members feel like they are part of the team because they are paid appropriately. They are paid fairly. That is when they have those insights, those ideas to make the business more efficient, more productive.

So I commend you on running that type of business. That is just the right way to do things.

Ms. ECKHOUSE. Thank you. I really believe that the labor is worthy of his or her hire, and we have to honor that.

Mr. TRONE. Without question. Dr. Reich, you mentioned in your testimony business can adjust to a minimal wage increase in several ways. They go from a low wage, high turnover model or what I chose, a higher wage, low turnover model. I shared some of my experiences. What does research tell us about how we quantify, quantify the actual cost of employee churn, employee turnover?

Mr. REICH. Thanks for that question. I happen to have published an article on that subject in the Journal of Labor Economics a few years ago, so—and actually, way back when I was a graduate student in the 1960's, I developed the idea of duly labor markets, that labor markets do differ. Some are high wage, low turnover, some are low wage, high turnover. And this paper I just published a few years ago actually showed that when the minimum wage went up that employee turnover went down quite a bit.

There are other studies that had already shown a correlation between the wage and turnover. This was really a study where we felt we had a causal identification. And as to the amount, well, it

varies by industry depending on what the costs of training are and where the vacancies are.

In low wage industries like restaurants or in certainly big box retail, turnover each year is over 100 percent. These are firms that are constantly looking for work. They have very high vacancy rates. There is a cost of vacancy. This is even more true when the unemployment rate is very low. And those are big costs that we don't, you know, talk about in Econ 1, in the simple supply and demand model. But when we add those costs in, those are substantial. We think they don't totally—savings on recruitment and retention costs don't totally offset increases in the wage costs, but they might offset maybe 20, 25 percent of it on average, obviously more in some industries than the others.

We couldn't look at the kinds of points that you are making about productivity or customer satisfaction so that might possibly add to that effect as well.

Mr. TRONE. Thank you very much. That is all, Mr. Chairman.

Chairman SCOTT. Thank you. The Ranking Member, Dr. Foxx.

Ms. FOXX. Thank you very much, Mr. Chairman. I want to add my thanks to all the witnesses who have been here today. We have been here practically all day, and we are going to be here a little while longer. We have heard a lot of the same arguments over and over again.

I do think some Democrats, and maybe one on this committee, understands the free market, how it really works and the opportunities it creates for Americans from every walk of life. You know, I grew up in a house with no electricity, no running water, and I have been working since I was 12 years old. And my husband and I did run a business, so I know what it is like to create jobs, to try to keep jobs going, and to meet a payroll. And I think almost every member of our committee on this side of the aisle understands that, so I know Mr. Trone isn't talking about our folks not knowing how to run a business and what it takes.

But it seems to me that there are people not always understanding the opportunities that the American way of life creates for Americans or maybe how smart business owners are in this country. After all, we have gotten to be a great country because of the capitalistic system.

But I think the reason we have been here all day and we have been hearing these points made over and over and over again is perhaps some of our colleagues are trying to convince themselves and the rest of us that a socialist campaign talking point could actually be good policy, but I am not sure it worked.

So I want to thank our witnesses who have come here today. I especially want to thank Ms. Barron for giving voice to those Americans who aren't in lockstep with the labor interests driving this misguided campaign to eliminate jobs, particularly you, Ms. Barron, understanding you took time away from your workplace to be with us here today.

We want to see wages go up for every working American, every single one, and they do go up for Americans. We are seeing more wage growth than we have in decades because of the smart economic policy that has empowered workers. Pushing back on heavy-handed regulations and giving Americans real tax reform has

opened up opportunity and wage growth that actually helps American families.

And we know, one of our witnesses has already said, that employers are already free to pay higher wages than minimum wage, and it works. And guess what? Other employers understand that too. The law already allows it. But why do our colleagues want to force the government to run everybody's life in this country? The growth we are experiencing right now makes a $15 Federal mandate look like the political stunt it really is. Washington doesn't need to be making any more decisions for the people of this country.

The dysfunction we have all experienced and all commented upon the last couple of months is all the proof we need that decisions about worker paychecks certainly shouldn't be up to anybody in this city. We can spend our time trying to justify socialist ideas as mainstream, or we can spend our time looking for ways to put money in people's pockets by their earning that money and not taking it from one person's pocket and putting it in another one. We can sustain era of growth and opportunity. On our side for the sake of American workers, we are going to stay focused on the latter.

And with that, Mr. Chairman, I yield back.

Chairman SCOTT. Thank you. The gentlelady from Washington, Ms. Jayapal.

Ms. JAYAPAL. Thank you, Mr. Chairman, and thank you all for being here. I know it has been a long day, and we appreciate it.

I want to just correct the record on a couple of things. I was on the committee that raised the $15 minimum wage. I am glad to see one of my constituents here, and I appreciate your traveling here, although I imagine perhaps you don't support my position on this issue based on your testimony. I certainly appreciate hearing from you.

And I will tell you that we heard all of the arguments through months of testimony about what this was going to do to destroy the economy in Seattle, about all the restaurants that were going to close. And we went back through recently all of the restaurants that came to testify before us, and the majority of them had actually opened new restaurants, new restaurants.

And so I will just say that you just need to look at our booming economy in Seattle to understand that the minimum wage law has worked and, in fact, we even heard the same arguments when we indexed minimum wage to inflation back in 2001, that this was going to destroy our state's economy, that it was going to create problems. People were going to flee to other states. But people including, I think maybe Ms. Barron, moved to Washington State in part because we have a booming economy and jobs to take.

I also just want to respond to the comment about a socialist campaign talking point. Let me just tell you that on our committee was one of the wealthiest capitalists, proud capitalists in our state, Nick Hanauer, who consistently has said over and over again that when workers do better, companies do better. When companies do better, the economy does better. When the economy does better, workers do better. It is a cycle that actually works over and over again.

We also had a small business owner, a tremendous number of small business owners and restaurant owners who have been doing the right thing for a long time. That included my friend and local Seattle restaurant owner Makeney Howell. And she said it best when she went to the White House Summit on Working Families back in 2014, and she said the economy—this is her quote. The economy is built from the bottom up, not the top down. Every job should be an economy-boosting job.

Makeney for years, even before our law went into effect, would pool her tips and distribute them equitably to all the workers so that you take away that discrepancy between front of the house workers who may earn a lot in tips, and there were some workers who were earning a lot in tips who saw those tips go down, but it was because it was being shared with people in the back of the house.

And so these are really important—there has been a lot of talk about Seattle today, and I am thrilled that is the case, but let me tell you as somebody who actually helped craft that law, who was on the front lines of making sure we heard the testimony, that the testimony that we continue to hear is simply not accurate.

Does it mean that Ms. Barron is not correct in her wages? Of course I am not saying that, but I did want to ask you, Ms. Barron, about the organization that you are affiliated with. It is called the Full Service Workers Alliance of Seattle. Is that correct.

Ms. BARRON. Correct.

Ms. JAYAPAL. And are you aware that the FWSA is part of a group called the Restaurant Workers of America?

Ms. BARRON. It is not part of the Restaurant Workers of America. That is not correct.

Ms. JAYAPAL. Well, I have the research showing that it is part of a national network of server groups called the Restaurant Workers of America.

Ms. BARRON. It is not part of the Restaurant Workers of America. The Full Service Workers alliance is a group that I cofounded with a friend of mine. We are a loose group of about 1100 full service workers, and that includes front of the house and back of the house.

Ms. JAYAPAL. Thank you. Are you aware since you.

Founded the organization, I assume you are, that a former FSWA member so severely misrepresented his role in the group and the details of the Seattle Secure Scheduling Law in a King 5 TV news interview that the station's news director was forced to pull it down.

Ms. BARRON. That is incorrect. That is incorrect. If you watch—

Ms. JAYAPAL. Ok. Well, I would be happy to take that information from you so that we understand because this is what our research has shown and I wanted to make sure—

Ms. BARRON. Well, your research is incorrect.

Ms. JAYAPAL [continuing]. that people know what the organization is. So let me turn to Miss Gupta. The Fair Labor Standards Act when it was passed excluded certain classes of workers in a compromise to appease Southern States. Those workers tended to be women and people of color, and the vestiges of those policies still impact those communities today.

Thank you for make the arguments in your opening Statements that this is actually a women's issue. Can you speak about how raising the minimum wage would help right some of those economic wrongs?

Ms. GUPTA. Yes. Thank you, Congresswoman.

African American and Latino working women in particular are overrepresented in low pay jobs and women of color are more likely than any other group to be paid the lowest wages. Gradually raising the Federal minimum wage to $15 an hour by 2024 and indexing it to median Federal wages and ensuring that working people are actually able to cover basic expenses like housing, food, and transportation would be a huge, huge win for working people.

Working mothers, especially, are likely to be paid low wages, and that is why for the leadership conference, representing a broad constituency of communities of color and women, this particular bill would go a long way to closing the gender pay gap but also addressing kind of structural disparities that are created through racial difference.

Ms. JAYAPAL. Thank you very much. I see my time has expired. I yield back.

Chairman SCOTT. Thank you. The gentleman from Texas, Mr. Castro.

Mr. CASTRO. Thank you. Perfect timing. So I guess I ask this question. I just obviously came here from another meeting, but who has been opposed to a minimum wage increase over the last few years on the panel? Anybody else? And I guess what has been your main opposition?

Ms. BARRON. I am losing money. I am losing income because of the $15 an hour minimum wage increase.

Mr. CASTRO. And do you think that it should be less? Do you think it should be, like, $11 or just no minimum wage or $6 an hour?

Ms. BARRON. Well, I think I would leave that up to you folks to determine that, but all I know from my experience is that I am losing money because of loss of tips, because of the rise in the minimum wage, and I don't feel that workers' voices in the full service industry have been represented at all in this talk.

Mr. CASTRO. So I guess your point is that you are not against a minimum wage. You think that $15 is not the right amount?

Ms. BARRON. As everything is proposed at this point in time, I am finding myself as days go on opposed to the rise in minimum wage altogether.

Mr. CASTRO. You would freeze it.

Ms. BARRON. Yes. I would like to have a tip credit in Washington State, and we are not having that conversation. We are, I guess, not allowed to have that conversation in Washington State.

Mr. CASTRO. I guess let me ask you. The reason I ask is the U.S. Chamber of Commerce for years would not support increasing the minimum wage, even by a penny. I mean, at all. And I know that obviously you are in the service industry. Are you a waitress?

Ms. BARRON. Yes.

Mr. CASTRO. That is different from somebody working at, say, Whataburger in Texas or somewhere else?

Ms. BARRON. Right.

Mr. CASTRO. So you have been opposed for a while to a minimum wage increase, even one cent on minimum wage?

Mr. STRAIN. Yes. I would be opposed to raising the Federal minimum wage at all.

Mr. CASTRO. And I guess why is that? So you don't think it should ever be raised? I mean, 50 years from now it should never be raised?

Mr. STRAIN. In my view the primary focus should be on providing economic opportunity to the least skilled, least experienced, most vulnerable workers in our society. Those workers are the workers who will bear the cost of a minimum wage increase. If you raise the minimum wage by one penny, how many of them would be worse off? You know, I don't know. Not nearly as many as if you—

Mr. CASTRO. No, but you would agree also that their expenses go up, the cost of living goes up, people need a higher wage, right?

Mr. STRAIN. Another reason to be opposed, another reason why I am opposed is because there are better tools that Congress has to help those workers. Expanding Federal earning subsidies puts more money in the pockets of the working poor and actually increases employment rather than reduces employment.

So when thinking about how to help these workers, I think Congress should look at the full range of options and not only focus on the option that is going to put a lot of them out of work.

Mr. CASTRO. Sir, I guess I disagree with you on your first point about not increasing the minimum wage, but I mean, you understand that other people that are opposed to increasing the minimum wage are also opposed to the subsidies you are describing.

Mr. STRAIN. I am only speaking for myself, Congressman.

Mr. CASTRO. Ok. I think part of the reason that we have gotten here and part of the reason that there is such frustration with the income inequality in this country is because the U.S. Chamber of Commerce and major business organizations have not taken the lead even though some companies on their own, including members of the Chamber of Commerce, have actually raised their own minimum wage on their own. And it is interesting that is an instance where private industry has actually been ahead of the main industry group that is coming to Washington and in their name arguing against raising the minimum wage by even one penny. I think that—

Mr. STRAIN. I don't know—

Mr. CASTRO. I am in my comment part here. Thank you for your answers to my questions.

And I think that this could have been a very different conversation over the years if different groups and organizations had worked in earnest and in concert, not even necessarily with the Federal Congress but with the states and with their own workers in making an earnest attempt to raise the minimum wage.

But that has not happened now for decade, longer than a decade, that those conversations have happened. And so we find ourselves in a country where income inequality has grown, where workers have gotten very frustrated, where there is in American society now, I think, a real resentment at the fact that people—that you get more and more billionaires in our country, and you have a lot

of people that may have a job but feel as though they have no future in their work. And that is where we find ourselves today.

I yield back. Thank you, Chairman.

Chairman SCOTT. Thank you. The gentlelady from Illinois, Ms. Underwood.

Ms. UNDERWOOD. Thank you, Mr. Chairman, for calling this hearing, and thank you to all the witnesses for appearing here today.

I am going home to Illinois 14th tomorrow to hear what our community has to say about this issue, and I am glad to have the opportunity to hear from experts like you today.

Mr. Chairman, I would also like to ask for unanimous consent to submit a letter from advocate Aurora Health in Illinois for the record.

Chairman SCOTT. Without objection.

[The information follows:]

AdvocateAuroraHealth

February 7, 2019

Chairman Bobby Scott
House Education and Labor Committee
2176 Rayburn House Office Building
Washington DC 20515

Ranking Member Virginia Foxx
House Education and Labor Committee
2176 Rayburn House Office Building
Washington DC 20515

Re: Written Testimony for the Hearing Record Submitted to the House Education and Labor Committee "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Dear Chairman Scott and Ranking Member Virginia Foxx,

On behalf of Advocate Aurora Health (Advocate Aurora), the 10th largest not-for-profit integrated health care system in the country, stemming from the combination of Illinois-based Advocate Health Care and Wisconsin-based Aurora Health Care, I would like to thank you for your leadership and for holding your hearing today, February 7, 2019 on *"Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."* We appreciate the opportunity to submit a letter for the record highlighting Advocate Aurora's recent decision to raise the minimum wage for our employees to $15 by the year 2021.

Background

Advocate Aurora is a national leader in clinical innovation, health outcomes, consumer experience and value-based care, serving more than 2.7 million patients, including an estimated 500,000 Medicare beneficiaries and more than 450,000 individuals with Medicaid coverage across more than 500 sites of care. As a major employer in the Midwest, we have more than 70,000 team members, including more than 22,000 nurses and the region's largest employed medical staff and home health organization. Together, each year, Advocate Aurora is engaged in hundreds of clinical trials and research studies, and is nationally recognized for its expertise in cardiology, neurosciences, oncology and pediatrics. We are proud to have contributed $2 billion in charitable care and services to our communities in 2017.

Raising the Minimum Wage

Our healing ministry is focused on helping people live well and that begins with our own team members. To that end, we announced in November 2018, that Advocate Aurora would increase our system-wide minimum wage to $15/hour by early 2021, with a plan for $13/hr by mid-2019 and $14/hr in early 2020. In addition to our mission to advance health and wellness and promote healing, we also seek to be a destination employer where our team members feel valued, have opportunities for growth and connect with our values and purpose-driven culture. As one of the largest not-for-profit employers in Illinois and

AdvocateAuroraHealth

Wisconsin, this decision aligns with our longstanding commitment to be market competitive and remain a place that attracts and retains top talent.

Competitive wages are just one aspect of the comprehensive approach we are taking to advance our compensation and benefits. Other key components of total compensation include education assistance, a retirement savings program, discounted medical and drug coverage and career advancement initiatives. We know that if our team members feel this is the best place to work, our patients will feel this is the best place to entrust their health and wellness. We want to support physical and economic well-being for our employees and their families.

While we continue to face shrinking reimbursements and increasing pharmaceutical costs, we see this as a critical investment in our most valued resource, our employees. Continuing to ensure that our team members have access to rewarding jobs with comprehensive benefits, competitive wages and an engaging work environment will not only strengthen our workplace, it will strengthen economic well-being and enhance the quality of life in our communities from Green Bay, Wisconsin to Bloomington-Normal, Illinois and everywhere in between.

We are proud to be an industry leader in advancing minimum wage. Advocate Aurora thanks you for the opportunity to submit testimony for the Congressional record and appreciates your leadership on this important issue.

Sincerely and respectfully submitted,

Kevin Brady
Chief Human Resources Officer
Advocate Aurora Health

Ms. UNDERWOOD. Thank you. I think many people don't realize if you're working full time to support your family right now at the Federal minimum wage, you are making $15,080 a year. That is not a livable salary anywhere in America today, and so I would like to learn more about how gradually raising the minimum wage can help workers and small businesses.

Ms. Eckhouse, you have been paying a livable wage since you started your small business almost 20 years ago. In that time, have you seen the livable wages you pay contribute to lower levels of turnover, and would you say that this has been better for your bottom line?

Ms. ECKHOUSE. Thank you for your question. Yes. We have seen lower turnover than we might have as expected in our business, and that has benefited our company. It benefits us in a lot of ways. We have more knowledgeable employees, we have more committed employees, and we are all able to work together to improve what we make.

Ms. UNDERWOOD. That is great. And is it your experience that because you pay a livable wage and therefore have less turnover, you are able to dedicate more time to growing your business instead of a cycle of hiring and training new employees?

Ms. ECKHOUSE. Yes. That is correct. And our employees are also able to contribute to better management of our business because they have been there longer and are more familiar.

Ms. UNDERWOOD. And so you would say that paying a livable wage is an importantly part of your small business's success. Is that right?

Ms. ECKHOUSE. Yes, I would.

Ms. UNDERWOOD. I am really encouraged by research showing that gradually raising the minimum wage can help reduce wage inequality and have a positive effect on women's economic security, so I really appreciate Miss Gupta's comments. I would like to just pivot for a second.

Professor Reich, what does the current research say about the impact on health outcomes? I am a nurse, and so often I like to ask about the health impact as a result of the increase in the minimum wage.

Mr. REICH. And thank you for that question. This is a very new area in my minimum wage research is to look at the health impacts, and there are about 20 studies, and they are not unanimous. No economists never are unanimous, so that is not a negative sign. But there are definitely good studies, high quality studies that show that higher minimum wages reduce smoking rates, they reduce obesity, they reduce prediabetic conditions.

In a study that I have done but I have not yet published, they reduce suicides. There would be, like, 700 fewer suicides a year with every 10 percent increase in the minimum wage.

Ms. UNDERWOOD. Wow, those really powerful findings. Thank you.

I appreciate your testimony this afternoon. I do also recognize it has been a long day and know how important this issue is for workers, for business owners, and for the future growth of our economy in this country, so thank you for your service, and I yield back my time.

Chairman SCOTT. Thank you. And I recognize myself for questions. And I would like to begin by responding to the idea that this is a socialist talking point. I would point out that Arkansas and Missouri recently by referendum passed increases in the minimum wage or a similar track to what we are doing in this bill by votes of well over 60 percent.

Representative Brodeur, who has been helped in Massachusetts by the minimum wage increase?

Mr. BRODEUR. Working families certainly have been. Again, as I started in my opening remarks talking about we see teens that are about 20 percent of our teens supplying 20 percent of the household income, you know, for folks that are really at poverty level. That is huge, and it leads to, you know, some of the results that Dr. Reich was talking about in terms of those dollars leading to better outcomes for families over the long term.

It has also provided opportunities for folks to again to advance themselves. Education, we all agree, is the pathway to success both early ed and an environment where the family is more stable. Kids have more success, and those young adults that are trying to get higher ed or a certificate or whatever the case may be to improve their opportunities in the job market also benefit.

Chairman SCOTT. Thank you.

Dr. Strain, in your testimony, you indicated there are better ways to help the working poor. I think you mentioned the earned income tax credit. Is that what I understand you are referring to?

Mr. STRAIN. Yes, Mr. Chairman.

Chairman SCOTT. What are the other ways of helping the working poor?

Mr. STRAIN. Well, another way is through the child tax credit which has a refundable component that can go to support low-income Americans. Another way is to expand education and training programs. I think apprenticeships offer a particularly promising path forward to building worker skills which will allow them to be more productive and command higher wages. There are many, Mr. Chairman. There are many.

Chairman SCOTT. If you could supply those for the record after the hearing, I would appreciate it.

Mr. STRAIN. Of course.

Chairman SCOTT. Professor Reich, the 2014 Congressional Budget Office study showed a significant job loss. I understand there have been subsequent studies that come to different conclusions. Can you say what the overall body of research shows about whether or not low income workers are worse off as a result of an increase in the minimum wage?

Mr. REICH. The CBI doesn't do its own research on this topic. It just builds on and uses the research that other people have done, and they looked at the studies as of 2014 some by me, some by other people, and they basically took an average between those two as the effect on teens. That is not a very good scientific method because some of the studies are better than others.

And they had to extrapolate from what the effect is on teens the effect on adults, and they arbitrarily came up with a number, a ratio of one-third because adults on the whole are better paid. That again is not a very good basis. More recently, we have studies that

look at not only teens and restaurant workers but all workers, all jobs.

Dr. Zipperer, who was on the panel this morning, is the author of one of those studies, and it is a study—I think that it is stunning study. It has been described as the best minimum wage paper since the 1990's, and I agree. It is going to be the defining study. It is probably going to come out in the top economics journal in the world. It shows no negative effects.

Chairman SCOTT. Does the research show how restaurants react to an increase in the minimum wage as far as the way they treat their workers?

Mr. REICH. Yes. Well, first of all, you know, not everybody's paid at the minimum wage in a restaurant or any other industry, so the actual increase is usually about half. The actual increase in cost is usually about half. In labor costs, it is usually about half what the minimum wage increase. If the minimum wage goes up 10 percent and the labor cost increases about 5 percent, and labor is only about a third of operating costs.

So the actual increase in prices, full pass-through is maybe 1 to 2 percent, especially when you take into account turnover savings. So that is the main adjustment mechanism, not reductions in employment. And by the way, it does increase automation for those jobs that can be automated, but many jobs in restaurants cannot be automated.

Food prep is very, very difficult to automate. You cannot automate making a peanut butter and jelly sandwich, for example. It has been tried. And so you know, automation isn't just something that is free. It has to be actually—there has to be a technology for it.

Chairman SCOTT. Thank you very much. My time has expired, and I want to remind my colleagues of the process for submitting additional materials, and I want to thank our witnesses for their participation today. What we have heard has been very valuable.

Members of the committee may have additional questions and we ask the witnesses to please respond to those questions in writing. The hearing record will be held open for 14 days to receive those responses, and I would ask the colleagues to submit those questions within 7 days so that the witnesses have ample time to respond.

This hearing has demonstrated the benefits of increasing the Federal minimum wage to $15 by 2024, the benefits for workers, businesses, and the economy. No American working full time should be living in poverty, and by gradually increasing the minimum wage, you cannot only elevate the standard of living for nearly 40 million American workers but also put money back in their pockets to support local businesses.

And without objection, I ask that the letter and documents from the business for a fair minimum wage and the Economic Policy Institute be entered into the record and without objection, so ordered.

[The information follows:]Mr. Scott

Economic Policy Institute: https://www.govinfo.gov/content/pkg/CPRT-116HPRT36711/pdf/CPRT-116HPRT36711.pdf

Business for a Fair Minimum Wage Federal $15 by 2024 Sign On Statement

As business owners and executives, we support gradually raising the federal minimum wage to $15 by 2024. **It's good for business, good for customers and good for our economy.**

Workers are also customers. Today's $7.25 minimum wage – just $15,080 a year for full-time workers – doesn't even cover the basics. Raising the minimum wage puts money in the pockets of people who most need to spend it, increasing sales at businesses and boosting the economy.

Raising the minimum wage makes good business sense. Low pay typically means high turnover. Raising the minimum wage pays off in lower employee turnover, reduced hiring and training costs, lower error rates, increased productivity and better customer service. Employees often make the difference between repeat customers or lost customers.

Raising the minimum wage is smart policy. It will reduce the strain on the safety net caused by wages that people can't live on. It will help level the playing field for businesses and strengthen the consumer spending businesses depend on to thrive.

Inaugural Signers List in Formation

Over 200 Inaugural Business Signers as of February 6, 2019. Businesses continue to sign at https://www.businessforafairminimumwage.org/Federal-15-By-2024-Sign-On-Statement

Holly Sklar, CEO, Business for a Fair Minimum Wage

Margot Dorfman, CEO, U.S .Women's Chamber of Commerce

David Levine, President, American Sustainable Business Council

Brandon MacDonald, Owner, MacDonald Insurance Group
Birmingham, AL

Pete Turner, Owner, Illegal Pete's Restaurants
Tucson, AZ

Natasha Winnik, Owner, Originate Natural Building Materials Showroom
Tucson, AZ

David Bronner, CEO, Dr. Bronner's
Vista, CA

Rinaldo Brutoco, Founding President & CEO, World Business Academy
Santa Barbara, CA

Sattie Clark, Owner, Eleek Incorporated
Redwood Valley, CA

Eric Cohen, Owner, Justice Grace Vineyards
San Francisco, CA

Desi Dimitrova, Owner, Dimitrova Agency
San Dimas, CA

Jerome Dodson, President, Parnassus Investments
San Francisco, CA

Jim Frazin, Principal, Financial Planner, Communitas Financial Planning Inc
San Francisco, CA

Nicole Irmer, Founder and Principal Attorney, Law Office of Nicole Irmer
San Diego, CA

Ari Isaak, Owner, Evari GIS consulting inc
San Diego, CA

Martin Kruger, COO, Follow Your Heart (Earth Island)
Chatsworth, CA

Erin Musgrave, Principal, EMC Strategies
Santa Cruz, CA

Mark Nelson, Owner, Renaissance Remodelers
San Anselmo, CA

Ben Rosenthal, Owner, Sustainable Computing
Berkeley, CA

John Schmidt, Director, Quiksilver
Huntington Beach, CA

Donald Taylor, President, Continental-Pacific Lumber
Gold River, CA

Alan Thiesen, Vice-President, Digital Research (retired)
Nevada City, CA

Kelly Vlahakis-Hanks, President and CEO, Earth Friendly Products (Makers of ECOS)
Cypress, CA

Esther Wagner, CFO, Excellent Packaging & Supply
Richmond, CA

Ben C. Alexander, Certified General Appraiser, Ben C. Alexander Appraisers
Byers, CO

Bryan Birsic, CEO, Wunder Capital
Boulder, CO

Richard Correa, Owner, Richard Correa Agencies
Aurora, CO

Jenny Davies, Owner, Progressive Promotions
Denver, CO

Matthew Elliott, Partner, Super Humane
Denver, CO

Jeffrey Fierberg, CEO, Sora Digital
Denver, CO

Kyle Garner, CEO, Organic India USA
Boulder, CO

Chris Graves, Owner, Bardo Coffee House
Denver, CO

Sharon Hwang, Owner, The Wellness Center
Glendale, CO

John Kuebler, Owner, Kilgore Books
Denver, CO

Blake Manion, Founder, Soul Salve
Denver, CO

Stacey Marcellus, Co-Founder & CEO, Cappello's
Denver, CO

Chad Schubert, Director, Internal Operations, Pivot Energy
Denver, CO

Pete Turner, Founder/President, Illegal Pete's
Denver, CO

Samuel Weaver, CEO, Cool Energy, Inc
Boulder, CO

Hammad Atassi, CEO, American Sustainable Business Council
Washington, DC

Mike Englert, President, Eighty2degrees Design Studio
Washington, DC

Michael Lastoria, Founder and CEO, &pizza
Washington, DC

Gloria Nauden, CMO, City First Bank
Washington, DC

Michael Peck, Founder, MAPA Group
Washington, DC

Gina Schaefer, Owner, Logan, Glover Park, Frager's, Tenleytown, other Ace Hardware stores
Washington, DC

Aaron Seyedian, Owner, Well-Paid Maids
Washington, DC

Andy Shallal, Owner, Busboys & Poets Restaurants
Washington, DC

Fran Teplitz, Executive Co-Director for Business, Investing & Policy, Green America's Green Business Network
Washington, DC

Daniel Turner, President, TCG
Washington, DC

Gabriel Feldmann, Owner, The Feldmann Agency
Pensacola, FL

Matt Henderson, Owner, Henderson Agency
Orlando, FL

Joel Pollock, Co-Owner, Panther Coffee Roasters
Miami, FL

Kyle Johnson, Owner, Johnson Agency
Marietta, GA

Jamison Weatherspoon, Owner, Weatherspoon Agencies
Duluth, GA

Darryl Pellegrini, Owner, Music business
Aiea, HI

Mike Draper, Owner, Raygun LLC
Des Moines, IA

Kathy and Herb Eckhouse, Owners, La Quercia
Norwalk, IA

Bill Parks, President and Founder, NRS
Moscow, ID

James Brandt, Board Member, Ringspann Corp.
Franklin Park, IL

Elizabeth Colon, President, Metaphrasis Language & Cultural Solutions
Chicago, IL

Jerry Moors, Senior VP of Sales, Springs Window Fashions LLC
Roscoe, IL

Bob Olson, President and CEO, Olson Agencies
Lombard, IL

Kelly Vlahakis-Hanks, President and CEO, Earth Friendly Products (Makers of ECOS)
Addison, IL

James Cunningham, Owner, James Cunningham Agency
Indianapolis, IN

Ben Stallings, Co-Owner, Interdependent Web LLC
Emporia, KS

Teresa Hendricks, Owner, Lucia's World Emporium
Lexington, KY

Camille Moran, Owner, Caramor Industries, 4 Seasons Christmas Tree and Plant Farm
Natchitoches, LA

Angela O'Byrne, Owner, Perez APC
New Orleans, LA

Mallory Whitfield, Owner, Malaprop LLC
New Orleans, LA

Robert Baker, President, Key Polymer Corp.
Lawrence, MA

Jeff Barry, President, Boston Organics
Charlestown, MA

Dean Cycon, CEO, Dean's Beans Organic Coffee Company
Orange, MA

Fred Davis, President, Fred Davis Corporation
Medfield, MA

Rob Everts, Co-CEO, Equal Exchange
West Bridgewater, MA

Jen Faigel, Executive Director, CommonWealth Kitchen
Dorchester, MA

Julie Fraser, Principal & Director, Lyno Advisors Inc & Present Source
Cummaquid, MA

Valerie + Ihsan Gurdal, Owners, Formaggio Kitchen
Boston, MA

Laury Hammel, Owner and CEO, The Longfellow Clubs
Wayland, MA

Emily Kanter, Owner, Cambridge Naturals
Boston, MA

Michael Kanter, Owner, Cambridge Naturals
Cambridge, MA

Stephen Katsurinis, Owner, 8 Dyer Hotel
Provincetown, MA

Sonia Kowal, President, Zevin Asset Management
Boston, MA

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Annebeth Bunker, Owner, Annebeth's
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Tim Cureton, Owner, Rise Up Coffee Roasters
Easton, MD

Brian England, President, BA Auto Care
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Irwin Hoenig, Owner, Living Calmness
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John Mitchell, Owner, Interaction Law
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Abigail Rome, Owner, Tierra Vista
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Springfield, MO

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St. Louis, MO

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Columbia, MO

Pam Clark, Owner, Clark's Appliances
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Kansas City, MO

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Mike Draper, Owner, Raygun
Kansas City, MO

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University City, MO

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St. Louis, MO

Matthew Laufketter, Owner, The Ink Spot Inc.
St. Louis, MO

Paul Lauritsen, General Manager, Moonrise Hotel
St. Louis, MO

Leigh Lockhart, Owner, Main Squeeze
Columbia, MO

Andre McCullum, Owner, Hart-McCallum Agency
Earth City, MO

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Raytown, MO

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Alison Lueders, CEO, Great Green Content
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Kevin Marr, Owner, Motel Del Rogue
Grants Pass, OR

Mitch Rofsky, President, Better World Club
Portland, OR

Julie Wasmer, Owner, Food Smart LLC
Corvallis, OR

Simon Arias, Owner, Arias Agencies
Mars, PA

Mark Bortman, Owner, Exact Solar
Yardley, PA

Jonathan Brandow, Owner, BizMiner
Camp Hill, PA

Michael Lastoria, Founder and CEO, &pizza
Philadelphia, PA

Michael O'Connor, Owner, La Barberia
Jenkintown, PA

Deborah Schimberg, CEO, Verve, Inc/ Glee Gum
Providence, RI

Judy Doty, Operations Manager & CoFounder, Doty Scientific, Inc
Columbia, SC

Brady Quirk-Garvan, Owner, Money With A Mission
North Charleston, SC

Mark Tilsen, President & Co-Founder, Native American Natural Foods
Kyle, SD

Doug Havron, Owner, Gabby's Burgers and Fries
Nashville, TN

MaryAnne Howland, CEO, Ibis Communications
Nashville, TN

Steve Greer, CEO, American Income Life/National Income Life
Waco, TX

Carol Niemi, Owner, Aloha Services
Houston, TX

Michael Vasu, Owner, Vasu Agency
Houston, TX

Michael Lastoria, Founder and CEO, &pizza
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Sandra Leibowitz, Managing Principal, Sustainable Design Consulting, LLC
Richmond, VA

Sarah Mason, Owner, Poseidon's Pantry
Chincoteague, VA

Gina Schaefer, Owner, Old Town Ace Hardware
Alexandria, VA

Andy Shallal, Owner, Busboys & Poets Restaurants
Arlington, VA

Patricia C Heffernan, President and Founder, Marketing Partners Inc
Burlington, VT

Jeffrey Hollender, Chairman, Sustain Natural
Burlington, VT

Sue Morris, Owner, Editide
Marshfield, VT

Todd Walker, Senior Financial Advisor, Greenvest
Wells, VT

Rick Altig, President, Altig International
Redmond, WA

William McColl, Owner, McColl Studio Inc
Blaine, WA

Kelly Vlahakis-Hanks, CEO, Earth Friendly Products (Makers of ECOS)
Lacey, WA

Bruce Wade, Owner, Taurus Tech LLC
Mount Vernon, WA

Eric Yarnell, President, Heron Botanicals
Kingston, WA

Michael Katz, President, Molded Dimensions
Port Washington, WI

Gary Lemke, Owner, Gary L. Lemke Landscaping, LLC
Potter, WI

Jerry McGeorge, Vice President of Cooperative Affairs, Organic Valley
La Farge, WI

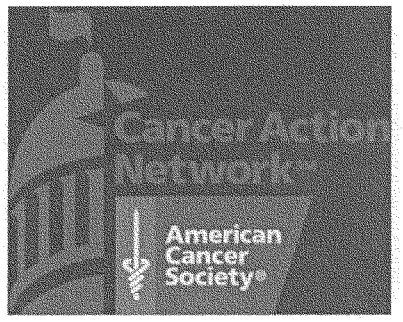
*** New signers will be added regularly**

Over 200 Inaugural Business Signers as of February 6, 2019. Businesses continue to sign at
https://www.businessforafairminimumwage.org/Federal-15-By-2024-Sign-On-Statement

Chairman SCOTT. We look forward to continuing the discussion as we advance the legislation.

Is there any other business to come before the committee? If not, the meeting is adjourned.

[Additional submissions by Ms. Adams follow:]



House Health Bill Would Lead to Less Coverage, Higher Patient Costs

PROPOSED MEDICAID RESTRUCTURE WOULD LEAVE NATION'S MOST VULNERABLE UNCOVERED

March 7, 2017

Washington, D.C., March 7, 2016—The legislation released by the House Energy and Commerce and Ways and Means Committees, while preserving some patient protections, will have the net effect of shifting health insurance costs to low and middle-income patients, significantly reduce the standards of what constitutes quality insurance, curtail the Medicaid expansion and over time substantially reduce over-all Medicaid funding.

A statement from Chris Hansen, president of ACS CAN, follows:

"The bills released by the House Energy and Commerce Committee and the House Ways and Means Committee retain key patient protections prohibiting insurers from charging more based on health status and prohibiting pre-existing condition exclusions. However, these protections are hollow if patients and survivors can't afford insurance that covers the health care services they need to treat their cancer diagnosis.

"ACS CAN has long advocated that any changes to the health care law should provide equal or better coverage for cancer prevention, treatment and follow-up care than what is currently available. These bills have the potential to significantly alter the affordability, availability and quality of health insurance available to cancer patients and survivors. Changing the income-based subsidy to a flat tax credit, combined with reducing the standards for quality insurance could return cancer patients to a world where many are unable to afford meaningful insurance or are left to buy coverage that doesn't meet their health needs.

"In 2015, approximately 1.5 million people with a history of cancer between 18-64 years old relied on Medicaid for their insurance. Nearly one-third of childhood cancer patients are insured through Medicaid at the time of diagnosis. The proposed repeal of Medicaid

expansion along with significant federal funding changes could leave the nation's lowest income cancer patients without access to preventive, curative and follow-up health care.

"Moreover, reduced federal funding combined with state-specific eligibility and enrollment restrictions will likely result in fewer cancer patients accessing needed health care. For low-income individuals these changes could be the difference between an early diagnosis when outcomes are better and costs are less or a late diagnosis where costs are higher and survival less likely.

"According to multiple independent analyses, 30 million individuals, including many cancer patients and survivors, now have insurance facilitated by current law. ACS CAN will continue to urge lawmakers to strengthen and improve the law in a way that reduces the national cancer burden."

ACS CAN, the nonprofit, nonpartisan advocacy affiliate of the American Cancer Society, supports evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem. ACS CAN works to encourage elected officials and candidates to make cancer a top national priority. ACS CAN gives ordinary people extraordinary power to fight cancer with the training and tools they need to make their voices heard. For more information, visit **https://www.fightcancer.org/**.

STATEMENT

House Republican Health Care Bill a Dangerous Step in the Wrong Direction, Would Harm Women and Children While Shifting Costs onto Hard Working Families

March 7, 2017

Health Care
Emily Hecker, 202/371-1999

Statement from Kristin Rowe-Finkbeiner, executive director and CEO of MomsRising.org, a national online and on-the-ground organization of more than 1 million mothers and their families, on House Republican's Affordable Care Act replacement plan

"The House Republican plan to obliterate the Affordable Care Act and replace it with a plan that would make health insurance less affordable, less accessible, and less comprehensive is a dangerous step in the wrong direction. This bill would create a health care crisis by throwing millions of people off of their insurance. If it is enacted, fewer people would be covered and those who do have insurance would have weaker protections and face significantly higher costs. It is now clear why House Republicans tried to hide this bill for so long. Congress must reject it immediately.

"The American Health Care Act makes a mockery of every campaign promise Donald Trump made about health care. It sets the stage for deep, punitive, permanent cuts to Medicaid in just a few years, which would cause grave harm resulting in rationing care for some of the most vulnerable people in our country: Black, Latinx, Asian, Native American, LGBTQ+, and low-income families; as well as pregnant women, people with disabilities, rural communities, and the elderly. The Republican plan would allow insurance companies to raise premiums and out-of-pocket costs, especially for seniors. The only winners would be the wealthy, and the losers, as too often is the case, would be women, communities of color, and all those who struggle to pay for health coverage and care.

"The GOP plan would put coverage out of reach for millions of families. It undermines one of the Affordable Care Act's (ACA's) greatest achievements—granting protection to those with pre-existing conditions—by forcing those with any significant gap in their insurance coverage to pay hefty penalties. Experts agree, this could lead to a toxic health care environment in which only those who are sick and can afford coverage get the health care they need.

"It would be devastating for people like MomsRising member Helena of Plantation, FL, who is a self-employed, single mother of three. Helena could not afford health insurance but, once the ACA was implemented, she applied and was approved, with her kids, for Medicaid coverage. But because Florida didn't participate in the Medicaid expansion, she was 'kicked off' in 2016. Luckily, she says, 'I was able to get coverage under the

ACA, and qualified for the tax credit, so I'm still insured. I worry that my insurance will be taken away, and that my kids will no longer be covered.'

"Further harming the health of women and families, the American Health Care Act would defund Planned Parenthood, cutting off health care—including birth control, cancer screenings and other essential health services—for millions of women who have no other health care provider.

"Simply put, this legislation would mean America's moms and families pay more for less comprehensive coverage, putting our families' and country's economic security at risk.

"MomsRising members have put pressure on Congress since January to reject a repeal of the ACA. Last month, our members delivered books with hundreds of stories from people who rely on the ACA, Medicaid, Medicare and CHIP to congressional offices in Washington D.C. and across the country to educate lawmakers about the impact of those programs. Thousands more have sent letters and made phone calls urging representatives to protect our health care coverage. We will work tirelessly to ensure that the American Health Care Act does not become law. Every lawmaker who supports it will have to answer to constituents."

# # # #

MomsRising.org is an on-the-ground and online grassroots organization of more than a million people who are working to increase family economic security, decrease discrimination against women and moms, and to build a nation where businesses and families can thrive. Established in 2006, MomsRising and its members are organizing and speaking out to improve public policy and to change the national dialogue on issues that are critically important to America's families, including criminal justice reform, immigration policy reform, and gun safety. MomsRising is working for paid family and medical leave, affordable, high quality childcare and early learning, and for an end to the wage and hiring discrimination which penalizes women — particularly moms and women of color — and so many others. MomsRising advocates for access to healthy food for all kids, health care for all, earned sick days, and breastfeeding rights so that all children can have a healthy start. MomsRising maintains a Spanish language website: MamásConPoder.org. Sign up online atwww.MomsRising.org — and follow us on our blog, and on Twitterand Facebook.

National Disability Rights Network Opposes American Health Care Act

For Immediate Release
March 7, 2017

Contact: David Card
202.408.9514 x122
press@ndrn.org

WASHINGTON – NDRN Statement on the American Health Care Act:

"The legislation revealed by House Republicans last night is a giant step backwards in the treatment and care of individuals with disabilities.

"It repeals the expanded Medicaid match that encourages the community integration of people with disabilities and counters biases that lead to institutionalization. It permits discrimination against people with disabilities in the insurance market for their pre-existing conditions. It caps Medicaid funding which means a sharp reduction in services and availability of this important health care lifeline for children and adults with disabilities. In short, this plan is terrible.

"The National Disability Rights Network urges the House not to send people with disabilities back to a time when it was nearly impossible for us to obtain health insurance, live in the home of our choice or participate in community life. We will never go back to those days. Never."

# # #

The National Disability Rights Network (NDRN) is the nonprofit membership organization for the federally mandated Protection and Advocacy (P&A) Systems and the Client Assistance Programs (CAP) for individuals with disabilities. Collectively, the Network is the largest provider of legally based advocacy services to people with disabilities in the United States.

[Additional submission by Mr. Courtney follows:]

Hartford HealthCare to raise minimum wage to $15 across health network

Hartford Courant, Jan 14, 2019

Hartford HealthCare will increase its minimum wage to $15 per hour this spring, raising the pay rate of more than 2,400 employees of the health care network.

About 12 percent of Hartford HealthCare's about 20,000 employees will benefit from the new minimum wage that takes effect March 31, the company announced Monday. The investment is expected to improve the health of the workforce, as well as increase employee retention, recruitment and satisfaction, Hartford HealthCare said.

The state minimum wage is $10.10 per hour, though Gov. Ned Lamont and the Working Families Party are among those calling for an increase to $15 an hour, as well as paid family and medical leave, to keep pace with gains in productivity.

"This important decision is a reflection of our respect for our staff and a product of our core value of integrity that calls us to 'do the right thing,' " CEO Elliot Joseph said. "Investing in the financial security of those who work with us is further recognition of everyone's contributions to carrying out our mission."

PAID POST What Is This?

The decision followed months of consideration, the company said.

Amazon made a similar move in October, announcing it would pay all of its U.S. employees a minimum of $15 an hour, more than twice the federal

minimum wage of $7.25. Last January, Bloomfield-based Cigna raised its base pay for U.S. employees to $16 an hour, and raised many employees' wages above that level - investments that totaled more than $15 million.
Other major American companies are approaching that benchmark. Costco pays more than $14 as minimum wage, Target has pledged to reach $15 by the end of 2020, and Walt Disney Co. aims to reach $15 at its California and Florida theme parks by 2019 and 2021, respectively.

These voluntary, corporate wage increases are the preference of groups like Employment Policies Institute, a nonprofit research organization that opposes government-mandated minimums.

“It’s demonstrative of why a state or federal mandate is so unnecessary," said Michael Saltsman, EPI’s managing director. "For years, we’ve been told the goal of corporate America and all these big companies is to keep wages low and the only way to raise pay at the bottom is to mandate it.”

He added, “The wrong lesson to take away is that it means every business can afford that kind of minimum, because we know that’s just not true.”
Saltsman argues that minimum wage hikes of any level are ineffective at reducing poverty, but do plenty of harm to businesses and economies. Companies that can’t keep up with labor costs either cut workers or close, Saltsman says, and in the event of a federal pay hike, states or municipalities would feel pressured to raise wages even higher, creating a viscous cycle of pay inflation.

Meanwhile, supporters say they want workers to be able to survive on a single salary.

In a tweet Monday, Vermont Sen. Bernie Sanders called the federal minimum of $7.25 "a starvation wage," as he vowed to introduce a bill this week to increase the minimum wage to $15.

Rebecca Lurye can be reached at ***rlurye@courant.com***.

[Additional submission by Ms. Davis follows:]

February 6, 2019

Congressman Bobby Scott
Chairman, Committee on Education and Labor
U.S. House of Representatives
Washington, D.C. 20515

Congresswoman Virginia Foxx
Ranking Member, Committee on Education and Labor
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Scott and Ranking Member Foxx,

On behalf of the more than 170,000 bipartisan members and supporters of the American Association of University Women (AAUW), I would like to thank you for the opportunity to submit this letter in advance of the Committee's hearing on "*Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy.*" I respectfully ask that this letter be included in the hearing record.

The Raise the Wage Act (H.R. 582/S. 150) is critical legislation, which would gradually increase the federal minimum wage from $7.25 to $15 per hour by 2024, and then require that the minimum wage increase be based on changes in the median wage. It would also eliminate the tipped minimum wage and prohibit the use of subminimum wages for employees with disabilities.

Today, millions of women live in poverty because our federal minimum wage is inadequate for ensuring the economic well-being of workers and their families. The federal minimum wage is currently only $7.25 per hour and just $2.13 per hour for tipped workers. Women comprise a majority of the low-wage workforce, and African American women and Latinas are significantly overrepresented in the low-wage workforce.[1] Nearly two-thirds of minimum wage workers in the United States are women, as well as two-thirds of workers in tipped jobs.[2] Some workers with disabilities are paid a subminimum wage through certificates issued by the Department of Labor. This is not even close to a living wage, which is necessary to lift workers out of poverty. A woman with two children working full-time at minimum wage earns a yearly salary of $14,500, $5,000 below the poverty line.[3]

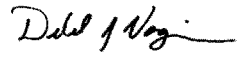
Congress must take action to increase the minimum wage by passing the Raise Wage Act of 2019 (H.R. 582/S. 150). If enacted, this legislation would raise the federal minimum wage to $8.55 this year and increase it over the next five years until it reaches $15 an hour in 2024, phase out the outdated subminimum wage for tipped workers, and also sunset the ability of employers to pay workers with disabilities a subminimum wage.

Women's overrepresentation in low-wage jobs is a significant factor contributing to the gender pay gap. Currently, women working full-time, year-round are typically being paid only 80 cents for every dollar paid to men.[4] The pay gaps have grown even wider for women of color. African American women and Latinas make, respectively, 61 and 53 cents on the dollar as compared to non-Hispanic, white men.[5] Women make up nearly 58 percent of the workers who would benefit from a $15 minimum wage, making this bill instrumental for helping to close the gender wage gap.[6] According to estimates that came out

just this week from the Economic Policy Institute, increasing the federal minimum wage to $15 by 2024 would give more than 31 percent of all working women a raise, including 41 percent of African American working women, 38 percent of working Latinas, 29 percent of white working women, and 23 percent of Asian working women.[7]

Raising the minimum wage is one action that Congress should take to ensure the economic security of families across the country. I thank the Committee for taking up this issue and urge you to swiftly pass the Raise the Wage Act (H.R. 582/S. 150). Cosponsorship and votes associated with this bill may be scored in the AAUW Action Fund *Congressional Voting Record for the 116th Congress*. Please do not hesitate to contact me at 202/785-7720 or Anne Hedgepeth, Director of Federal Policy, at 202/785-7724, if you have any questions.

Sincerely,



Deborah J. Vagins
Senior Vice President, Public Policy and Research

cc: Members of the House Education and Labor Committee

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[1] Jasmine Tucker and Kayla Patrick, "Women in Low-Wage Jobs May Not Be Who You Expect," (NWLC, August 2017), https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2017/08/Women-in-Low-Wage-Jobs-May-Not-Be-Who-You-Expect.pdf.
[2] Julie Vogtman, "The Raise the Wage Act: Boosting Women's Paychecks and Advancing Equal Pay," May 2017, https://nwlc-ciw49tixgw5lbab.stackpathdns.com/wp-content/uploads/2017/05/Raise-the-Wage-Act-Boosting-Womens-Pay-Checks.pdf.
[3] *Id. See also* U.S. Census Bureau, "Poverty Thresholds: Poverty Thresholds by Size of Family and Number of Children," (September 2018), https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-poverty-thresholds.html.
[4] Kevin Miller and Deborah J. Vagins, "The Simple Truth about the Gender Pay Gap" at 5 (AAUW, Fall 2018), https://www.aauw.org/research/the-simple-truth-about-the-gender-pay-gap/,
[5] *Id. at* 9.
[6] David Cooper, "Raising the federal minimum wage to $15 by 2024 would lift pay for nearly 40 million workers" (Economic Policy Institute, February 2019), https://www.epi.org/files/pdf/160909.pdf, Figure G.
[7] *Id.* at Appendix Tables 7-10.

[Additional submissions by Mrs. Foxx follow:]

Print Close

Seattle small businesswoman: I know the $15 minimum wage is bad for business – It has devastated mine

By Heidi Mann

Published February 07, 2019

Fox News

Democrats in Congress are holding a hearing today on a proposed bill to raise the minimum wage to $15 an hour. They will try to make the case that doing so is good for workers and for small business owners. But my experience as a small business owner in Seattle – a city with a $16 minimum wage for large companies and $15 for all other businesses – has proven the exact opposite.

My husband and I independently own and manage two Subway franchises in the greater Seattle area. One location is in Seattle proper; the other is eight miles away in the city of Kirkland.

Even though we're the very definition of a small business, as a Subway franchisee, the city of Seattle considers us a "large business." That means our location in the city is forced to pay workers the higher wage of $16 an hour.

ANDY PUZDER: BERNIE SANDERS' MINIMUM WAGE PROPOSAL IS IRRELEVANT THANKS TO TRUMP'S PRO-GROWTH POLICIES

Next year, in March 2020, we will, unfortunately, have to close our Seattle location due to the city's mandated minimum wage. If our experience in Seattle is any indication of the pitfalls of a $15 minimum wage, I implore Congress to carefully consider the ramifications of the proposed legislation.

My husband and I are firm believers in creating a strong foundation for our staff, many of whom are new to the workforce. We believe in paying them an appropriate wage for their skill sets and responsibilities. While there was a lot of excitement for workers when wage increases first were announced, sadly, raising the minimum wage has not benefited our employees as our local government intended.

My husband and I are firm believers in creating a strong foundation for our staff, many of whom are new to the workforce. We believe in paying them an appropriate wage for their skill sets and responsibilities. While there was a lot of excitement for workers when wage increases first were announced, sadly, raising the minimum wage has not benefited our employees as our local government intended.

Seattle's rapid minimum wage increase forced us to drastically cut our expenses in order to continue running our business efficiently.

We were forced to terminate four of our seven employees since we simply could not afford the new costs of labor. We then shortened our business hours to accommodate this reduced staff. Employees' hours were cut, and their shifts were changed to concentrate on staffing our peak hours.

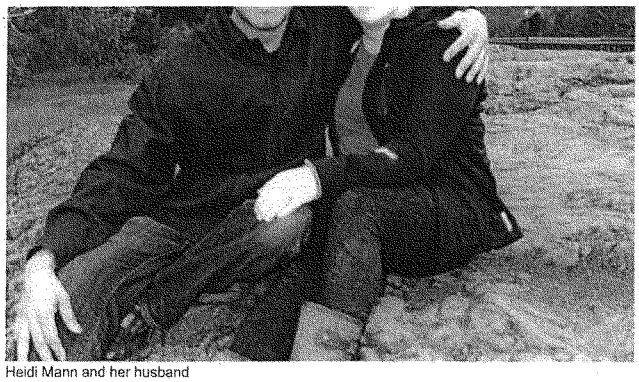
These changes occurred rapidly and led to an immediate drop in team morale.

A federal $15 minimum wage will not only lead to job losses across our nation, but will cause small business owners to lose sight of the American dream, as they are forced to make difficult decisions in order to maintain their businesses, or close altogether.

Because of the higher wage mandate, we can no longer hire and train unskilled high school and college students who are new to the workforce. We used to value teaching our first-time employees basic life and customer service skills, like handling cash, punctuality, cleanliness, conflict resolution, organization, and how to conduct themselves professionally and responsibly.

This is a valuable part of becoming a thoughtful and contributing member of our workforce and society. But that foundation and stepping stone are being removed thanks to the minimum wage mandate. Today, we are forced to hire employees with more experience to compensate for a smaller staff and higher wage requirement.

Higher wages have also translated into higher prices. Over the past two years, it has been both frustrating and disheartening to lose longtime customers, as we try in vain to raise our prices to offset costs. Not every neighborhood in Seattle is a wealthy one. Our Seattle Subway is in a middle-class area where customers are price sensitive – especially since they can visit a nearby Subway over the city border and pay a lower price.



Heidi Mann and her husband

Our customers have also been burdened with longer wait times, as we often have to train our employees to be full-service, from greeting, to taking orders, to making the food and collecting the payment – not to mention prep, cleanup and lobby care.

The wage increase is putting pressure on everyone. It's hard, and it's frustrating.

We started this business believing in the American dream, but our dream of being our own boss, of earning a fair wage for our family, and of helping others through meaningful employment, is slowly becoming a pipe dream that is less and less a reality.

We started this business believing in the American dream, but our dream of being our own boss, of earning a fair wage for our family, and of helping others through meaningful employment, is slowly becoming a pipe dream that is less and less a reality.

As each piece of the higher minimum wage is phased in, the American dream is becoming more elusive and unattainable. We are all working longer days, with more responsibility, and, in the end, for less pay, despite the increases.

Small business owners make America strong. They are the heart of our economy and they are responsible for raising a solid workforce as their employees navigate into careers and higher paying positions.

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A federal $15 minimum wage will not only lead to job losses across our nation, but will cause small business owners to lose sight of the American dream, as they are forced to make difficult decisions in order to maintain their businesses, or close altogether.

I hope Congress will listen to the voices from Seattle, where a $15 minimum wage is disrupting our small businesses and our economy.

Heidi Mann is the owner and manager of two Subway franchises in the greater Seattle area.

Print Close

URL

https://www.foxnews.com/opinion/seattle-small-businesswoman-i-know-the-15-minimum-wage-is-bad-for-business-it-has-devastated-mine

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February 5, 2019

Chairman Bobby Scott
Chairman
U.S. House Education and Labor Committee
Washington, D.C.

The Honorable Virginia Foxx
Ranking Member
U.S. House Education and Labor Committee
Washington, D.C.

Dear Chairman Scott and Ranking Member Foxx:

The National Restaurant Association submits this letter for the record in opposition to H.R. 582, "Raise the Wage Act," which is scheduled to be considered by the House Education and Labor Committee during a legislative hearing on February 7, 2019. The "Raise the Wage Act" would increase the federal minimum wage from the current $7.25 per hour to $15 per hour over five years, index the minimum wage to inflation thereafter, and eliminate the tip credit.

As the leading business association for the restaurant and foodservice industry, the National Restaurant Association represents more than 15.1 million employees, nearly 10 percent of the nation's workforce. With one million locations across the country, the $825 billion in sales from the restaurant industry makes up four percent of the U.S. GDP.

Restaurants are woven into the fabric and essence of communities across America. Each day, millions of Americans choose local restaurants as the centerpiece for the most special moments of their lives. When restaurants succeed, guests, employees, and American communities succeed. Unfortunately, H.R. 582 would jeopardize this success and harm those it proclaims to help.

Mandating a $15 per hour starting wage across the country fails to recognize the simple economic reality that not all communities are the same. What might be right for California or New York would have stifling impacts to restaurants and other small businesses in areas where workers do not face the cost of living they do in major cities such as San Francisco and New York City. These small businesses cannot absorb a dramatic $15 per hour escalation in their labor costs. Such higher wages would lead to employers having to take dramatic steps such as cutting back on workers' hours and/or eliminating positions. Additionally, when labor costs rise, restaurants, which operate on tight profit margins between 3-6%, are forced to raise menu prices to maintain profitability, thereby driving up consumer costs. Entrepreneurial goals, like expansion and new job creation, would be undermined and quickly diminish. Everyone, including the economy, loses in that situation.

Another provision contained in "Raise the Wage Act" that would have negative impacts on the employees it purports to help is the elimination of the federal tip credit. Eliminating the tip credit could dramatically change the restaurant business model that is supported by our owners, employees, and customers. When recent attempts were made to eliminate the tip credit in Maine, Michigan, and the District of Columbia, lawmakers faced significant resistance as tipped employees launched massive grassroots campaigns and rallied successfully to preserve the tip credit.

The tip credit allows tipped-employees to earn far more than the minimum wage, while helping to reduce labor costs for restaurants and others that operate on thin profit margins. Tipping creates major earning potential for tipped employees and fuels the high-quality guest service that is a hallmark of the restaurant industry. According to our recent survey of 529 full-service restaurant operators with tipped employees, the median hourly earnings of entry-level servers is $19 per hour, while the median hourly earnings of more experienced servers is $25 per hour. In this data, the upper quartile for more experienced servers is $38 per hour.

We encourage the Committee to consider a common-sense, balanced approach in this debate over the federal minimum wage. The fact is that $15 in New York City is not $15 in Dothan, Alabama. There are different economic realities in each city, state and region. If Congress drastically increases the cost of doing business, small businesses will hire less, cut hours, or even close their doors. We also encourage the Committee to seriously consider and address the negative impacts tipped employees would suffer if the tip credit is eliminated, as called for in the legislation.

Thank you for the opportunity to share our views. We look forward to working with the Committee in the 116th Congress on many important education, labor and workforce issues.

Sincerely,

Shannon L. Meade
Vice President, Public Policy and Legal Advocacy
National Restaurant Association

1201 F St NW #200
Washington, D.C. 20004

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NFIB.com

February 7, 2019

The Honorable Bobby Scott
Chairman
Committee on Education and Labor
U.S. House of Representatives
2176 Rayburn House Office Building
Washington, DC 20515

The Honorable Virginia Foxx
Ranking Member
Committee on Education and Labor
U.S. House of Representatives
2101 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Scott and Ranking Member Foxx:

On behalf of NFIB, the nation's leading small business advocacy organization, I write in opposition to H.R. 582, the *Raise the Wage Act of 2019*. This legislation dramatically increases the federal minimum wage to $15.00 per hour over the next five years and automatically increases the threshold every subsequent year.

The *Raise the Wage Act* will harm small business employment and the small business economy. NFIB estimates this legislation will cost the economy 1.6 million jobs, reduce real GDP by over $980 billion, and reduce economic output by more than $2 trillion by 2029.[1] The negative effects of the proposed legislation will fall disproportionately on small employers as businesses with fewer than 500 employees will account for 57 percent of job losses (over 900,000 lost jobs) and businesses with fewer than 100 employees will account for 43 percent of job losses (nearly 700,000 jobs).[2] Small businesses are less likely than larger businesses to have cash reserves or profit margins to absorb the increase in labor costs.

The NFIB Small Business Optimism Index has remained historically high throughout 2018 and early 2019. Record levels of small business owners are increasing employee compensation. Over the last 13 months, at least 30 percent of small business owners each month have reported compensation gains, a level that had been reached only once since 2001.[3] With the

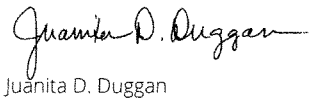
[1] NFIB Research Center, *Economic Effects of Enacting the Raise the Wage Act on Small Businesses and the U.S. Economy*, January 25, 2019.
[2] Ibid
[3] NFIB Research Center, *NFIB Small Business Economic Trends*, January 8, 2019.

small business economy roaring, now is not the time to consider legislation that will be damaging to Main Street.

Small businesses employ nearly half of the private-sector workforce. More than doubling the federal minimum wage will have real and significant consequences for small business owners and employees, which is why in a recent NFIB member ballot, 92 percent of small business owners opposed an increase in the federal minimum wage to $15.00 per hour.[4]

NFIB welcomes the opportunity to work on pro-small business policies in the 116th Congress, but opposes H.R. 582, the *Raise the Wage Act of 2019*.

Sincerely,



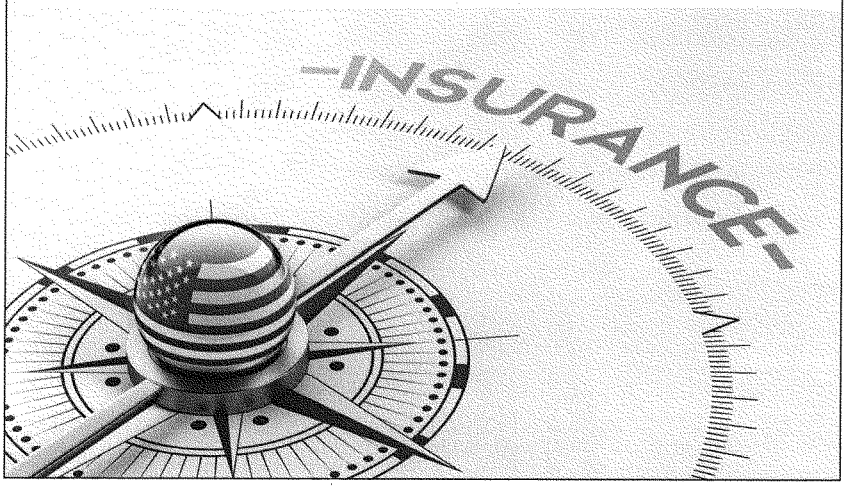
Juanita D. Duggan
President & CEO
NFIB

[4] NFIB Member Ballot, Mandate, vol 569, July 2016.

Replacing Employer-Sponsored Health Insurance with Government-Financed Coverage:

Considerations for Policymakers

By Doug Badger



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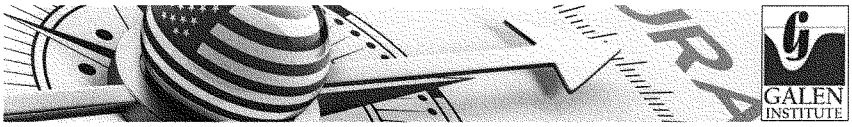


December 2018

Replacing Employer-Sponsored Health Insurance with Government-Financed Coverage:

Considerations for Policymakers

By Doug Badger[1]

Critics of the way health care is financed in the United States often ask why it is the only highly developed country whose government has not established a universal health care system.[2]

The question is generally posed rhetorically with the intention of ending debate. It suggests that the U.S. can and should adopt health care financing structures similar to those of other prosperous countries.

This paper will treat this as a genuine question and as a point of departure for debate, rather than its terminus. It will seek to inform that debate by examining the provenance, evolution, advantages and limitations of the leading source of coverage in the United States: employer-sponsored insurance (ESI). It will then examine some of the implications for health care financing and delivery were the U.S. government to supplant employers as the financer of medical care for most workers and their families. It will use the "Medicare For All Act" introduced by Senator Bernie Sanders (I-VT) as the point of comparison between a government-financed system that would replace the current one, using 2016 as the reference year.[3]

The paper is not intended as a cost estimate or predictive model but rather as a way to identify and, in a more general sense, to quantify the implications of replacing ESI with government financing.

The Evolution of ESI

The evolution of financing and delivering medical care in the United States and its reliance on ESI has often been described as an "accident of history."[4] In fact, while it is true that the U.S. government, unlike the governments of other highly developed countries, did not specifically devise or rationalize a system for financing medical care, the hybrid of public-private financing evolved through a series of

decisions deliberately taken by government, employers, private insurers, providers, labor unions and consumers.

Failure of Efforts to Establish National Health Insurance

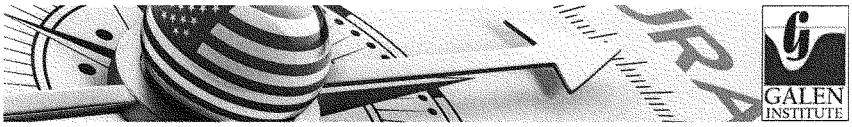
The first thread in the U.S. medical financing tapestry involves a long-standing policy of not centrally financing the provision of medical care. Despite more than a century of effort—efforts that once again have gained prominence—federal policymakers have repeatedly rejected national health insurance proposals.

Advocacy for national health insurance has been traced back to the early twentieth century.[5] Progressive activists called for the creation of what they called "sickness insurance," programs to compensate workers for loss of income due to illness, benefits similar to those provided by voluntary mutual aid programs that had sprung up in Europe and the U.S. during the late nineteenth century.[6] As hospitals began to evolve from refuges for the poor and those with contagious diseases into places of healing, the concept was broadened to include medical benefits.

The American Association for Labor Legislation is generally credited with advancing the first proposal for government-financed health insurance. In 1915, it laid out model state legislation that would provide workers with sick pay for up to 26 weeks, coverage of hospital and physician care, maternity benefits and a $50 burial benefit.[7] The program, estimated to cost four percent of wages, was to be financed with contributions from workers, employers and state governments.[8] Between 1915 and 1920, 16 bills were introduced in various state legislatures. No state established a program.[9]

The New Deal offered advocates a fresh opportunity to push for what was at that point called "national health insurance." President Roosevelt's Committee on Economic Security was charged with making recommendations for establishing programs to protect families from financial distress linked to age, illness and disability. Included in its mandate was to recommend a government program of medical care to insure "against misfortunes which cannot be wholly eliminated from this man-made world of ours."[10] But the committee's final report contained no such recommendations, instead promising a subsequent report on government medical insurance. President Roosevelt quashed that report after its authors concluded that the program would necessitate a doubling of the payroll deduction required by the creation of Social Security.[11]

Proposals for national health insurance emerged again during the 1940s. This



time advocates sought to establish a federally administered program, financed by payroll taxes, a proposal more akin to Social Security than to the state-administered programs that were a feature of earlier proposals.[12] Despite the urging of the Truman Administration, Congress declined to act. The Carter and Clinton administrations subsequently floated proposals to create universal, government-financed health insurance. All were unsuccessful.

In every case, opposition from segments of the health care industry helped doom these efforts. But it is also the case that Congress over this same timeframe vastly expanded government financing of medical care, as will be discussed below. One key difference between the successful efforts of the Johnson and Obama administrations and the series of failed proposals is that Medicare, Medicaid and the Affordable Care Act did not seek to replace ESI with public coverage, but rather affected it at most tangentially.

Emergence and Growth of Private Employment-Based Insurance

The rise and durability of private health insurance, with its close links to the employer setting, is a second evolutionary factor that distinguished the U.S. system from its European counterparts. Robust programs of private health insurance generally did not develop in Europe; they did in the U.S.

As in Europe, voluntary employee welfare arrangements had their antecedents in the nineteenth century. Statutory health insurance, first proposed during the 1880s by Otto Von Bismarck, took decades to develop throughout Europe, reaching full maturity only after World War II.[13]

The U.S. moved in a different direction. During the late nineteenth and early twentieth centuries, some labor unions and a handful of employers established what were called sick benefit programs.[14] As efforts to create government-sponsored coverage faltered in the early decades of the twentieth century, private arrangements began to emerge. The first Blue Cross plan, established in 1929, presented a unique approach that wedded employers, workers and hospitals in prepaid hospital care arrangements.[15]

At the time, employer-sponsored coverage was relatively rare. An estimated 1.2 million employees and a similar number of dependents participated in ESI in 1930.[16] But the Blue Cross model of voluntary non-profit, group hospitalization

coverage mushroomed during the Great Depression and the Second World War. By 1935, there were 15 Blue Cross plans in 11 states.[17] A decade later, 19 million people were enrolled in 80 Blue Cross plans.[18]

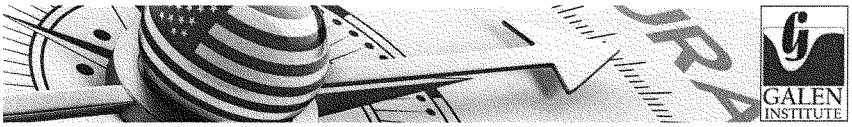
During this same period, Blue Shield plans covering physician services also appeared, along with physician group plans and other privately financed arrangements. Despite their many differences, these plans all predominantly emerged within the employer setting.

These arrangements multiplied because they worked. Employment-based groups of reasonable size offered risk pools that generally were broadly representative of their respective communities. Employment-based pools were in some respects ready-made for spreading medical risk, obviating the need for government to create pools at the state or federal level. By the time of the Second World War, the development of workplace-based private insurance was a distinguishing feature of health coverage in the United States.

The persistent growth in private health insurance coverage, which continued into the ensuing decades, was in part attributable to a decision of the National War Labor Board, which ruled that fringe benefits did not violate the federal wage freeze.[19] ESI thus provided companies with a means to compete for scarce labor. The Revenue Act of 1954 sealed this arrangement by codifying the treatment of employer contributions to health insurance premiums as not subject to income and payroll taxation.[20] Employer-sponsored health insurance became a tax-preferred form of compensation that remains widespread and popular more than 70 years after the government lifted wage controls.

Labor unions also helped fuel the growth of ESI. The Taft-Hartley Act, which became law in 1947, allowed collective bargaining over "conditions of employment."[21] The National Labor Relations Board ruled that health insurance benefits fell within this definition. The Supreme Court upheld the NLRB ruling in 1949.[22] Throughout the late 1940s and early 1950s, unions successfully negotiated (often as the result of strikes) the establishment and expansion of health benefits.[23] Between 1950 and 1965, health benefits tripled as a percentage of employee compensation.[24]

ESI thus became a firmly established source of health insurance in the U.S. at about the same time as government-financed plans came to prominence in other devel-



oped countries. ESI's growth in the U.S. is attributable to a variety of factors, some involving government, but many the work of private actors, including hospitals, employers and labor unions. Its growth and popularity were in that sense intentional, not accidental.

The Growth of Public Insurance for Defined Populations

The final important trend in the evolution of U.S. health care financing is the growth of public programs for defined populations. This public policy strand preceded the other two. Government-backed health care for veterans is among its leading examples. The Department of Veterans Affairs traces the origins of government aid to veterans to 1636, when the Plymouth Colony waged war against the Pequot Indians.[25] The federal government established the first medical facility for veterans in 1811.[26] By the time Congress created the Veterans Bureau in 1921, medical care for veterans was a well-established federal priority. The new bureau undertook the construction of a network of federal hospitals.[27] That network has grown over the decades. Congress has approved a $50 billion budget for the Veterans Health Administration for fiscal year 2019.[28]

The real growth of government-financed medical coverage for specified populations began in the mid-1960s with the creation of Medicare and Medicaid. In some ways, this was a byproduct of the evolution of ESI during the post-World War II period. Since health insurance coverage was primarily linked to the workplace, advocates of government-financed medical care proposed public coverage for those whose attachment to the labor force was attenuated by age, disability and poverty.

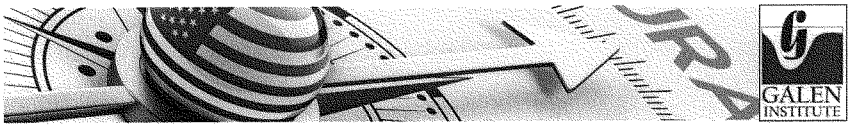
Financing of these programs resembles those in other developed countries in that they tax workers and corporations to cover the costs of medical services. The U.S. programs, however, are not universal, but targeted to specific populations.[29] Spending on these programs has grown rapidly, particularly with the creation of Medicare and Medicaid in the mid-1960s. The result, shown in Table 1, is that federal and state governments now finance the majority of personal health care expenditures.

Table 1 – Percentage of Personal Health Care Expenditures Financed by Federal and State Governments

1960	24.3%
1970	38.1%
1980	44.8%
1990	44.2%
2000	47.9%
2010	52.0%
2016	52.5%

Source: CMS, National Health Expenditures 2016, Table 6.[103]

The government share of health spending doubled between 1960 and 2000. By 2008, government had eclipsed the private sector as the dominant financer of personal health care expenditures.[30] The percentage of medical care financed by the

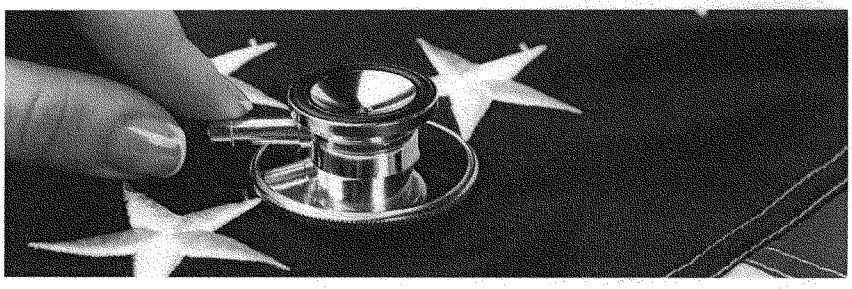


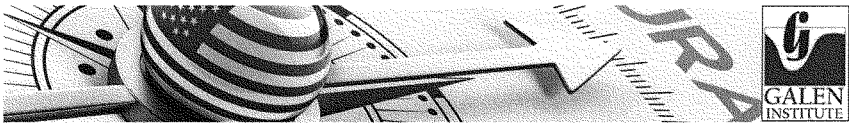
federal government is projected to continue growing. The Centers for Medicare and Medicaid Services projects that federal and state governments will pay for 56.4 percent of personal health care expenditures in 2026.[31]

This increase can be ascribed to numerous factors. First, the creation of Medicare, combined with the aging of the population, has led to massive growth in that program. In 1970, Medicare spending constituted 0.7 percent of GDP.[32] In 2016, it had nearly quintupled as a share of the economy to 3.3 percent.[33] With the program growing at an estimated 10,000 people per day, government sources forecast that it will consume 4.5 percent of GDP by 2026.[34]

Medicaid spending, too, has grown more than fivefold, from 0.5 percent of GDP in 1970 to 2.7 percent in 2016.[35] Unlike Medicare, Medicaid spending is not a product of change in the composition of the population but in changes to the program itself. Beginning in the 1980s, Congress has expanded eligibility standards, adding tens of millions of people to the rolls. In 1970, 14 million people, representing less than seven percent of the population, participated in Medicaid.[36] By 2016, an estimated 91.4 million people, representing nearly 29 percent of the U.S. population, were enrolled in either Medicaid or the related CHIP program at some point during the year.[37] The creation of new programs under the Affordable Care Act (ACA) and the Balanced Budget Act of 1997 contributed to this growth.[38]

The result is that federal and state governments finance more than half of personal health expenditures and will continue to do so for the foreseeable future even in the absence of further public policy changes.





The Current State of ESI

Although the government now finances the bulk of medical spending, ESI remains a source of insurance coverage for the majority of the population. In 2016, 173.1 million people had employer-sponsored health insurance.[39] Table 2 shows the breakdown in the number of workers in firms that offer coverage, the percentage of employees eligible for such coverage and the percentage of eligible employees who enrolled in that coverage in 2016.

Table 2 - Offer and Participation Rates of ESI, 2016

Percentage of workers in firms that offer coverage to at least some employees	89%
Percentage of workers in offering firms who are eligible to enroll in ESI	79%
Percentage of eligible workers in offering firms who enrolled in ESI	79%
Percentage of workers in offering firms who have ESI	62%
Percentage of workers in **all** firms who have ESI	55%

Kaiser Family Foundation, Employer Health Benefits Annual Survey, 2016, Exhibits 3.1 and 3.2

The table shows that, while access to ESI is broad, it is far from universal. There are several reasons for this, some involving decisions by employers and others due to choices made by workers themselves. Structural changes in the labor force also have contributed to the decline in the percentage of Americans with ESI.

The vast majority of workers—89 percent according to the Kaiser survey—worked for companies that sponsored health insurance coverage in 2016. An estimated 79 percent of those employees were eligible to enroll in their firm's plan. Companies may make certain employees, part-time workers for example, ineligible for coverage and they may not allow new employees to join their plans until they have completed a waiting period.

Among employees in offering firms who were eligible for ESI in 2016, 79 percent enrolled. Some may have chosen to remain uninsured despite exposure to tax penalties on the uninsured.[40] Others may have had other sources of coverage, through a working spouse, for example, a parent (in the case of those under 26), or through a public program like Medicare. In all, 62 percent of those working for employers that sponsor coverage enrolled in that coverage in 2016.

The percentage of workers in all firms—including those that offered coverage and

those that did not—enrolled in ESI was 55 percent in 2016. That figure has remained relatively stable over the past five years but is significantly lower than the 65 percent figure in 2001.[41]

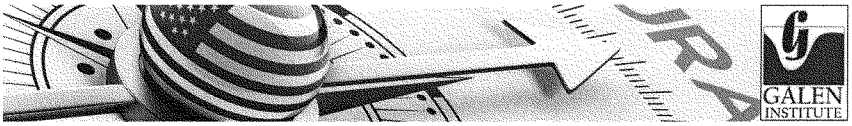
Many critics of ESI have faulted its lack of universality and noted the secular decline in the percentage of the population enrolled in such coverage. There are a number of reasons for this. First, ESI, unlike government-financed systems outside the U.S., was for many years voluntary both for companies and employees. The ACA instituted mandates on both, enforced by tax penalties.

Firms with fewer than 50 full-time equivalent workers are exempt from the employer mandate. The establishment of individual and employer mandates may have affected coverage at the margins, but the percentage of workers enrolled in ESI was largely unchanged by those mandates.

The likelihood that a firm offers coverage depends to a great extent on its size, as it did before the mandate took effect. The Kaiser survey found that nearly all firms with at least 200 workers in 2016 offered ESI.[42] Among firms with 50-199 workers, 91 percent offered coverage. That figure dropped to 80 percent for companies with 25-49 employees, 61 percent for those that employed 10-24, and 46 percent of companies with fewer than 10 workers.

In general, it appears that larger firms, which are subject to the mandate, sponsored health insurance coverage before the government required them to do so, while a fairly substantial percentage of smaller firms, which are generally exempt from the mandate, did not offer coverage to their employees. The employer mandate, in short, has not appreciably affected the practice of firms with respect to ESI. Participation rates are largely the same as they were under a purely voluntary system.

Gauging the effectiveness of the individual mandate is a more difficult undertaking. There undoubtedly are some people who have enrolled in health insurance coverage solely to avoid the tax penalty on the uninsured. How many is a matter of considerable uncertainty. The Congressional Budget Office has repeatedly reduced its estimate of the coverage effects of the mandate.[43] Beginning in January 2019, the government no longer will levy a tax penalty on the uninsured. That change in policy may improve our understanding of the mandate's coverage effects.

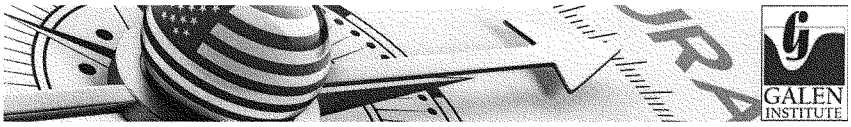


Structural changes in the labor force also may help explain the decline in ESI coverage. Assessing the effects of such changes is beyond this paper's scope, but they might include declines in the manufacturing sector, lower rates of labor union membership, temporary and part-time employment, increasing health care costs and a secular decline in workforce participation, most pronounced among males of prime working age.[44]

Despite the decline in the percentage of the population with ESI, job-based health coverage remains widespread. As a consequence, ESI offers considerable benefits to the government. Premiums for those with ESI totaled nearly $991.3 billion in 2016.[45] Of that amount, 73 percent was contributed by employers and 27 percent by workers.[46] Government does not tax health benefits. If it treated ESI the same as it does wages, federal income and payroll tax revenues would increase.[47] The Treasury Department estimates that, absent the tax exclusion, federal revenues would have been $348 billion higher in fiscal year 2016.[48]

By not taxing ESI, the government leveraged nearly $1 trillion in private health insurance spending at a net cost to the federal budget of less than $350 billion.[49] A very rough estimate of the benefit to the government in 2016 can be derived by subtracting the amount of federal revenue lost to the exclusion ($348 billion) from the total amount of ESI premiums ($991.3 billion), yielding $643.3 billion. That is a rough estimate of the net cost of supplanting ESI with direct government financing in 2016.[50] To finance that sum through payroll taxes in 2016 would have required raising the OASDI tax by 9.6 percentage points, from 12.4 percent to 22.0 percent of taxable payroll.[51]

This is not to suggest that the government would increase payroll taxes if it were to eliminate ESI. Congress might choose other means of offsetting costs and to at least partially finance the program through borrowing. Nor is this intended as a comprehensive estimate of the costs of replacing ESI with a government-funded system. Such an estimate would have to take into account a number of factors, some of which are discussed later in the paper – potential administrative savings, lower reimbursements for medical goods and services and increased consumption of such goods and services among them. Rather, it is an effort to illustrate the amount of private health insurance spending that the government leverages through the exclusion.[52]



That leverage, as we have seen, was not the sole reason that ESI became so widespread. Other developments in the marketplace and in government policy clearly contributed to its broad dissemination. The tax exclusion, however, undeniably serves as a powerful incentive to most employers to maintain health benefits plans for their workers.

The tax exclusion for ESI can be viewed as an efficient way for the government to increase health insurance coverage.[53] Instead of taxing workers and corporations and directly financing their medical care, the U.S. government exempts ESI from taxation, leveraging $2.85 in health insurance spending for every $1 in federal revenue losses.[54]

This efficiency takes on more importance in light of the fact that workers bear a large portion of the cost of financing public programs, including Medicare and Medicaid. The federal costs of those programs totaled $944.1 billion in 2016.[55] This money came from a variety of sources. Workers paid $253.5 billion in payroll taxes in 2016 to finance Part A of Medicare.[56] Since 89 percent of workers were in firms that offered ESI, one can allocate roughly $225.6 billion of the costs of providing hospital benefits to Medicare beneficiaries to these workers.

The bulk of federal health care spending is financed by general revenues and government borrowing. Workers in firms offering ESI supply the lion's share of these revenues. They finance their own care at a relatively modest cost to the federal government, and their income and payroll taxes contribute a substantial portion of the money that the federal government uses to provide medical benefits to others.

Workers in firms that offer ESI provide a potential third benefit to government by paying higher rates for medical care than do public programs. These higher payment rates may provide an often-overlooked benefit to public programs by supporting a supply of doctors and hospitals required to meet the medical care demands of those with both public and private insurance. Reducing these rates to Medicare levels could potentially have adverse consequences.

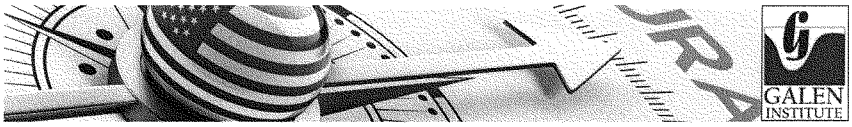


Table 3 compares private insurance reimbursement rates for hospitals and doctors with those paid by Medicare and Medicaid.

Table 3 – Medicare, Medicaid and Commercial Rates for Hospital and Physician Services, 2016

	Medicare	Medicaid	Commercial
Hospital*	1.00	1.01	1.67
Physician**	1.00	0.72	1.33

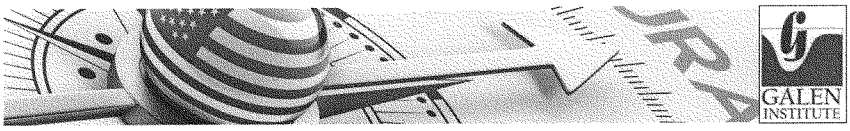
* AHA, 2018 Chartbook, Table 4-4. ** Medicare and Commercial figures are from MedPAC, March 2018, p 115. Medicaid figures are from Kaiser https://www.kff.org/medicaid/state-indicator/medicaid-to-medicare-fee-index/?currentTimeframe=0&sortModel=%7B%22colId%22:%22Location%22,%22sort%22:%22asc%22%7D

The table sets Medicare hospital and physician payments as the index rate, assigning it a value of 1.00. Medicaid and commercial payment rates are then assigned a value relative to average Medicare rates. Hospital rates are derived from the American Hospital Association's "Chartbook." Physician rates come from two sources. The Medicare Payment Advisory Committee (MedPAC), an advisory arm of Congress, supplied average physician payments for Medicare and private insurers. The physician payment rates for Medicaid relative to Medicare were compiled by the Kaiser Family Foundation.

The first and most obvious observation from the table is that private insurers—a market that is dominated by ESI—on average pay hospitals and doctors far more than do Medicare and Medicaid. Medicare and Medicaid pay roughly comparable rates for hospital care (1.00 and 1.01 respectively), while private insurers pay rates that average 67 percent more than does Medicare.

The numbers are a bit more complicated for physician payments. As with hospital payments, Medicare physician reimbursement rates are substantially lower than commercial rates, but substantially higher than for Medicaid.

These rate differentials are essential to evaluating proposals to supplant ESI with government financing. The Medicare For All bill, as will be discussed below, proposes to apply Medicare hospital and physician rates universally. This would have an uncertain effect on hospitals, which run consistently negative margins on Medicare patients.[57] This trend of running negative margins on Medicare patients has persisted over time. Moreover, current law would dampen the rate of growth in hospital payments in future years, a pattern that Medicare trustees warn could have ominous consequences.[58]



Private insurers also compensate doctors at higher rates than do Medicare and Medicaid. Paying Medicare rates to all physicians would result in lower overall compensation for their services, although that effect would to some extent be mitigated by raising Medicaid rates to Medicare levels.

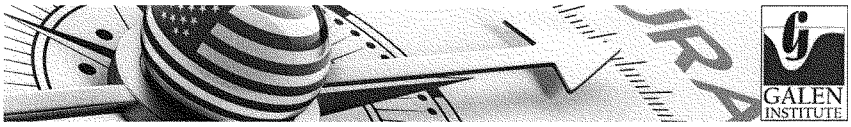
ESI evolved as the dominant source of health coverage in the U.S. through a series of decisions by government authorities, employers, labor unions and consumers. It is not the system an economist might have designed or a panel of experts might have proposed. Notwithstanding its shortcomings, ESI provides societal benefits that its critics rarely take into account. ESI pays rates that are far in excess of those paid by public programs and may therefore be helping sustain the supply of physicians and hospitals, its participants provide the bulk of financing for public programs through income and payroll taxes, and they fund their own coverage at a steeply discounted cost to the federal government.[59]

Medicare For All Act and ESI

Key provisions of the Medicare for All bill

Efforts to remake the U.S. health care system in the image of its European counterparts have persisted for more than a century. The leading current proposal is the Medicare For All Act, authored by Senator Bernie Sanders (I-VT).[60] As its name implies, the measure would enroll all U.S. residents in a federally-funded health care program called the "Universal Medicare Program" (UMP). The bill would:

- Replace all private health insurance (including ESI) and most public health insurance—including Medicare (sec. 901(a)), most of Medicaid (sec. 901(a)(3)), the Children's Health Insurance Program, the ACA and other government programs—with a single government-financed system that would cover "every individual who is a resident of the United States" (sec. 102).
- Cover a broad range of services, including hospital, physician, prescription drugs, mental health, rehabilitation and habilitation, dental and vision care (sec. 201(a)).[61]
- Eliminate cost-sharing, including deductibles, coinsurance and balance billing, for most covered services (sec. 202(a)).[62]
- Require providers to enter into a participating agreement with the Secretary in order to be eligible for reimbursement under the program (secs. 301-302).
- Reimburse providers in accordance with a fee schedule that appears to be similar to that of Medicare (sec. 611).
- Direct the HHS Secretary to establish national practice guidelines (sec. 501). In cases where such national guidelines are in place, payments may only be made if services "have been provided in accordance with such guidelines" (sec. 203(c)).[63]
- Direct the HHS Secretary to negotiate drug prices with manufacturers and establish a formulary for prescription drugs that would "promote the use of generic medications to the greatest extent possible" (sec. 614).
- Prohibit employers and insurers from covering any item or service covered by UMP (secs. 107 and 801).
- Permit individuals to privately contract with physicians and hospitals to pay privately for services that would otherwise be covered under the program (sec. 303(a)). Such contracts, however, require the provider to attest that he or she will not bill the program for any covered service provided to any beneficiary for a period of one year (sec. 303(c)).
- Require the HHS Secretary to "establish a national health budget, which specifies the total expenditures to be made for covered health care services under this Act" (sec. 601(a)(1)). The budget would include allocations for covered health services, quality assessment, health professional education, administrative costs, innovation, capital expenditures and public health (sec. 601(a)(2)).[64]



In sum, the bill proposes to ban ESI and private health insurance, expand the range of benefits that Medicare and ESI typically cover, and generally make care free at the point of service to all U.S. residents, all of which would require substantial increases in federal spending.[65]

Costs of the Medicare for All bill

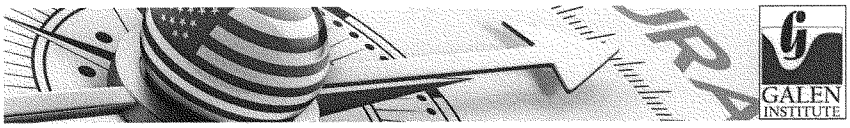
Supplanting private health insurance spending with additional government spending on health care is, of course, the bill's central purpose. The magnitude of those spending increases and the extent to which they can be offset are matters of considerable controversy, and one into which this paper does not seek to wade. Independent analyses that have been produced to date put the net federal spending increases over the program's first decade of full implementation in the range of $24.7 trillion to $29.1 trillion.[66] Supporters of the measure believe these costs to be overstated.[67]

Although there is disagreement over its net federal costs, the bill's advocates and critics generally agree on the major factors that would affect those costs, as summarized in Table 4.

Table 4 – Major Factors Affecting the Costs of Medicare For All

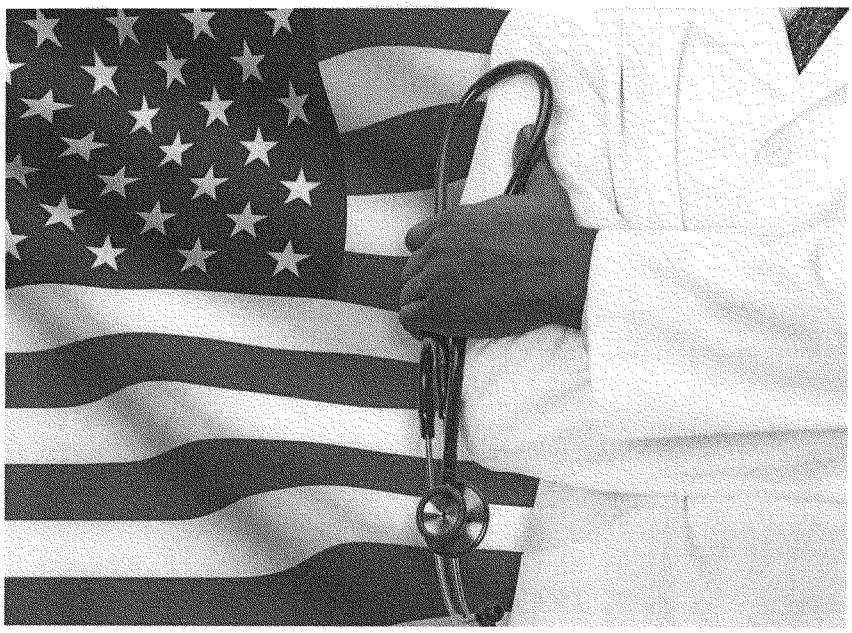
Factors that would increase spending	Factors that would offset spending
Replace PHI with government financing (sec. 107)	Eliminate most existing government programs (sec. 901)
Provide universal coverage (sec. 102)	Reduce administrative costs[68]
Eliminate most cost-sharing (sec. 202)	Reduce payments for medical goods and services (sec. 611)
Expand benefits (sec. 201)	Establish a national health budget (sec. 601)
	Eliminate tax exclusion for ESI (sec. 701(b)(1))
	Recoup most state Medicaid spending[69]

In general, the bill would increase federal spending by putting nearly all personal health expenditures on the federal budget. It also would likely increase consumption by replacing private health insurance (including ESI) with a government program that finances a broader range of benefits than are generally financed under existing public and private programs,[70] eliminating cost-sharing for those benefits and covering virtually everyone in the country. It would offset these costs largely



by eliminating most existing government programs, setting payments for medical goods and services at Medicare rates, reducing administrative costs, and eliminating private health insurance and, consequently, the revenue effects of the tax exclusion. It also would establish a national health budget, although the bill does not specify whether or how the government would enforce that budget.

Estimating the net costs to the federal government of these and other factors is beyond the scope of this paper.[71] Instead, it seeks to identify factors that policymakers should consider as they contemplate supplanting ESI with government funding.



Replacing ESI with government financing – Policy considerations

Substituting government spending for private spending

The first factor has to do with the substitution of federal spending for private spending.[72] Federal revenues were $348 billion less in 2016, as we have seen, than they would have been had health benefits been subject to income and payroll taxation. Assuming employers converted 100 percent of health benefits to taxable wages, the government would recoup this entire sum. Spending on ESI health insurance premiums totaled $991 billion in 2016, leaving a gap of over $643 billion in health spending currently financed through employers. While other factors might affect this number in both directions, it is difficult to see how the other provisions of the bill would generate sufficient savings to close this gap. Substituting federal financing for ESI at least to some degree would seem to entail "buying out the base"—requiring taxpayers to finance goods and services to which millions already have access without government assistance.

Potential administrative savings

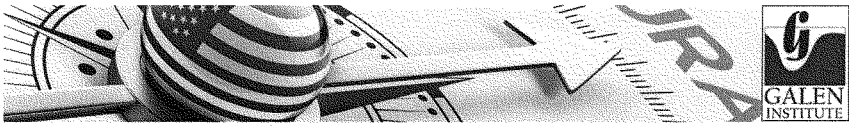
Second, substituting government financing for ESI would reduce administrative spending, as Table 5 illustrates.

Table 5 - Potential Administrative Savings Of Shifting ESI Enrollees to M4A

	Admin Costs	Enrollees	Admin per Enrollee	ESI Enrollees	Admin Savings
PHI	$129.6B	216.2M[b]	$599		
Medicare[c]	$9.2B	56.8M	$162		
Admin Savings			$457	173.0M[d]	75.2B

[a]NHE, Table 20. [b]Census, Table 1. [c]2017 HI Trustees, Table II.B.1
[d]NHE, Table 21

CMS estimates the administrative costs of private health insurance in 2016 at $129.6 billion. Dividing that figure by the Census estimate of 216.2 million enrollees in private health insurance yields an average administrative cost per enrollee of $599. CMS actuaries report 2016 Medicare administrative spending of $9.2 billion for 56.8 million beneficiaries. That computes to per-capita administrative costs of $162, or $457 less than for private health insurance. Multiplying that figure by



the estimated 173.0 million ESI enrollees suggests that spending on administrative costs for ESI enrollees would have been $75.2 billion less in 2016 had the government financed their health insurance.

Once again, this is not intended as a point estimate of administrative savings, but rather to illustrate that such savings are likely and potentially substantial.[73]

Reimbursement of hospital and physician services

Shifting people with ESI to a federally financed program that pays Medicare rates also holds the potential for savings. Unlike with administrative costs, these savings come with greater potential for adverse consequences. Table 6 shows 2016 payments to hospitals by private insurers, Medicare and Medicaid and what those payments would have been—holding utilization constant—if all hospitals had been paid at Medicare rates.

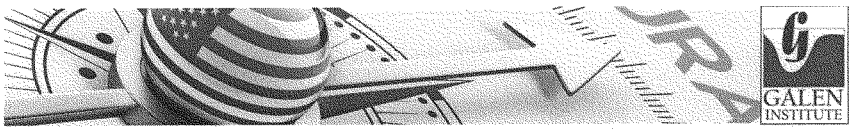
Table 6 -- 2016 Payments to Hospitals

	PHI	*Medicare*	*Medicaid*	*Total*
Current Law	$426.7	$267.5	$189.8	$884.0
M4A	$255.5	$267.5	$187.9	$710.9
Change	-$171.9	$0	-$1.9	-$173.1

Source: NHE, Table 7 and MedPAC

Using the ratios presented in Table 3, this table compares hospital financing in 2016 with what it would have been had Medicare rates applied to Medicare and private health insurance (including ESI). Assuming that utilization remained unchanged, hospitals would have received a total of $173.1 billion less in 2016 from the three major sources of revenue had Medicare reimbursement rates applied.

One might argue that hospitals could absorb a 40 percent reduction in payments on behalf of privately insured patients through greater efficiencies. It is also worth considering, however, that the rates paid by private insurers—predominantly through ESI—may be helping preserve access to medical care for those enrolled in public programs. As noted above, hospitals have consistently run negative margins on their Medicare patients. That margin in 2016 was -9.6%. Since Medicaid payments are only slightly higher than Medicare (and a smaller source of funds), it



is likely that the combined Medicare-Medicaid margins are very close to that negative margin. Putting all Americans on the Medicare payment scale would worsen those margins by sharply reducing reimbursement rates for services provided to those who currently have private insurance.

Other countries are able to sustain a socially acceptable supply of hospital care through publicly-financed systems.[74] But with a handful of exceptions, most countries with publicly-financed systems finance public hospitals to provide care for the bulk their citizenry.[75] Only 15% of U.S. hospitals are public, which is quite low compared to most countries with publicly-financed systems.

Moreover, most countries with government-financed systems permit the sale of private insurance to supplement public coverage. Voluntary health insurance can be sponsored by employers and often provides access to private hospitals and increased amenities at public hospitals, including private rooms and shorter wait times for non-emergency services. The Medicare for All Act would prohibit such private financing.[76]

It is unclear how an infrastructure that consists predominantly of private, not-for-profit hospitals and relies to a great extent on higher reimbursement levels from private insurers would adapt to large and abrupt payment reductions.

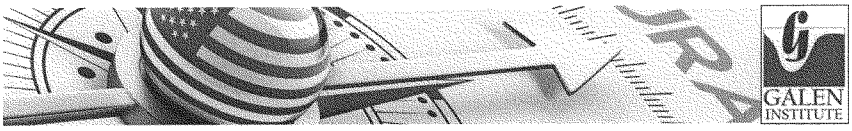
Physician payments would also have been lower in 2016 under Medicare reimbursement rates, as Table 7 shows.

Table 7 -- 2016 PHI, Medicare and Medicaid Payments to Physicians

	PHI	*Medicare*	*Medicaid*	*Total*
Current Law	$239.8	$139.3	$40.0	$419.1
M4A	$180.3	$139.3	$55.6	$375.2
Change	-$59.5	$0	+$15.6	-$43.9

Source: NHE, Table 9 and MedPAC

Once again using the ratios presented in Table 3, this table shows that, assuming no change in utilization, physician payments would have been $43.9 billion lower had the Medicare fee schedule applied to Medicare, Medicaid and PHI. Reductions in physician payments would be relatively less than for hospitals, in part



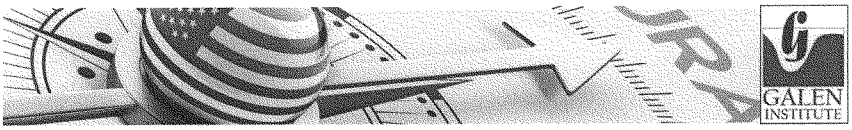
because Medicaid physician reimbursement rates would rise. Physicians would have collected $59.5 billion less in fees in 2016 had Medicare rates applied to privately insured patients. The overall reduction, net of the Medicaid adjustment, was -$43.9 billion, or -10.5 percent.

Reductions of this size also would have an uncertain effect on access to care, particularly since the expansion of coverage to additional people and the elimination of cost-sharing can be expected to induce greater demand for services.

It is difficult to sort through the potential implications of universal reductions in hospital and physician reimbursement rates in an environment with multiple public and private payors. Theoretically, there is a spectrum of possibilities. Medicare could be thought of as paying "correct" rates and private payors overpaying for services. If that were true, then the disruptions caused by abruptly reducing payments would be temporary, though no doubt troubling. But if Medicare rates are "too low," those consequences could be more enduring and severe.

Matters are almost certainly more complex, with Medicare theoretically "underpaying" for some services and private insurers "overpaying" for others. Government can, and no doubt will, adjust rates, but the current system Medicare uses for setting those rates, which the Medicare For All bill would retain, was not designed to reimburse providers at levels that create equilibrium between supply and demand for the nation as a whole.[77] Nor is it easy to imagine a government-administered methodology that would.

In short, the Medicare For All Act would put upward pressure on demand through virtually universal coverage, expanded benefits and the elimination of most cost-sharing, while applying downward pressure on supply by establishing universal reimbursement rates for doctors and hospitals that are significantly lower on average than rates now paid by private insurers.[78] Policymakers should take care to examine the potential effects of these cross-pressures on access to quality medical care.



Global health care budget

One way that other governments attempt to deal with this mismatch between supply and demand is to impose limits on the amount of medical care government will finance.[79]

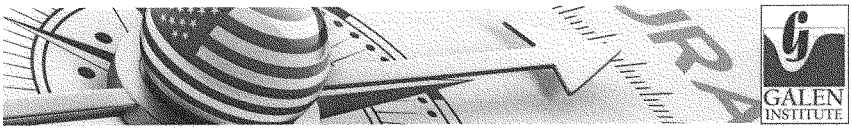
The Sanders bill makes a gesture in this direction. Section 601 requires the HHS Secretary to establish a national health budget that "specifies the total expenditures to be made for covered health care services under this Act." The bill does not, however, provide a mechanism for the Secretary to enforce compliance with the budget.

Elsewhere the bill provides that the government will, with certain exceptions, only pay for services that comport with "national practice guidelines" developed by the Secretary.[80] As with the national health budget, the effect of this limitation is not well articulated, although some savings would conceivably accrue from government's refusal to pay for covered services that are not provided in accordance with federally established practice guidelines.[81]

The House counterpart to the Sanders bill is much more descriptive and clear.[82] Congress would annually appropriate an amount for total health care spending.[83] The HHS Secretary would appoint a Director to enforce that budget.[84] The Director, in turn, would oversee 15 regional administrators, who would make disbursements to providers on a monthly basis in accordance with the congressionally established annual budget.[85]

The assumption behind both variants is that Congress and a federal agency can allocate medical goods and services more efficiently than our current mix of public and private payors. This, along with administrative efficiencies, government-established reimbursement rates and other provisions, will assure that proper amounts are paid for all medically appropriate care. The current system, by contrast, is suspected of wasteful outlays on unnecessary care and overtreatment.[86]

It may be that empowering Congress to set a national budget and conscripting HHS to enforce that budget will reduce health care spending and avoid supply shortages. The Director and a cohort of regional administrators may be assumed to possess keen negotiating skills coinciding with their plenary authority over health spending. They may substantially reduce inefficiencies, assuring that resources are more perfectly aligned with medical needs.



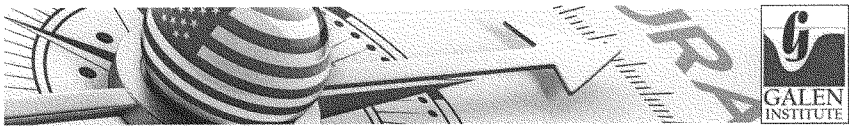
There is also reason for lawmakers to question these assumptions. Increasing efficiency and aligning reimbursement with value have been the preoccupation of public and private payors for decades. Private insurers and employers who sponsor coverage for their workers have fairly obvious incentives to avoid paying for unnecessary care. They have devised any number of programs, approaches and strategies, not only to root out waste, but also to incentivize employees to stay healthy. Employers have been especially active and innovative in this respect.[87] One can argue that these ongoing efforts have produced only marginal efficiencies, but it is quite another thing to suggest that efficiency would improve if the government were to eliminate these private efforts entirely.

That is especially true given the track record of government initiatives to enhance value. Public payors have pursued a panoply of proposals to improve efficiencies over a period of decades. These include scores of Medicare demonstration projects and payment reforms around myriad ideas for enhancing value. Programmatic changes have ranged from prospective payment systems to competitive bidding to bundled payments to accountable care organizations.

None of these has had much impact on Medicare spending, and none has diverted the program from the path to insolvency.[88] Much of that spending, as mentioned above, is due to increases in the number of enrollees. But spending also has risen on a per-capita basis, despite reductions in reimbursement rates and efforts to control the volume of services.

Medicare pays doctors far less, on average, than do commercial payers, as discussed above. Per capita Part B expenditures have nonetheless risen persistently. Congress clamped down on physician reimbursement when it enacted Medicare's Resource-Based Relative Value Scale (RBRVS) in 1989.[89] Under this system, the government assigns relative values to roughly 10,000 procedures, taking into account physician work, practice expenses and medical malpractice liability associated with each procedure.[90] The notion was that Medicare should reimburse physicians according to objective criteria that measure the resource costs of providing medical services.

When that failed to arrest spending growth, they overlaid the RBRVS system with a sustainable growth rate (SGR) modifier.[91] Under SGR, if total Medicare physician expenditures rose above specified levels in any year, the HHS Secretary would



be required to make across-the-board cuts in Medicare physician reimbursements in the subsequent year. RBRVS clamped down on the unit cost of services; SGR attempted to adjust those rates downward to account for increased volume.

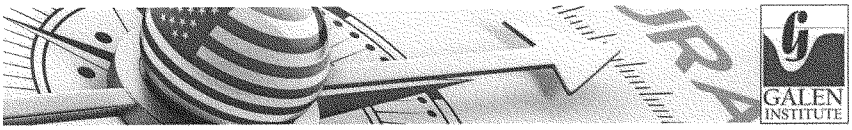
Adopted by Congress in 1997, SGR would have required cuts in Medicare reimbursement for physician services beginning in the early 2000s, something lawmakers were loath to do. So they repeatedly voted to prevent these cuts from taking effect. According to a March 2015 report by the Congressional Research Service, Congress on 17 separate occasions between 2003 and April 2014 enacted legislation to override scheduled reductions in Medicare physician payments.[92]

With enactment of the Medicare Access and CHIP Reauthorization Act (MACRA) in 2015, Congress replaced the SGR system with one that presumably will pay doctors based on the "value" their services provide rather than on the volume of those services.[93]

According to analyses and projections prepared by the CMS Actuary, per-capita Medicare Part B spending has risen—and will continue to rise—inexorably despite these reforms. In 1990, before implementation of the RBRVS system, Medicare Part B expenditures per beneficiary averaged $1,355.[94] By 2000, after enactment of both the RBRVS system and the SGR modifier, per-capita spending had nearly doubled to $2,496. A decade later, it had nearly doubled again to $4,907. By 2020, when the MACRA reforms will have reached full flower, actuaries project per-capita spending to reach $6,862, more than five times the rate that prevailed before three generations of physician payment reforms. Over that period, Medicare Part B per-capita spending outpaced medical inflation (to which the Medicare program itself greatly contributed) by more than 50 percent.[95]

Nor have larger and more expansive reforms shown much promise. The Affordable Care Act introduced the concept of the Accountable Care Organization (ACO), a group of medical providers willing to be held accountable for the quality, cost and overall care of the Medicare beneficiaries within its purview. ACO proponents predicted that the program would transform the delivery of medical care, introducing efficiencies never before seen in U.S. health care.

Under the ACO shared savings demonstration program, the government devises a bespoke budget for each participating entity to provide medical care to a subset of Medicare beneficiaries. Entities that come in under budget share the savings with



the federal government, which would continue to bear the burden of cost overruns.

Pioneer ACOs, by contrast, entered into a two-sided risk arrangement, sharing in any savings but also going at risk for any Medicare spending in excess of the benchmark. In that sense, they would function under arrangements similar to those envisioned under a system of global budgets.

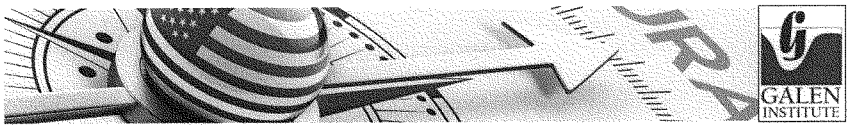
The results have been less than transformative. Only 32 organizations signed up to become Pioneer ACOs.[96] By the end of the second performance year (2013), nine of those organizations had dropped out of the program.[97] Ultimately, only nine of the original Pioneer ACOs remained in the program through 2016, with just seven achieving Medicare savings.[98] Aggregate savings totaled $61 million against a $3.4 billion benchmark, a margin of 1.8 percent.[99]

Seven of those Pioneer ACOs transitioned into "Next Generation Accountable Care Organizations," which CMS defines as "groups of doctors, hospitals and other health care providers and suppliers who come together voluntarily to provide coordinated, high-quality of care at lower costs to their original Medicare patients." Those entities generated negligible savings. The 18 active programs covering 477,197 patients in the first year reduced Medicare spending by only 1.1 percent.[100]

Although very few entities have agreed to accept the risk of something akin to global budgets, even these self-selected health systems were unable to achieve appreciable Medicare savings.

Other ACO models have produced even more disappointing results. Advanced Payment Accountable Care Organizations, a group of 36 physician-based organizations, received up-front payments to invest in resources to improve care delivery. An evaluation of the program over its first three years (2012-2014) found no statistically significant savings in 2012 and 2013, a statistically significant increase in spending in 2014, and no statistically distinguishable differences in medical care quality.[101]

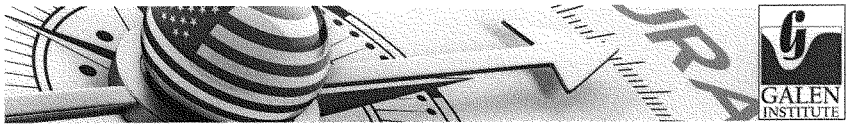
None of this inspires confidence in the ability of the government to improve the efficiency of health care delivery. Through more than half a century, successive waves of reform that policymakers hoped would extract greater value from the



health care system have fallen short. Congress and a succession of administrations have lacked the means and, at times, the political will to control federal health care spending.

It is certainly possible that this time will be different. Perhaps government has heretofore not had sufficient authority to make health care financing more efficient. Perhaps conferring on a small group of public employees plenary control over $4 trillion in annual spending will produce a system that functions with something approximating perfect efficiency. To achieve this, policymakers have first to devise a budget allocating the resources necessary to provide medical care to all Americans—not so much as to subsidize inefficiency but not so little as to create shortages—distribute that money correctly and muster the political will not to exceed its budget.

This is, of course, a theoretical possibility. But there is ample reason for caution, given government's long and undistinguished track record in this area.



Conclusion

Answering the question of why the U.S. has not adopted a centrally financed universal health care system similar to those of other developed countries is neither simple nor straightforward. The short answer is that the American system evolved very differently, with the path diverging most sharply in the aftermath of the Second World War. Its private health insurance market became viable and robust, fueled in part by the spread of ESI which, in turn, benefited from government decisions to treat health benefits differently from wage compensation and to allow collective bargaining over such benefits. That pattern was not replicated in other developed countries.

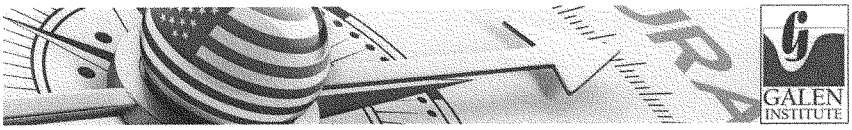
Nor is it clear what the effects of shifting to a government-financed system would have on patients. This paper has raised some important considerations of such a policy change on ESI. Specifically, it finds that substituting government financing for ESI would:

1. Place fiscal burdens on taxpayers that the private sector now voluntarily bears. In other developed countries, the government taxes workers to finance public spending on their health benefits. The U.S. exempts employer-sponsored health benefits from taxation, leveraging private spending on health benefits. Putting this private spending, along with the costs of richer coverage, on the government's ledger would have profound fiscal consequences.

2. Require workers with ESI to pay more to finance care for others. Estimates of the cost of establishing a new system vary, but all forecast a major increase in federal spending, which would to a large extent be borne by workers and employers.

3. Eliminate the higher reimbursement rates that private insurers typically pay for medical care. It may be that hospitals, physicians and other providers will be able to perform more efficiently and meet the increased demand for services that the Medicare for All Act would induce. It also is possible that a new system could not sustain the level of access to quality care that Americans now enjoy.

ESI has legions of critics on the Right and Left. Conservatives lament, among



other things, that it insulates consumers from the true cost of health insurance and, more importantly, from the true cost of care. They also note the inequity of tax preferences for ESI that do not extend to the individual purchase of health insurance and to out-of-pocket spending on medical care. And while ESI advocates view it is a valuable tool to attract and retain employees, many conservatives believe that tying health coverage to a job creates economic distortions and hampers worker mobility.

Those on the Left complain that ESI, even in combination with public programs like Medicare and Medicaid, has not achieved universal coverage, that the tax exclusion is regressive and of little value to people of modest means, and that administrative costs (especially profits), waste and unnecessary services make coverage and care more expensive and less accessible than if government alone paid for all medical care.

Both sets of critics cite the high cost and inefficiencies of the U.S. health care system, although they offer very different remedies. The Right would address these problems through market forces; the Left by putting the government in charge of allocating medical goods and services.[102]

It may very well be that the health care financing systems in other countries are superior to ours. Coverage is virtually universal in other highly developed nations, per-capita costs are lower and, at least by some measures (e.g., life expectancy at birth), outcomes are better. But even if we were to concede that point, it does not follow that adopting a government-financed system similar to those used by other countries would produce similar results in the United States.

Replacing our admittedly inelegant health care financing system with single payer is not like swapping U.S. customary units for metric measurements. It could have profound and unforeseeable consequences on the capacity of doctors, hospitals and other providers to deliver quality care. Displacements, even if temporary, carry potentially grave consequences.

Planting a new financing system requires uprooting another, one that has grown, adapted and evolved over decades. Policymakers should carefully weigh the risks of scuttling an employer-based system that provides health security to the majority of Americans and that largely finances public programs that provide coverage to others.

Endnotes

[1] Doug Badger is a Senior Fellow at the Galen Institute and a visiting fellow at the Heritage Foundation.

[2] See, for example, "America is a Healthcare Outlier in the Developed World," The Economist, April 26, 2018. https://www.economist.com/special-report/2018/04/26/america-is-a-health-care-outlier-in-the-developed-world

[3] S. 1804, introduced September 13, 2017. https://www.congress.gov/bill/115th-congress/senate-bill/1804/text?q=%7B%22search%22%3A%5B%22s+1804%22%5D%7D&r=1

[4] See, for example, Alex Blumberg and Adam Davidson, "Accidents of History Created U.S. Health System," NPR, October 22, 2009. https://www.npr.org/templates/story/story.php?storyId=114045132

[5] A succinct summary of these efforts can be found in Edward Berkowitz, "Medicare and Medicaid: The Past As Prologue," Health Care Financing Review, 2008, pp. 81-93. https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4195036/pdf/hcfr-29-03-081.pdf

[6] Marilyn J. Field and Harold T. Shapiro (editors), *Employment and Health Benefits*: A Connection At Risk, National Academies Press, 1993, pp. 51-53. https://www.nap.edu/read/2044/chapter/1

[7] Field and Shapiro, pp. 58-59.

[8] Field and Shapiro, p. 59.

[9] Berkowitz, pp. 81-82.

[10] Field and Shapiro, p. 63.

[11] Field and Shapiro, p. 64.

[12] Berkowitz, p. 84.

[13] Field and Shapiro, p. 57.

[14] Field and Shapiro, pp. 54-55.

[15] Field and Shapiro, pp. 65-66.

[16] Field and Shapiro, p. 66.

[17] Field and Shapiro, p. 66.

[18] Field and Shapiro, p. 68.

[19] "History of Health Insurance Benefits," Employee Benefit Research Institute, March 2002. https://www.ebri.org/publications/facts/index.cfm?fa=0302fact It should be noted that the board's ruling did not create ESI, which existed in some professions dating to at least the late nineteenth century.

[20] PL 83-591.

[21] Taft-Hartley Act, PL 80-101. https://www.historycentral.com/documents/Tafthatley.html

[22] Field and Shapiro, p. 71.

[23] Field and Shapiro, p. 71.

[24] Field and Shapiro, p. 71.

[25] "VA History," Department of Veterans Affairs. https://www.va.gov/about_va/vahistory.asp

[26] Ibid.

[27] Ibid.

[28] H. Rept. 115-929, p. 282. https://www.congress.gov/115/crpt/hrpt929/CRPT-115hrpt929.pdf. In addition to programs for veter-

ans, the federal government also operates the Indian Health Service (IHS) to provide medical care to Native Americans and Alaska Natives. "About IHS," U.S. Department of Health and Human Services. https://www.ihs.gov/aboutihs/

[29] These programs are financed differently. Medicare Part A is financed by the Health Insurance (HI) payroll tax. Medicare Parts B and D are financed by general revenues. Medicaid and CHIP are jointly financed by the federal government and the states, with the federal share paid out of general revenue.

[30] CMS, National Health Expenditures 2016, Table 6.

[31] CMS, National Health Expenditures 2016, Projection Table 5.

[32] Medicare spending source: CMS, National Health Expenditures 2016, Table 6. GDP Source: Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/GDP

[33] Medicare spending source: CMS, National Health Expenditures 2016, Table 6. GDP Source: Federal Reserve Bank of St. Louis. https://fred.stlouisfed.org/series/GDP

[34] Medicare spending source: CMS, National Health Expenditures 2017, Spending Projections, Table 5. GDP Source: CBO Economic Outlook, August 2018.

[35] For sources, see footnote 31.

[36] Statista, Total Medicaid Enrollment, 1966-2017. https://www.statista.com/statistics/245347/total-medicaid-enrollment-since-1966/

[37] MACStats, Medicaid and CHIP Payment and Advisory Committee, December 2017, Exhibit 1. https://www.macpac.gov/publication/medicaid-and-chip-enrollment-as-a-percentage-of-the-u-s-population/

[38] BBA 97 created the Children's Health Insurance Program (CHIP).

[39] CMS, National Health Expenditures 2016, Table 22. The figure includes all participants, including those over age 65, most of whom also participate in Medicare. The figure also Includes plans that cover federal, state and local employees, which largely resemble the health insurance arrangements used by private employers and which exempt employer contributions from income and payroll taxes.

[40] 26 USC 5000A. https://www.law.cornell.edu/uscode/text/26/5000A

[41] The employer mandate instituted by the ACA appears to have had very little effect on the percentage of workers enrolled in ESI. In general, it appears that larger firms, which are subject to the mandate, sponsored health insurance before the government required them to do so, while a fairly substantial percentage of smaller firms, which are generally exempt from the mandate, did not offer coverage to their employees.

[42] Kaiser, Exhibit 2.3.

[43] The Congressional Budget Office's theories on the coverage and premium effects of the individual mandate continue to evolve. As of November 2017, it was continuing to rely on the decade-old experience of Massachusetts and quantitative analysis of uncertain value in its speculations. (Alexandra Minicozzi, "Modeling the Effects of the Individual Mandate on Health Insurance Coverage," CBO, November 2017. https://www.cbo.gov/system/files?file=115th-congress-2017-2018/presentation/53310-presentation.pdf) After Congress repealed the tax penalty on the uninsured, effective January 2019, CBO continued to believe that the mandate exerted a fairly strong behavioral effect. In particular, the agency predicted the premiums would rise on average by 15 percent in 2019, with two-thirds of that increase attributable to repeal of the tax penalty. ("Federal Subsidies for Health Insurance Coverage For People Under Age 65," CBO, May 2018, p. 7. https://www.cbo.gov/system/files?file=2018-06/53826-healthinsurancecoverage.pdf) Average premiums for 2019 coverage actually went down slightly, suggesting that CBO still hasn't gotten it quite right. ("Premiums on Federally-Facilitated Exchanges Drop in 2019," CMS, October 11, 2018. https://www.cms.gov/newsroom/press-releases/premiums-federally-facilitated-exchanges-drop-2019), More recently, CBO has said that it plans to update its Health Insurance Simulation Model. (Letter to Honorable Mike Enzi from the CBO Director, November 14, 2018. https://www.cbo.gov/system/files?file=2018-11/54668-HISIM-Letter.pdf)

[44] The labor force participation rate among males aged 25-54 declined from over 97 percent in 1964 to less than 89 percent in September 2018, a decline that has persisted through both recessions and periods of economic growth. "Activity Rate: Aged 25-54: Males for the United States," FRED, St. Louis Federal Reserve. https://www.cbo.gov/system/files?file=2018-11/54668-HISIM-Letter.pdf

[45] CMS, National Health Expenditures, Table 24.

[46] CMS, National Health Expenditures, Table 24. It is generally accepted that the employer contribution is, in fact, a form of compensation or, to put it somewhat differently, a labor cost.

[47] Firms do, of course, deduct their contribution to ESI from their corporate taxes but they also deduct the wages they pay. The difference between wage and non-wage compensation is the latter's exclusion from federal income and payroll taxes.

[48] Department of Treasury, "Tax Expenditures," Table 1, line 128 and footnote 12. Line 128 estimates the FY 2016 federal income tax loss at $216.1 billion. Footnote 12 estimates lost payroll tax revenue of $131.6 billion.

[49] This paper is concerned largely with federal expenditures and consequently makes no effort to estimate the effects of the exclusion on state tax revenues.

[50] This assumes that employers would convert 100 percent of tax-preferred health benefit compensation to wages, which are subject to federal income and payroll taxes. Under that assumption, federal revenues would have been $348 billion higher in 2016, partially covering the cost of financing public coverage of individuals whose insurance is now privately financed.

[51] Wages subject to OASDI taxes totaled $6.7 trillion in 2016. 2017 SSA Trustees Report, Table VI.G6, p. 216. This is not to suggest that the government would finance health care through an increase in the OASDI payroll tax, but merely to provide perspective on the amount of private health spending government leverages through the exclusion.

[52] This ratio in some sense understates the relationship between the tax exclusion and job-based health insurance coverage. Since it is linked to health insurance premiums, it does not take into account out-of-pocket spending by employees when they obtain medical goods and services. Consider, for example, a physician office visit, for which a worker's job-based plan has negotiated a rate of $100. If the coverage requires a $15 co-payment for an office visit, insurance would pay $85. The $15 copay is thus excluded from the calculation. Assessing the effect of out-of-pocket spending for covered services is difficult to do. It is likely that in some cases, an individual who lost their ESI would not have any insurance at all. Such a person might pay a higher rate for the physician visit, because the uninsured do not have access to negotiated rates. Or they might forego the visit altogether, since they are unwilling or unable to pay the final rate. Lacking the capacity to model that behavior, this paper simply compares that amount of insurance premiums paid for ESI with the revenue loss associated with the tax exclusion.

[53] That is not to suggest that this is the most efficient means of achieving this end. Many argue that tax-preferred treatment of health insurance premiums should be extended outside the workplace and that it should apply equally to both health insurance premiums and health insurance expenditures. Others have argued in favor of tax credits, rather than deductions, to avoid providing the greatest benefit to those who pay the highest marginal rates. The Affordable Care Act created refundable tax credits for people with incomes between 100 and 400 percent of the federal poverty level who purchase nongroup policies and placed a 40 percent excise tax on employer contributions to worker premiums in excess of specified amounts. The latter provision, whose enforcement Congress has repeatedly delayed, effectively functions as a cap on the tax exclusion.

[54] Others have arrived at a higher ratio. The American Benefits Institute has estimated that employers paid $4.45 to finance health benefits for every $1.00 in foregone federal revenue. (See *American Benefits Legacy: The Unique Value of Employer Sponsorship*, American Benefits Institute, October 2018, p. 31. https://www.americanbenefitscouncil.org/pub/?id=b949f447-f1ca-4dd0-817a-a7e96d8e3bfc .) There are several reasons for the difference between this ratio and the one used in this paper. First, the American Benefits Institute (ABI) paper derives its employer payments for group health insurance from the Commerce Department's National Income and Products Accounts. This paper uses data National Health Expenditures data compiled by the CMS Actuary. Second, ABI uses tax expenditure data compiled by the Joint Committee on Taxation. This paper uses Treasury Department data. Most importantly, this paper takes into account both foregone income and payroll taxes that result from the tax treatment of ESI. That yields a denominator of $348 billion in this paper, compared with $155.3 billion in the ABI report.

[55] CMS, National Health Expenditures, Table 5-3.

[56] 2017 HI Trustees Report, Table II.B1.

[57] As discussed further below, MedPAC estimates that hospitals ran a margin of -9.6 percent on Medicare patients in 2016. Medicare Payment Advisory Committee, March 2018 Report to Congress, Figure 3-6, p. 81.

[58] 2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds, pp. 104f. The Trustees examined the effect of reductions in Medicare reimbursement for physician and hospital services under current law. They project that hospital payment rates would be less than 37 percent of rates paid by private insurers and that

physician rates would decline substantially as well. Even assuming that private health insurance is preserved and that these insurers continue to pay at inflation-adjusted rates, the Medicare cuts already in law "would result in approximately half of hospitals, roughly two-thirds of skilled nursing facilities and over 80 percent of home health agencies would have negative total facility margins, raising the possibility of access and quality-of care issues for Medicare beneficiaries" in 2040. They similarly expect "access to Medicare-participating physicians to become a significant issue in the long term." Those assessments almost certainly would worsen if all hospitals and physicians were paid at Medicare rates.

[59] Disentangling the interplay between reimbursement rates paid by government and private insurers is a difficult business and one this paper does not attempt. The paper does not suggest that Medicare and Medicaid pay less for medical services because private health insurers pay more, or vice-versa. Policymakers have undeniably reduced Medicare payments to doctors and hospitals over the course of recent decades and have set in place future payment cuts (which may or may not materialize). That does not suggest that Medicare payment reductions have led to providers exacting higher rates from commercial insurers. What is clear is that private insurers pay higher rates to physicians and hospitals and that applying Medicare rates universally to these providers would have uncertain effects on access to medical care and its quality.

[60] S. 1804, September 2017. https://www.congress.gov/bill/115th-congress/senate-bill/1804?q=%7B%22search%22%3A%5B%22s+1804%22%5D%7D&r=1 The bill had 16 Senate sponsors in September 2018. Rep. Keith Ellison (D-MN) is the lead sponsor of the House counterpart (H.R. 676), which had 123 cosponsors in September 2018. https://www.congress.gov/bill/115th-congress/house-bill/676/text

[61] Section 201(c) also gives the Secretary authority to include coverage of "complementary and integrative medicine."

[62] Some cost-sharing would be permitted for prescription drugs (sec. 202(b)) and of long-term care, which would continue to be covered by Medicaid (sec. 204). Experimental services and drugs would not be covered (sec. 203(b)).

[63] That section also permits payments if the "health care provider providing the service exercised appropriate professional discretion to deviate from the guideline in a manner authorized or anticipated by the guideline" (sec. 203(c)).

[64] It is unclear whether this is merely a ministerial function or whether these budgets are binding. The section does not include any enforcement mechanism in cases where expenditures for covered health services exceed the budget.

[65] See, for example, Charles Blahous, "The Costs of a National Single-Payer Health Care System," Mercatus Working Paper, July 2018. https://www.mercatus.org/system/files/blahous-costs-medicare-mercatus-working-paper-v1_1.pdf John Holahan et al., *The Sanders Single-Payer Healthcare Plan: The Effect on National Health Expenditures and Federal and Private Spending* (Washington, DC: Urban Institute, 2016), tables 1 and 9. https://www.urban.org/sites/default/files/alfresco/publication-pdfs/2000785-The-Sanders-Single-Payer-Health-Care-Plan.pdf Center for Health and Economy, "Medicare for All: Leaving No One Behind," *HealthAndEconomy.org*, May 1, 2016, table 6. http://healthandeconomy.org/medicare-for-all-leaving-no-one-behind/ Kenneth E. Thorpe, "An Analysis of Senator Sanders Single Payer Plan," *Healthcare-Now.org*, January 27, 2016. https://www.healthcare-now.org/29683169O-Kenneth-Thorpe-s-analysis-of-Bernie-Sanders-s-single-payer-proposal.pdf

[66] Charles Blahous, "Questions and Answers About Medicare For All's Costs," E21, August 21, 2018. https://economics21.org/charles-blahous-responds

[67] See, for example, Steffie Woolhandler, David U. Himmelstein and Adam Gaffney, "Single Payer Is Actually A Bargain," The Nation, August 10, 2018. https://www.thenation.com/article/single-payer-actually-huge-bargain/

[68] As discussed later in the paper, the bill's sponsors assume that replacing private insurance with federal financing will achieve substantial administrative savings.

[69] States would be required to help finance long-term care and related services (sec. 204), but no longer would have to finance their portion of covering other Medicaid services. This paper assumes that Congress would require states to remit to the federal government the amounts they would otherwise have spent on Medicaid. If not, the bill would be a windfall to the states at the expense of the federal government.

[70] Estimating the effect of consumption is a perilous undertaking that is beyond this paper's scope. Consider dental services. The bill stipulates that UMP would cover those services (sec. 201(a) without cost-sharing. In 2016, Americans spent an estimated $124.4 billion on dentistry. Out-of-pocket spending accounted for $49.9 billion. Private health insurance financed $57.7 billion, while Medicare spending on dental services was estimated at $0.5 billion. (CMS, National Health Expenditures, Table 12). Theoretically,

UMP would have covered the entire $124.4 billion. There are several caveats. First, dental benefits are not defined in the bill. It would presumably cover preventive screenings and things like crowns, fillings and root canals. But would it cover orthodontia, dental implants and cosmetic services? Then there is the question of how much UMP would pay for such services. Unlike physician, hospital and other services, there is no Medicare fee schedule for dental services, since the program offers only very limited coverage. There is also the question of consumption. If the government picked up most or all of the $50 billion that consumers spent out of their own pockets for dentistry in 2016, would they consume more than $124.4 billion in services? That, in turn, raises the question of supply. Would the current supply of dentists—both nationally and in particular geographic areas—be sufficient to meet additional demand? Would reimbursement rates be sufficient for dentists to supply services or would some limit their practices to patients able to pay cash?

[71] As referenced above, there have been a number of estimates of the net federal costs of the Medicare For All bill and more are likely to be forthcoming.

[72] Substituting public for private spending would have macroeconomic effects that are beyond this paper's scope. Some economists have suggested that shifting from private insurance premiums to tax-based financing would likely yield a less efficient financing mechanism, which would dampen future economic growth. See, for example, Robert Graboyes, "Medicare for All: Explaining the Math," Mercatus Center, August 23, 2018. https://www.mercatus.org/bridge/commentary/medicare-all-explaining-math

[73] Estimating the magnitude of administrative savings is, as with other estimates on this subject, fraught with uncertainty. One advocate of single-payer systems has concluded that it would have reduced annual administrative spending on insurance by $220 billion in 2017. Additional administrative savings for doctors and hospitals would increase this figure to $500 billion. http://annals.org/data/Journals/AIM/936177/M170302tt1_Table_Estimated_Administrative_and_Prescription_Drug_Savings_Under_Single-Payer_Refor.jpeg The $220 billion estimate compares Medicare administrative costs as a percentage of total claims with the percentage associated with private insurance. In comparing administrative costs of private insurance with Medicare, the paper uses per-capita administrative costs as the unit of measurement. Basing an estimate on administrative costs as a percentage of claims yields a higher estimate of administrative savings, in part because average Medicare claims are much higher than average private insurance claims. The problem with this methodology is that it assumes a linear relationship between claim size and administrative costs. It is not clear, however, that the cost of administering a $1,000 medical claim is ten times as great as for a $100 claim. For that reason, this paper adopts the per capita approach. Both approaches paper over the difficulty of making apples-to-apples comparisons of public and private administrative costs. Some have argued that official government statistics on the administrative costs of Medicare are understated and that the comparison with private insurance administrative cost rates are consequently misleading. Merrill Matthews, "Medicare's Hidden Administrative Costs," Council for Affordable Health Insurance, January 2006. http://mforall.net/files/CAHI_Medicare_Admin_Final_Publication.pdf It is also worth noting that lower administrative costs are not an unalloyed good. The Comptroller General has included Medicare on its "high risk" list since 1990, because of its "size, complexity, and susceptibility to mismanagement and improper payments." Additional administrative expenditures might arguably reduce the level of mismanagement and the amount of improper payments. This paper will not seek to adjudicate these issues but will instead note that shifting insurance coverage of workers with ESI to a government program would likely achieve substantial administrative savings.

[74] What is socially acceptable in other countries – for example, longer waiting times for hospital procedures – may not be socially acceptable to Americans.

[75] "International Profiles of Health Care Systems," Commonwealth Fund, May 2017, Table 4.

[76] S. 1804, section 107.

[77] S. 1804, section 611 requires the Secretary to establish reimbursement rates "in a manner that is consistent with processes for determining payments for items and services under title XVIII of the Social Security Act" (i.e., Medicare).

[78] The bill also would seek to reduce payments for other goods and services, including prescription drugs. Since there is no Medicare fee schedule for drugs, it is difficult to quantify (even in the highly qualified sense that this paper has used) these savings. The bill directs the Secretary to negotiate drug prices (section 614(a)) and to "promote the use of generic medications" (section 614(b)). The former provision leaves considerable room for speculation over whether the savings would be modest or substantial; the latter provision would likely have a negligible effect, since generics accounted for 89 percent of prescriptions in 2016. "2017 Generic Drug Access and Savings in the U.S. Report," Association for Affordable Medicines. https://accessiblemeds.org/resources/blog/2017-generic-drug-access-and-savings-us-report

[79] Most systems allow escape valves from these limits, generally through private insurance. As noted elsewhere in this paper, the Medicare For All bill does not (see sections 107 and 801).

[80] Section 203(c) of the bill provides that "a service shall be considered to have been provided in accordance with a practice guideline if the health care provider providing the service exercised appropriate professional discretion to deviate from the guideline in a manner authorized or anticipated by the guideline." That stipulation appears to allow payment for services that deviate from a guideline only in cases where such deviation is "authorized and anticipated by the guideline."

[81] If a provider were to administer a test or treatment for which the government refused to pay, it is unclear whether the patient would be responsible for the payment or if the provider would go uncompensated. Alternatively, the sponsors may envision that the provider seek the government's permission before providing any test or service. In that case, the ambiguity would be resolved by denying patients any test or treatment for which the government declined to pay.

[82] HR 676, sections 201 et seq.

[83] Section 201(a).

[84] Section 301.

[85] Section 202.

[86] A 2012 Institute of Medicine study estimated that "unnecessary health spending" totaled $750 billion in 2009 alone." CMS estimates that health care spending totaled $2.495 trillion in that year, leading to the widely broadcast factoid that 30 percent of medical care is unnecessary. The remedy prescribed by the report was to "chart a transition to a system that learns, in real time and with new tools, how to better manage problems." Such a "continuously learning health care system" would be one that "continuously and reliably captures, curates and delivers the best available evidence to guide, support, tailor and improve clinical decision making and care safety and quality." It is safe to say that the U.S. has not advanced very far toward this ambitious goal in the six years that have passed since it was articulated and that the federal government seems uniquely ill-equipped to design and implement a "continuously learning health care system." *Best Care at Lower Cost: The Path to Continuously Learning Health Care in America*, Institute of Medicine of the National Academy, September 2012. http://www.nationalacademies.org/hmd/~/media/Files/Report%20Files/2012/Best-Care/BestCareReportBrief.pdf

[87] American Benefits Legacy, p. 53.

[88] The most recent Trustees report warns: "Current-law projections indicate the Medicare still faces a substantial financial shortfall that will need to be addressed with further legislation. Such legislation should be enacted sooner rather than later to minimize the impact on beneficiaries, providers and taxpayers." (*2018 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, June 2018, p. 4. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2018.pdf) Similarly worded warnings have been contained in trustees reports filed by both Democratic and Republican administrations. They have so far gone unheeded.

[89] Omnibus Budget Reconciliation Act of 1989, PL 101-239, https://www.congress.gov/bill/101st-congress/house-bill/3299

[90] "RBRVS Overview," American Medical Association. https://www.ama-assn.org/rbrvs-overview

[91] Balanced Budget Act of 1997, PL 105-33, https://www.gpo.gov/fdsys/pkg/PLAW-105publ33/content-detail.html

[92] "The Sustainable Growth Rate and Medicare Physician Payments: Frequently Asked Questions," Congressional Research Service, March 16, 2015, p. 1. https://www.everycrsreport.com/files/20150316_R43430_a81ad39199b03381319ab08f9bee28dd6804badc.pdf

[93] Medicare Access and CHIP Reauthorization Act, PL 114-10. https://www.congress.gov/114/plaws/publ10/PLAW-114publ10.pdf

[94] All figures in this paragraph are taken from *2018 Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*, June 5, 2018, Table V.D1, p. 194. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2018.pdf It is worth noting that, while payments to physicians comprise the vast majority of Part B spending, there are other components as well. These include Medicare reimbursement for physician-administered drugs. Congress has repeatedly revised the formula for paying for such drugs as well and two successive administrations have now proposed demonstration projects designed to reduce spending on these products. As with payments for physician services, these various payment reforms have not arrested Medicare Part B spending growth.

[95] The St. Louis Fed index for the medical portion of CPI-U (medical) was 156,000 in January 1990. In January 2018, it had risen to 481,437. The CMS actuary forecast that it would increase by 4.3 percent in 2019 and by 4.2 percent in 2020. Applying those in-

creases to the January 2018 CPI-U (medical) reported by the St. Louis Fed yields 523,029. That figure is 3.35 times the January 1990 rate. Medicare Part B per-capita expenditures, meanwhile, increased by a factor of 5.06 over that same period, outstripping medical inflation by 51 percent. The St. Louis Fed data through January 2018 can be found at: https://fred.stlouisfed.org/series/CPIMEDSL The CMS Actuary's estimates of CPI-U (medical) for 2019 and 2020 are at *2017 Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds,* July 2017, Table V.B2, p. 179. https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2017.pdf

[96] *Evaluation of CMMI Accountable Care Organization Initiatives,* L&M Policy Research, December 2, 2016, p. xi. https://innovation.cms.gov/Files/reports/pioneeraco-finalevalrpt.pdf

[97] Ibid, p. xi.

[98] Ibid, Table 15, p. 75.

[99] These figures are taken from the Performance Year Five spreadsheet, which is linked at "Pioneer CMO Model," Center for Medicare and Medicaid Services. https://innovation.cms.gov/initiatives/Pioneer-aco-model/

[100] Kristina Hanson Lowell, "Next Generation Accountable Care Organization Model Evaluation," NORC at the University of Chicago, August 27, 2018. https://innovation.cms.gov/Files/reports/nextgenaco-firstannrpt.pdf That does not mean that spending was 1.1 percent lower than in the prior year, but 1.1 percent less than the program would have spent on this population in 2016.

[101] "Evaluation of CMMI Accountable Care Organization Initiatives: Advance Payment ACO Final Report," L&M Policy Research, LLC, November 25, 2016. https://innovation.cms.gov/Files/reports/advpayaco-fnevalrpt.pdf

[102] The author's sympathies lie decidedly on the pro-market side of this theological divide.

[103] This table includes the category of "other third party payers and public health activity" in its calculation of government expenditures. This category includes some private third party payment, although a range of government programs (e.g., VA, IHS, workers compensation, MCH, VR, SAMHSA, school health and an unspecified list of "other" federal, state and local programs) account for the bulk of spending.

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[Additional submission by Ms. Jayapal follows:]

WRITTEN STATEMENT FOR THE RECORD
http://www.apiahf.org/
FOR THE HEARING ENTITLED "EXAMINING THREATS TO WORKERS WITH PRE-EXISTING CONDITIONS"

UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON EDUCATION AND LABOR

FEBRUARY 6, 2019

BY THE
ASIAN & PACIFIC ISLANDER AMERICAN HEALTH FORUM
1629 K STREET NW, SUITE 400
WASHINGTON, DC 20006

The Asian & Pacific Islander American Health Forum (APIAHF) submits this written testimony for the record for the February 5, 2019 hearing before the House Education & Labor Committee "Examining Threats to Workers with Pre-Existing Conditions."

The Affordable Care Act has served not only as one of the most transformational laws in our nation's public health, expanding coverage to nearly 20 million people, but as a civil rights law protecting the health and well-being of the most vulnerable. APIAHF is the oldest and largest health policy and public health organization working with Asian American (AA), Native Hawaiian and Pacific Islander (NHPI) communities across the nation and its Pacific jurisdictions. With more than 150 community-based organizational partners in over 28 states and territories, APIAHF provides a voice in the nation's capital for underserved AA and NHPI communities and works toward health equity and health justice for all.

For over 6 years, APIAHF has partnered with organizations helping consumers enroll in health coverage, including Affordable Care Act (ACA) Marketplace plans, Medicaid and the Children's Health Insurance Program (CHIP). As part of these efforts, we co-founded *Action for Health Justice* with the Association of Asian Pacific Community Health Centers (AAPCHO), Asian Americans Advancing Justice and Asians Americans Advancing Justice – Los Angeles. As part of *Action for Health Justice*, we worked with 72 community based organizations and health centers and countless local assistors to inform efforts by the U.S. Department of Health and Human Services to reduce barriers for AA and NHPI individuals navigating an often deeply complex enrollment process.

Our experience in working with partners as part of *Action for Health Justice* and successive enrollment periods has provided real stories that relay the impact the ACA has had on the lives of countless AAs and NHPIs. Through this experience, and others first hand, we know both the importance of health insurance for individuals who have complex chronic conditions and who may be low-income, immigrant or limited English proficient, whether they get their coverage through employer-sponsored plans, the Marketplace, Medicaid, Medicare or CHIP.

From our work with AA and & NHPI communities, we understand the role the ACA has played in improving access to health insurance for communities of color across the nation and for diverse American workers. Prior to the ACA, people of color were much more likely to be uninsured than whites. Since 2010, the uninsured rate has fallen from 15.1 percent to 6.4 percent in 2017 for AAs and from 14.5 percent to 8.3 percent for NHPIs, higher than any other racial group.[1] Individual subgroups of AAs and NHPIs have experienced their rates of uninsurance being cut by at least half, including Nepalese, Samoan, and Hmong Americans.[2]

As an organization that has worked for over 32 years at the federal, state, and local levels to advance sensible policies that reduce health disparities and promote health equity, we are deeply troubled by the District Court's ruling in *Texas vs. U.S.*, challenging the constitutionality of the entire ACA, including protections for persons with pre-existing conditions. In the nearly nine years since the ACA became law, millions have gained coverage and the law has touched the lives of nearly every American, providing critical protections against insurance company practices, protecting seniors from high cost-sharing in Medicare, improving the quality of care and strengthening civil rights protections. Many of these provisions protect American workers, who while they had partial protections against pre-existing conditions prior to the ACA, those protections required workers to maintain continuous coverage or otherwise imposed mandatory waiting periods. The ACA's guaranteed issue and community rating provisions, along with the entire law could be overturned if the ACA were to be found unconstitutional and would send a shockwave through the U.S. healthcare system. At least 20 million Americans could lose their coverage.

At Risk: Stories from the Community

Millions of AAs and NHPIs could be at risk for losing coverage and their connection to health care if the ACA's pre-existing conditions were overturned. These include people like:

Mr. Nguyen and his family of four in Alabama. Mr. Nguyen had been living with diabetes for years prior to the ACA and always struggled to keep his condition in check because he couldn't afford a doctor. That changed when he was able to afford a plan under the ACA and one that offered him coverage for his pre-existing condition: diabetes.

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[1] Comparison of American Community Survey 2011-2015 5-year estimates to 2017 American Community Survey 1-year estimates.
[2] *Id.*

Prior to the ACA, Ms. Lejjena, a mother of three in Oregon, "used to hesitate seeking medical attention until it was an emergency and I ended up hospitalized. Obamacare offered us the opportunity to obtain medical insurance for the first time and peace of mind that we can seek medical care for our children and selves." All that could change if the ACA's protections were overturned as Ms. Lejjena, like so many Americans, overcame a bout of pneumonia years ago, a deniable condition before the ACA.

And there is Khamsay Chanthasaly, who in December 2015, was diagnosed with a rare case of breast cancer in men. It started on Christmas Eve, when he was admitted to hospital following an unbearable pain in his back and legs. "At first, I was depressed and hopeless. We didn't have enough money to pay for the treatments. Even before I was diagnosed with breast cancer, we could barely cover the living cost with the money that we earned." He was able to enroll in Medicaid coverage thanks to the ACA.

Marina Wena in Arkansas lives paycheck-to-paycheck. She also lives with heart disease, type 2 diabetes and a kidney condition that requires ongoing dialysis. Before the ACA, she often went to the emergency room for dialysis treatment as she couldn't afford coverage." The ACA gives me hope. Since I was covered by the ACA, I haven't missed taking my medications. I am a very healthy person nowadays and friends that meet me are surprised to see how healthy I am. This is the story of my life with health insurance!"

These are just examples of the lives that have changed thanks to the ACA and what is at risk if those protections are overturned.

Overturning Pre-Existing Condition Protections Would Disproportionately Harm Racial and Ethnic Minorities

Living with a pre-existing condition is a fact of life for more than 130 million Americans, including millions of AAs and NHPIs – the fastest growing groups in the country.[3] The Kaiser Family Foundation had previously estimated that 27% of adults under age 65 have health conditions that would lead them to be likely uninsurable under pre-ACA rules.[4]

Racial and ethnic minorities, including AAs and NHPIs disproportionately experience a number of chronic conditions due to factors including poverty, inability to afford quality coverage, and challenges accessing culturally competent care, among others.

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[3] Center for American Progress, *Number of Americans with Medical Conditions by Congressional District,* 2017, *available at*: https://www.americanprogress.org/issues/healthcare/news/2017/04/05/430059/number-americans-pre-existing-conditions-congressional-district/.

[4] Kaiser Family Foundation, *Pre-Existing Conditions and Medical Underwriting in the Individual Insurance Market Prior to the ACA,* 2016, *available at:* https://www.kff.org/health-reform/issue-brief/pre-existing-conditions-and-medical-underwriting-in-the-individual-insurance-market-prior-to-the-aca/.

The AA and NHPI community speaks over 100 different languages and traces their heritage to more than 50 different countries. Language barriers, lack of cultural competency, poverty, and immigration status all affect the ability of AAs and NHPIs to access coverage and care.

Overturning the ACA's protections for pre-existing conditions would deepen those disparities by turning back the clock on coverage gains that have substantially reduced uninsurance amongst communities of color by locking individuals with health conditions out of coverage.

AAs and NHPIs have a higher likelihood of suffering from a number of chronic conditions requiring routine access to care and underscoring the importance of early prevention, diagnosis and connection to treatment. NHPIs have the highest age-adjusted percentage of people with diabetes (20.6%), more than 3 times that of Whites (6.8%).[5] Fourteen percent of Indian Americans have diabetes, a rate higher than that of nearly all other racial groups.[6]

AAs and NHPIs are the only racial group for whom cancer is the leading cause of death.[7] Certain AA and NHPI subpopulations suffer from even greater health disparities. Vietnamese women have cervical cancer rates five times higher than White women.[8] NHPIs are 30% more likely to be diagnosed with cancer than whites.[9] Allowing insurance companies to discriminate and deny coverage on the basis of a pre-existing condition would make coverage prohibitive for these individuals.

Discriminating against people with pre-existing conditions like HIV/AIDS wouldn't just hurt the people living with the condition and their families, it could interfere with and even discourage people from getting tested and linked to treatment – which could be deadly. Of the 15,800 AAs estimated to be living with HIV in the United States in 2015, only 80 percent had received a diagnosis, a lower percentage than for any other race/ethnicity.[10] 1 in 33 NHPI men will be diagnosed with an HIV infection in their lifetime, compared to 1 in 102 white men.[11] 1 in 5 AAs living with HIV does not know they have it, compared to 1 in 7 for all groups.[12] Of AAs living with HIV in 2014, 57% received HIV medical care, 46% were retained in HIV care, and 51% had

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[5] Asian and Pacific Islander American Health Forum, *Native Hawaiian and Pacific Islander Health Disparities*, 2010, *available at*: www.apiahf.org/sites/default/files/NHPI_Report08a_2010.pdf

[6] Spanakis, Elias and Sherita Hill Golden, *Race/Ethnic Difference in Diabetes and Diabetic Complications*. Curr Diab Rep. 13(6), 2013, *available at*: https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3830901/

[7] Heron, Melonie, *Deaths: Leading Causes for 2014. National Vital Statistics Reports* Volume 65, Number 5. United States Centers for Disease Control, 2016.

[8] Miller BA et al., *Racial/Ethnic Patterns of Cancer in the United States, 1988-1992*, 1996, *available at*: https://seer.cancer.gov/archive/publications/ethnicity/

[9] U.S. Department of Health & Human Services: Office of Minority Health, *Cancer and Native Hawaiians/Pacific Islanders*, March 29, 2016, *available at*: https://minorityhealth.hhs.gov/omh/browse.aspx?lvl=4&lvlid=76.

[10] Centers for Disease Control and Prevention, *HIV Among Asians*, *available at*: https://www.cdc.gov/hiv/group/racialethnic/asians/index.html

[11] *Id.*

[12] *Id.*

achieved viral suppression.[13] Removing protections for pre-existing conditions could threaten public health efforts by creating delays and barriers in testing and linkage to care.

For questions contact Amina Ferati, Senior Director of Government Relations & Policy aferati@apiahf.org (202-466-3550).

[13] *Id.*

[Additional submission by Mr. Norcross follows:]

Communications Workers of America
Chris Shelton | *President*

Legislative Department
Shane Larson | *Director*

February 6, 2019

Dear Representative:

On behalf of the officers and 700,000 members of the Communications Workers of America (CWA), I am writing to urge you to support H.R. 582, the Raise the Wage Act of 2019. At a time when wage stagnation and income inequality hold back our families and our economy, the Raise the Wage Act will begin to reverse that cycle and raise pay broadly across the bottom of the workforce.

It's been a decade since the federal minimum wage has increased. Meanwhile, the cost of living has continually increased for working Americans. For many Americans, working 40 hours or more a week is not enough to support themselves and their families. Airline employees, call center workers, retail store employees and bank workers are among those who work full time for some of the most highly profitable corporations, but still earn poverty level wages. It's time for an economy that works for working families and especially for the people who work full time but who earn poverty level wages.

If enacted, the legislation will raise the federal minimum wage to $8.55 this year and increase it over the next five years until it reaches $15 an hour in 2024. Raising the minimum wage to $15 an hour will give roughly 40 million workers a pay increase, which is nearly 30% of the workforce. After 2024, the minimum wage will adjust each year to keep pace with growth of inflation. In addition, the legislation will phase out the subminimum wage for tipped workers, individuals with disabilities and workers younger than 20 years old.

All workers deserve to earn a living wage so they can live with dignity and respect. It is time Congress takes action to raise the wages of these low income workers and ensure the economy works for everyone, instead of those in the 1%. Therefore, I urge you to support H.R. 582, the Raise the Wage Act of 2019.

Thank you for your consideration.

Sincerely,

Shane Larson
Legislative Director
Communications Workers of America (CWA)

[Additional submissions by Chairman Scott follow:]

THE *Episcopal* CHURCH

The Episcopal Church supports the Raise the Wage Act of 2019, a bill that is in line with several official Church policies passed over the past two decades. The current federal minimum wage, $7.25 per hour, has not been increased in almost a decade. Since 1997, The Episcopal Church has called for a "living wage" so that hardworking families are not trapped in poverty, in 2003 the Church reaffirmed and updated this call, recognizing that it is wrong that a family of four could live in poverty while employed full-time, and in 2015 the Church called directly for a $15 minimum wage.

The minimum wage is not only about supporting workers and their families; it is also a moral issue about the value and dignity of individuals and the contributions they make through paid work. Supporting an increase to the minimum wage so that workers earn an income above the poverty line is one way for us to demonstrate that all people, including minimum wage earners, are worthy of respect and a decent standard of living.

The Raise the Wage Act of 2019 would gradually phase in this increase in minimum wage alongside other reforms that bring our values into federal pay guidelines. The bill would phase out the $2.13 minimum wage for tipped workers, which would empower tipped workers to defend themselves and speak out against inappropriate or threatening behavior without threatening their livelihood.

The bill also addresses certain systemic injustices. According to the Economic Policy Institute, women make up almost 56% of workers who would benefit from the increase in wages. In addition to helping address the gender wage gap, the bill would provide a more just compensation to 40% of African American workers and 34% of Latino workers, who would see increased wages when the law is fully implemented. Further, the bill would remove harmful provisions that enable various groups, including the disabled, to receive even lower wages.

The federal minimum wage is not just about economics, it reflects how we value the lives and labor of those who toil in the lowest-paying jobs. We must be deliberate to ensure that those who work in low-paying jobs are still able to live their lives with dignity. That is why the bill would also put in place automatic adjustments so that the federal minimum wage can keep pace with the growth in typical workers' wages without the nation waiting on Congress to act.

The nation would further benefit from raising the minimum wage through reduction in demand for anti-poverty programs. When a person works full-time and still lives below the poverty line, the federal government provides assistance to help them meet ends meet. Raising the minimum wage will transfer responsibility of ensuring those who work can provide for themselves and their families from the federal government – who steps in when full-time work isn't enough to keep a family out of poverty – to employers. In doing so, the federal government will be able to reduce expenditures on programs which currently make up for the gap between wages and poverty.

The Episcopal Church supports The Raise the Wage Act of 2019 to ensure all workers receive a just compensation for their labor.

The undersigned organizations enthusiastically support the Raise the Wage Act of 2019, as introduced by Senators Bernie Sanders (VT) and Patty Murray (WA), Representatives Robert C. "Bobby" Scott (VA), Mark Pocan (WI) and Stephanie Murphy (FL).

If enacted, this legislation would:

- Raise the federal minimum wage to $8.55 this year and increase it over the next five years until it reaches $15 an hour in 2024;
- After 2024, adjust the minimum wage each year to keep pace with growth in the typical worker's wages;
- Phase out the outdated subminimum wage for tipped workers, which has been frozen at a meager $2.13 since 1991; and,
- Sunset the much criticized ability of employers to pay workers with disabilities a subminimum wage through certificates issued by DOL.
- Phase out the subminimum wage for workers under the age of 20.

At a time when wage stagnation and income inequality pose serious threats to our families and our economy, the Raise the Wage Act of 2019 will begin to reverse that cycle and raise pay broadly across the bottom of the workforce. According to the Economic Policy Institute, this Act will deliver long-overdue raises to more than 1 in 4 workers, 90% of whom are over the age of 20. The average age of workers who would get a raise is 35, nearly half have some years of college education. In fact, those who work year-round would see a raise in the order of $3,000 a year, which is enough to make a tremendous difference in the life of a preschool teacher, bank teller, or fast-food worker who today struggles to get by on around $20,000 per year.

28 percent are working parents with children, and half have family incomes of less than $40,000 per year. Women make up nearly 58 percent of the workers who would benefit from a $15 minimum wage, which would be instrumental in helping to close the gender-wage-gap. Raising the minimum wage to $15 would also significantly benefit workers of color, with 38 percent of African American workers and 33 percent of Latinos seeing a pay increase once this law goes into effect.

These are the frontline workers who make America run—yet due to the erosion of the real value of the minimum wage over the last half century, they are struggling even as our economy enjoys a solid recovery.

The time for the Raise the Wage Act is long overdue, and we cannot delay in working toward its passage. We call on Congress to enact this important piece of legislation as quickly as possible, and for President Trump to sign it when it comes to his desk.

Economic Policy Institute
National Employment Law Project

9to5
A Better Balance
A Place at the Table
AAUW Texas
Abortion Care Network
ACCESS Women's Health Justice
Accessible Housing Resources, Inc. (AHRI)
Action Inc.
Action Together NEPA
ADAPT Montana
Advocate For Justice Inc.
Advocates for Youth
AFL-CIO
African American Ministers In Action
Agape Missions, NFP
AIDS Alabama South, LLC
Alabama Arise
Alameda County Community Food Bank
Alianza Nacional de Campesinas, Inc.
All Our Kin
Allegheny Valley Association of Churches
All-Options
Amara Legal Center
American Association of People with Disabilities
American Association of University Women
American Federation of State, County, and Municipal Employees (AFSCME)
American Federation of Teachers, AFL-CIO
American Federation of Teachers, Washington
American Postal Workers Union - St Louis Gateway District Area Local
American Psychological Association
American Public Health Association
Americans for Democratic Action (ADA)
Anne Arundel County NOW
Appalachian Indepoendence Center, Inc.
Arizona Center for Economic Progress
Arkansas Advocates for Children and Families
Asian Law Alliance
Asian Pacific American Labor Alliance, AFL-CIO
Association of Programs for Rural Independent Living
Association of U.S. Catholic Priests (AUSCP)
ATD Fourth World Movement
Atlanta Community Food Bank
AtWork!

AUSCP - Association of U.S. Catholic Priests
Autistic Self Advocacy Network
Autistic Women & Nonbinary Network
Bazelon Center for Mental Health Law
Bend the Arc: Jewish Action
Benedictine Sisters of Erie
Black AIDS Institute
Black Women's Roundtable
Bread for the World
Bucks County Women's Advocacy Coalition
CA Capital Chapter - Coalition of Labor Union Women
California Employment Lawyers Association
California Food Policy Advocates
Cambridge United for Justice with Prace
Campaign for America's Future
Campesinos Sin Fronteras
CAP Services, Inc./Community Assets for People
CARECEN-Central American Resource Center
Caring Across Generations
CASA
CASA of Oregon
Catalyst for Positive Change!
Catholic Charities of Chemung/Schuyler counties, NY
Center for Changing Lives
Center for Groveport Madison Human Needs
Center for Independence of the Disabled, NY
Center for Law and Social Policy (CLASP)
Center for New York City Affairs at The New School
Center for Popular Democracy Action
Center for Public Policy Priorities
Center for Public Representation
Centro de los Derechos del Migrante, Inc.
ChangeLab Solutions
Chester County Food Bank
Chicago Chapter of RESULTS, Domestic
Chicago Jobs Council
Chicago Women's AIDS Project
Child Care Resources
Children's Defense Fund
Children's Advocacy Institute
Church World Service
Cities of Peace Detroit
Civil Liberties and Public Policy Program

Cleveland Nonviolence Network
CLUW of Southwestern PA
CLUW: NORTHEAST CLEVELAND CHAPTER
Coalition Ending Gender-Based Violence
Coalition for Low Income Pennsylvanians
Coalition of Black Trade Unionist -Northern California
Coalition of Labor Union Women
Coalition of Labor Union Women GPA
Coalition on Human Needs
Collaborative Center for Justice
Collin County Democrats With Disabilities (CCDWD)
Collin County Voters With Disabilities
Colorado Center on Law and Policy
Colorado Coalition for the Homeless
Communications Workers of America (CWA)
Communities Creating Opportunity
Community Action Agency of Somerville, Inc.
Community Action Partnership, NJ
Community Advocates of Northern Indiana
Community Labor United
Community Reinvestment Alliance of South Florida
Congregation Beth El, Berkeley
Congregation of Our Lady of Charity of the Good Shepherd, US Provinces
Congregation of Our Lady of the Good Shepherd, US Provinces
Congregation of Sisters of St. Agnes
Congregation of the Infant Jesus Nursing Sisters of the Sick Poor,Inc.
Connecticut Association for Human Services, Inc
Connecticut Legal Services, Inc.
Connecticut Voices for Children
Cronucopia Community Advocates
CWA Local 6450
D.C. Hunger Solutions
Dakota Prairie Community Action Agency
DC KinCare Alliance
DC Language Access Coalition
DC Law Students in Court
DC Volunteer Lawyers Project
DCAEHS, Inc.
Delaware Ecumenical Council on Children and Families
Demos
Disability Law Center
Disability Rights Education & Defense Fund (DREDF)
Disability Voters of Maine

Disabled in Action of Greater Syracuse Inc.
Disciples Center for Public Witness (Disciples of Christ)
Disciples Justice Action Network
Dominican Development Center, Inc.
Dominican Sisters ~ Grand Rapids
Dominican Sisters of Houston
DV LEAP
East Central Illinois Community Action Agency
East Hampton Housing Authority
EcoC2S
Economic Opportunity Institute
Economic Progress Institute
Economic Roundtable
Ecumenical Poverty Initiative
Educate. Advocate.
Education Equals Making Community Connections
Equal Pay Today
Equal Rights Advocates
Equality California
Equality North Carolina
Estreet Verdors Assiotation Of Chicago (SVAC)
Faith Voices Arkansas
Family Promise of Greater Des Moines
Family Promise of Knoxville
Family Values@Work
Farmworker Association of Florida
Feeding Texas
Feminist Majority
First Christian Church
First Focus Campaign for Children
First United Methodist Church
Florida Impact
Food Chain Workers Alliance
Food Finders Food Bank
Food Lifeline
Food Research & Action Center (FRAC)
For Our Future PA
Freedom Network USA
Futures Without Violence
GCC/IBT Local 24M/9N
Gender Justice
GLBTQ Legal Advocates & Defenders (GLAD)
Global Justice Institute, Metropolitan Community Churches

Godwin-Ternbach Museum, Queens College, CUNY
Good Jobs Nation
GRANDS AS PARENTS INC
Greater Kansas City Coalition of Labor Union Women
Greater New Jersey CLUW Chapter
Greater Oklahoma City Chapter CLUW
Greater Pittsburgh Community Food Bank
Grey Nuns of the Sacred Heart
H.O.P.E.
HANA Center
Hawaii Appleseed
Head Start
Headstart
HEAL Trafficking
Healthy and Free Tennessee
HEAR US Inc.
Hill Snowdon Foundation
Hispanic Federation
Holy Cross Ministries
Housing Authority of the County of Lawrence
Housing Choice Partners
Howard Brown Health
Hudson County Housing Resource Center
Humanity
Hunger Action Network of NYS
Hunger Free Vermont
Hunger Solutions New York
Idaho Interfaith Roundtable Against Hunger
IHM Sisters IHM Sisters Justice, Peace and Sustainability Office
IllilInois Hunger Coalition
Illinois Collaboration on Youth
Impact Fund
In Our Own Voice: National Black Women's Reproductive Justice Agenda
Indiana Community Action Association
Indiana Institute for Working Families
Indivisible Michigan 8th-Ingham
Inspirational Gospel Assembly
Interfaith Impact of New York State
Interfaith Worker Justice
International Labor Rights Forum
International Union, United Automobile, Aerospace, and Agricultural Implement Workers of America, UAW
Iowa Citizens for Community Improvement
Iowa Coalition Against Domestic Violence

Jackson State University
Jewish Women International
Jobs with Justice
Just Harvest: A Center for Action Against Hunger
Justice and Advocacy Committee of the Lehigh Conference of Churches
Justice for Migrant Women
Kalamazoo Loaves & Fishes
Kansas Association of Community Action Programs
Kentucky Equal Justice Center
Kentucky State AFL-CIO
Keystone Progress
Keystone Research Center
Kings Local Food Pantry
Korean Resource Center
KWH Law Center for Social Justice and Change
La Frontera Ministries
La Plata County Thrive! Living Wage Coalition
Labor Education Program, School of Labor and Employment Relations, University of Illinois
Lamoille Family Center
Law Foundation of Silicon Valley
Law Students in Court
Lawyers' Committee for Civil Rights Under Law
Leadership Conference of Women Religious
The Leadership Conference on Civil and Human Rights
Leadership Team, Sisters of the Presentations
Legal Aid at Work
Legal Aid Service of Broward County
Legal Momentum: The Women's Legal Defense and Education Fund
Legal Voice
Let Justice Roll: Living Wage Campaign
Lincoln Hills Development Corporation
LiveWell Colorado
Long Beach Gray Panthers
Los Angeles Alliance for a New Economy
Louisiana Budget Project
Louisiana Progress Action
Main Street Alliance
Maine Coalition to End Domestic Violence
Maine Women's Lobby
Mainers for Accountable Leadership
Make the Road PA
Maryland Center on Economic Policy
Maryland Hunger Solutions

Maryland National Organization for Women
Massachusetts Law Reform Institute
Maternal and Child Health Access
MCCC/MTA
Men of All Colors Together (MACT)/Phila.
Mercyhaven Inc.
Methodist Federation for Social Action
Metro-Detroit Chapter of the Coalition of Labor Union Women (CLUW)
Metropolitan Community Church of Washington, D.C.
Metropolitan Washington Employment Lawyers Association
Michigan League for Public Policy
Michigan's Children
Middlesex Coalition for Children
Milwaukee Area Service & Hospitality Workers Organization
Minnesota Coalition for the Homeless
Mississippi Families for Kids
Mississippi Low Income Child Care Initiative
Missouri CLUW Chapter
MomsRising
Mountain State Justice
MWC, AFL-CIO
NAACP
NARAL Pro-Choice North Carolina
Nashua Soup Kitchen and Shelter
National Advocacy Center of the Sisters of the Good Shepherd
National Asian Pacific American Women's Forum (NAPAWF)
National Association of Social Workers
National Association of Social Workers - NJ Chapter
National Association of Social Workers Connecticut Chapter
National Association of Social Workers, West Virginia Chapter
National Association of the Deaf
National Black Justice Coalition
National Black Sisters' Conference
National Center for Lesbian Rights
National Center for Transgender Equality
National Center on Domestic and Sexual Violence
National Coalition for the Homeless
National Consumers League
National Council of Churches
National Council of Jewish Women
National Council of Jewish Women - PA
National Council of Jewish Women - Texas
National Council of Jewish Women - Florida

National Disability Rights Network
National Domestic Workers Alliance
National Education Association
National Employment Lawyers Association
National Employment Lawyers Association - Eastern Pennsylvania
National Employment Lawyers Association - Georgia Affiliate
National Employment Lawyers Association - New York
National Equality Action Team (NEAT)
National Health Care for the Homeless Council
National Human Services Assembly
National Immigration Law Center
National Korean American Service & Education Consortium (NAKASEC)
National LGBTQ Task Force Action Fund
National Low Income Housing Coalition
National Partnership for Women & Families
National Resource Center on Domestic Violence
National Rural Social Work Caucus
National Urban League
National Women's Law Center
National Working Positive Coalition
National Workrights Institute
NC Justice Center
NC State AFL-CIO
Nebraska Appleseed
Nebraska Chapter of the National Association of Social Workers
Neighbors Helping Neighbors Teton County MT
NELA Hawaii Chapter
NELA - Kansas City Affiliate
NELA - Saint Louis
NELA - Alabama
Nenana Tortella Council on Aging, INC
Network for Environmental & Economic Responsibility
NETWORK Lobby for Catholic Social Justice
New Jersey Policy Perspective
New Jersey State Coalition of Labor Union Women
New Jersey Tenants Organization
New Mexico Association of Community Partners (NMACP)
New Mexico Black Caucus
New Mexico Center on Law and Poverty
New Orleans Associates of the Sisters of the Blessed Sacrament
New Voices for Reproductive Justice
New York Paid Leave Coalition
North American Climate, Conservation and Environment(NACCE)

North Carolina Alliance for Retired Americans
North Carolina Coalition Against Domestic Violence
North Carolina Council of Churches
North Dakota Chapter of the National Association of Social Workers
North Dakota Economic Security and Prosperity Alliance
Northwest Indiana Community Action
Northwest Pilot Project
Oakland Park Democratic Club
Oakland Symphony
Oasis Legal Services
Ohaha Family Foundation
Ohio Coalition of Labor Union Women
Ohio Domestic Violence Network
Oklahoma Policy Institute
Oklahoma Women's Coalition
One Pennsylvania
One Stop Career Center of PR Inc
Orange County Poverty Alleviation Coalition
Organize Florida
OURNOVA
Oxfam America
PathWays PA
Patriotic Millionaires
Pax Christi Florida
Pax Christi Illinois
Pax Christi USA
Peace, Justice, Sustainability Florida
Pennsylvania Budget and Policy Center
Pennsylvania Council of Churches
Pennsylvania Together
People Demanding Action
People's Institute for Housing Justice
Philadelphia Coalition of Labor Union Women
Philly Neighborhood Networks
Piedmont Housing Alliance
Planet Earth
Policy Matters Ohio
Poor Peoples Economic Human Rights Campaign
Positive Women's Network-USA
PowHer New York
Presbyterian Church (U.S.A.)
Pride at Work
Princeton Community Housing

Professional Child Care Provider Network of Prince George's Co., Inc
Project Bread-The Walk for Hunger
Promise The Children
Provincial Council Clerics of St. Viator (Viatorians)
Public Advocacy for Kids
Public Citizen
Public Citizens for Children and Youth (PCCY)
Public Justice Center
RI Coalition of Labor Union Women (CLUW)
Raise Minimum Wages
Raise the Wage PA
Raise-Op Housing Cooperative
Refuge Ministries Tampa Bay
Regina Mundi Inc.
Religious Institute
Restaurant Opportunities Center of Michigan (ROC-MI)
Restaurant Opportunities Center of Pennsylvania
Restaurant Opportunities Centers United
RESULTS Raleigh
RESULTS-Santa Fe
Rural Coalition
Rural Coaltion & Alianza Nacional de Campesinas
Rural Community Workers Alliance
Sacramento Housing Aliiance
Sacramento Regional Coalition to End Homelessness
SafeHouse Denver, Inc
San Diego Hunger Coalition
San Gabriel Valley-Whittier NOW
Santa Fe NOW
Sargent Shriver National Center on Poverty Law
Sconiers Homeless Preventive Organization Inc
Seattle Human Services Coalition
Seattle/King County Coalition on Homelessness
Second Harvest Food Bank of Lehigh Valley and Northeast Pennsylvania
SEIU Healthcare Pennsylvania
Service Employees International Union
Sexuality Information and Education Council of the United States (SIECUS)
Sherwood Community Services
SIA Legal Team
Sinsinawa Dominican Peace and Justice Office
SisterReach
Sisters of Charity Federation
Sisters of Mercy in NH

Sisters of Mercy West Midwest Community Justice Team
Sisters of Saint Mary of Namur
Sisters of St Joseph of Chambery Justice and Peace Committee
Sisters of St. Dominic of Blauvelt, New York
Sisters of St. Francis, Clinton, Iowa Leadership Team
Sisters of the Holy Spirit and Mary Immaculate
Sisters of the Most Precious Blood of O'Fallon, MO
Social Action Linking Together (SALT)
SocioEnergetics Foundation
South Carolina Christian Action Council, Inc.
South Dakota Chapter of the National Association of Social Workers
Southern HIV/AIDS Strategy Initiative (SASI)/Duke University School of Law
Southern Mutual Help Association, Inc.
Southern Poverty Law Center
Southfield Community Church
Southwest PA National Organization For Women
Southwest Women's Law Center
Sravasti Abbey
St. James Infirmary
St. Louis CLUW Chapter
St. Louis Gateway District Area Local - APWU 8
St. Louis Gateway District Area Local APWU - POWER Sisters
TASH
Tax Fairness Oregon
Tax March
Tenderloin Neighborhood Development Corporation (TNDC)
Tennessee Citizen Action
Tennessee Justice Center
Texas Employment Lawyers Association
THE ABCD,INC
The Commonwealth Institute for Fiscal Analysis
The Farmworker Association of Florida
The Greater Boston Food Bank
The HUB for Progress
The Praxis Project
The Public Interest Law Project
The Washington Initiative for Supported Employment
The Welcome Church
TMS Enterprises
Toledo Area Jobs with Justice & Interfaith worker Justice Coalition
Transition Services, Inc.
Transport Workers Union of America
Treatment Action Group (TAG)

Trillium Employment Services
Tzedek DC
UCSF
UETHDA Head Start
UltraViolet
UnidosUS
Union for Reform Judaism
Union of Sisters of the Blessed Virgin Mary, USA UNIT
United Food and Commercial Workers International Union
United Food and Commercial Workers Local 227
United Food and Commercial Workers Local 75
United for a Fair Economy
United Steelworkers (USW)
University Church
University of New Mexico Community and Regional Planning Department
Upper East Tennessee Human Development Agency
URGE: Unite for Reproductive & Gender Equity
Vennmedia: A Nonprofit Media Enterprise
Virginia Employment Lawyers Association
Voices for Progress
Vote-Climate
Wage Equality
Washington Anti-Hunger & Nutrition Coalition
Washington Lawyers' Committee for Civil Rights and Urban Affairs
Washington Legal Clinic for the Homeless
Washington State Budget & Policy Center
Washington State Community Action Partnership
Watertown Citizens for Peace, Justice & the Environment
We The People - Pennsylvania
Wellstone Democratic Renewal Club
West Valley Neighborhoods Coalition
West Virginia Center on Budget and Policy
Western Center on Law and Poverty
Western NY Chapter Coalition of Labor Union Women
Western Pennsylvania Employment Lawyers Association (WPELA)
WHEAT - World Hunger Education, Advocacy & Training
Whitman-Walker Health
Windham Area Interfaith Ministry
Wisconsin Faith Voices for Justice
Women Employed
Women's Fund of Rhode Island
Women's Law Project
Worcester County Food Bank

Worker Justice Center of New York
Working Families Party
Working Partnerships USA
Workplace Fairness
Young Progressives Demanding Action
YouthCare
YWCA of the University of Illinois
YWCA Seattle|King|Snohomish
YWCA USA
YWCA Utah

Tipped Wage Effects on Earnings and Employment in Full-Service Restaurants*

SYLVIA ALLEGRETTO and CARL NADLER

We exploit more than 20 years of changes in state-level tipped wage policy and estimate earnings and employment effects of the tipped wage using county-level panel data on full-service restaurants (FSR). We extend earlier work by Dube, Lester, and Reich (2010) and compare outcomes between contiguous counties that straddle a state border. We find a 10-percent increase in the tipped wage increases earnings in FSRs about 0.4 percent. Employment elasticities are sensitive to the inclusion of controls for unobserved spatial heterogeneity. In our preferred models, we find small, insignificant effects of the tipped wage on FSR employment.

Introduction

The minimum wage is one of the most researched areas in labor economics, with a vast body of literature that dates back nearly 70 years (Brown 1999). Over the last several decades, research on the minimum wage has further proliferated as economists have exploited the growing variation in state minimum wage policies. However, research, public debate, and policy have largely ignored the lesser known tipped wage received by tipped workers (sometimes referred to as the subminimum or cash wage), even as it too has ample state variation that facilitates empirical estimation. Indeed, the existence of two federal wage floors,[1] with the federal tipped wage at $2.13 since 1991, is relatively unknown.

The 1966 Fair Labor Standards Act (FLSA) amendments expanded wage protections to restaurant, hotel, and other service workers but also allowed for a "tip credit" whereby employers could use tips, provided by customers, as

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The authors are grateful for generous support from the Ford Foundation and the Russell Sage Foundation. They thank Megan Collins, Luke Reidenbach, and Rachel West for excellent research assistance and David Card, Arindrajit Dube, Bill Lester, Michael Reich, Jesse Rothstein, Ben Zipperer, and two anonymous reviewers for their valuable comments and suggestions.

[1] There is also a youth wage that allows employers to pay employees under 20 years of age a lower wage ($4.25) for a limited period (90 calendar days, not work days) after they are first employed.

INDUSTRIAL RELATIONS, Vol. 54, No. 4 (October 2015). © 2015 Regents of the University of California
Published by Wiley Periodicals, Inc., 350 Main Street, Malden, MA 02148, USA, and 9600 Garsington Road, Oxford, OX4 2DQ, UK.

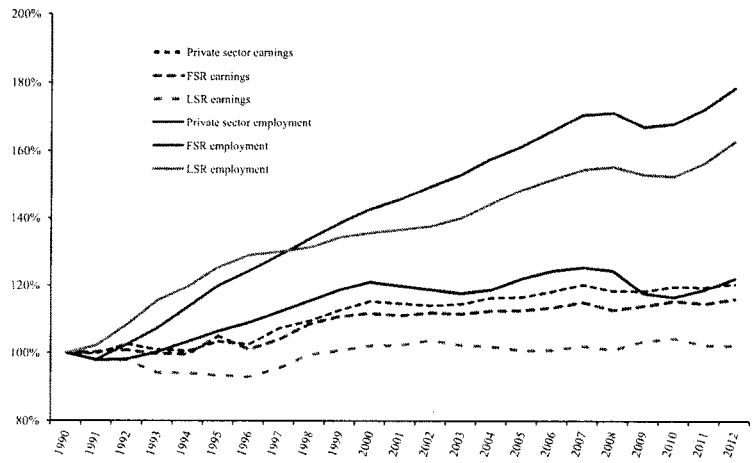
"credit" toward a worker's regular minimum wage. Today, at the federal level, the regular minimum wage is $7.25 and the allowable tipped wage is $2.13—the $5.12 difference is the maximum allowable tip credit. The $5.12 tip credit may be thought of as a customer-subsidized portion of the employer wage bill.

The paucity of research inquiry into the tipped wage and its tip credit counterpart means the policy and its effects are not well understood. Moreover, employment in the restaurant industry—a heavy user of the low-wage workforce—has been growing. Figure 1 shows that private-sector employment grew by approximately 22 percent from 1990 through 2012, while employment in the full-service (FSR) and limited-service (LSR) restaurant sectors grew by 78 percent and 62 percent, respectively. At the same time, private-sector earnings grew by 20 percent while earnings increased by 14 percent and 2 percent, respectively, for workers in the FSR and LSR sectors.

Employment of tipped workers is common in the FSR sector but not in the LSR sector. We use a panel (1990Q1–2013Q1) of data from the Quarterly Census of Employment and Wages (QCEW) that allows us to separate FSR from LSR. This separation will allow for a more nuanced analysis of the two wage floors. We expect to find earnings effects on the tipped wage for the FSR sector but not for the LSR sector—an important falsification test. We will

FIGURE 1

EMPLOYMENT AND EARNINGS GROWTH: PRIVATE SECTOR, FULL-SERVICE (FSR) AND LIMITED-SERVICE (LSR) RESTAURANTS, 1990–2012



SOURCE: Authors' analysis of Quarterly Census of Employment and Wages data.

also be able to estimate minimum wage effects on earnings and employment separately by sector as the effects need not be the same.

Although the federal tipped wage has not changed since 1991, there is ample variation in state policies. We use state variation in the tipped and the regular minimum wages to identify earnings and employment effects. Although there exists little literature regarding the tipped wage, many of the empirical issues, such as the nonrandomness of wage-floor policies, parallel those found in the literature on the regular minimum wage.

Research using panel data often starts and sometimes ends with the two-way fixed-effects model. The two-way estimation strategy limits time and spatial controls to a single national time trend and state-specific fixed effects. Allegretto et al. (2013) show that observable confounds vary considerably across high and low minimum wage states, suggesting that unobserved factors do as well. Moreover, given the existence of spatial clustering of both wage-floor policies, our research needs to adequately address the issue of spatial heterogeneity. At the crux of the issue is the validity of control groups—or the counterfactual for what would have happened in the absence of a change in the minimum or tipped wage. What research design would best account for wage policies that are correlated, but not causal, to growth patterns of low-wage employment?

We start with the traditional two-way fixed-effects model and add controls for time-varying spatial heterogeneity. While estimates of the impact of the tipped wage on earnings are robust across specifications, estimates on employment are sensitive to the inclusion of spatial controls and suggest a strong negative bias that results in an improbably large negative employment effect in the FSR sector in the two-way fixed-effects specification.

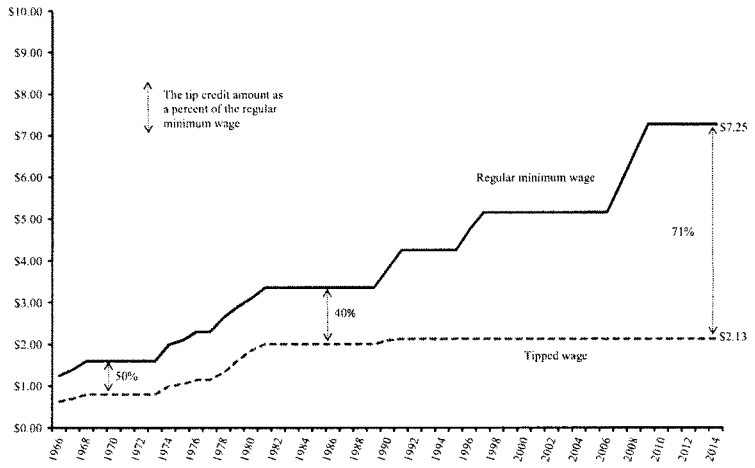
We next extend earlier work by Dube, Lester, and Reich (2010; hereafter, DLR) and compare outcomes between contiguous counties that straddle a state border. Given their geographical proximity, the border counties provide a natural control group when one county's state implements a change in their wage policy and the other county's state does not. Our results from this second analysis support our findings using all counties and including spatial controls. We find a 10-percent increase in the tipped wage increases earnings in the FSR sector by about 0.4 percent. Once we control for spatial heterogeneity, we find small, insignificant effects of the tipped wage on FSR employment.

History of the Tipped Wage

The tip-credit provision. The 1966 FLSA amendments widened the net of labor protections to include coverage for hotel, restaurant, and other service

FIGURE 2

FEDERAL MINIMUM WAGE AND TIPPED WAGE POLICY, NOMINAL VALUE, 1966–2014



SOURCE: Authors' analysis of Fair Labor Standards Act and amendments.

workers. It also introduced a "tip credit" provision that allowed tipped workers to be paid a subminimum or tipped wage that was lower than the regular minimum wage (Elder 1978; Whittaker 2006). The tip credit allows an employer to use tips, provided by customers, as credit toward a tipped worker's wage so long as tips plus the tipped wage paid by the employer equate to at least the regular minimum wage.[2]

Initially, the tipped wage and the tip credit were each 50 percent of the regular minimum wage, as depicted in Figure 2. Over time, the ratio of the tipped minimum to the federal minimum varied—it was as high as 60 percent but didn't fall below 50 percent until 1996. The relatively proportional link between the two wage floors was broken with the passage of the Minimum Wage Increase Act of 1996, which froze the tipped wage at $2.13 into perpetuity. Today the federal tip credit is 71 percent of the regular minimum

[2] Other restrictions apply, such as the worker must make at least $30 per week in tips; for additional information see http://www.dol.gov/whd/regs/compliance/whdfs15.htm. To be in compliance with the FLSA's wage requirements the timing of when to calculate tips plus the tipped wage is assessed on a workweek basis. See 29 U.S.C. 206(a). A workweek is any *fixed and regularly* recurring 168-hour period. A recent (2010–2012) compliance investigation by program analysts at the U.S. Department of Labor reported that 83.8 percent of restaurants had some type of wage and hour violation including 1170, tip-credit violations that resulted in nearly $5.5 million in back wages (email correspondence).

wage, while the federal tipped wage is just 29 percent. Hence, tips are, in part, wages provided by customers via the tip-credit provision.

States act in response to federal inaction. Over the past several decades minimum and tipped wage floors have varied considerably across states. States with minimum wage policies above the federal level ranged from just a few in the mid-1980s to more than thirty in 2008.[3] The number tends to grow considerably when the federal rate is left unchanged for long periods. The situation is a bit different for state tipped wage policies. The number of states with more generous subwage polices has, for the most part, steadily increased over time given the $2.13 federal policy in place since 1991. Seven states do not allow for a tipped wage—in these states all workers are paid at least the regular state minimum wage. In the mid-1980s these seven states, along with five others, had a tipped wage above the federal level—that number increased to twenty-six in 2014.

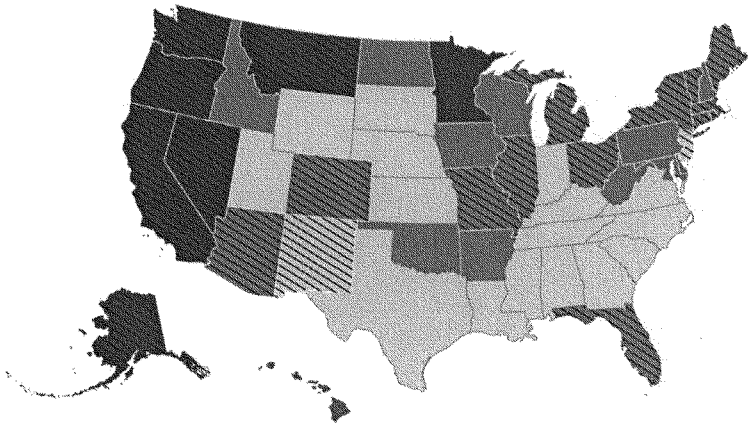
The map depicted in Figure 3 shows state (plus the District of Columbia) minimum wage and tipped wage policies as of January 2014. States with minimum wages above the federal level are marked with black hash marks. The three color codes on the map refer to whether the state tipped wage is set at the $2.13 federal level (light gray), above the federal level but below the regular minimum (medium gray), or if the state does not allow for a tipped wage (dark gray). The three color categories may also be referenced as states with full, partial, and no tip credit, respectively.

The partial tip credit states currently have tipped wages that range from just above the federal level, such as the $2.23 policy in Delaware, to very close to a no tip credit policy, such as Hawaii's tipped wage of $7.00. Of the workforce, 35.5 percent work in full tip credit states, 46.4 percent in partial tip credit states, and 18.1 percent work in the seven no tip credit states (Allegretto and Cooper 2014). It is interesting to note the considerable differences that exist across states at any given time. For example, as of January 2014, the state of Texas followed the federal polices for both wage floors, while Washington State, which does not allow for a tipped wage, had a single wage floor of $9.32. The wage policies at both the federal and state level provide a rich data source with ample variation to examine minimum and tipped wage effects on employment and earnings in the restaurant industry.

[3] Here and elsewhere in the paper the District of Columbia is included as a state. The number of states with higher minimum wages changes depending on changes in state and federal policies. For example, prior to the federal increase in 2007, thirty states had minimum wages higher than the federal minimum, which had been at $5.15 dating back to 1997.

FIGURE 3

STATE MINIMUM WAGE AND TIPPED WAGE POLICIES, JANUARY 2014



NOTES: Hash marks denote states with minimum wage policies above the $7.25 federal rate. Light-gray states follow the federal tipped wage policy of $2.13. Medium-gray states have tipped wages above the federal level but below each state's binding minimum wage. Dark-gray states do not allow for a tipped wage. The state scenarios are always changing as minimum and/or tipped wages change at the federal or state level.

Literature Review

The tipped wage. Unlike the abundant research and debates concerning the regular minimum wage, there has been little interest regarding the tipped wage. A descriptive paper by Allegretto and Cooper (2014) shows that average wages are higher and poverty rates are lower for tipped workers (wait staff in particular) who reside in states that have higher tipped wages. Other descriptive information from Allegretto and Cooper indicates that wait staff are overwhelmingly women—just over 68 percent. And while tipped workers and wait staff are disproportionately young, it is the case that 45 percent and 33 percent, respectively, are at least 30 years old.

The sole published paper that examined tipped wage effects is by Even and Macpherson (2014). They used QCEW data to estimate employment and earnings effects on the restaurant industry. The authors concluded that "results provide fairly convincing evidence that higher cash wages (otherwise tipped wages) increase earnings but reduce employment," but they expressed caution in their degree of confidence and called for additional research (p. 23). In sum,

they preferred the canonical two-way fixed-effects estimates and reported that a reduction in the tip credit (in other words, a 10-percent increase in the tipped wage) increased worker earnings by less than 1 percent and reduced employment in full-service restaurants by less than 1 percent.

Even and Macpherson (2014) use two fixed-effects specifications: (1) the traditional two-way specification where they control for time and state fixed effects and (2) the addition of a state-specific time trend to the first specification.[4] Even and Macpherson (2014) prefer the two-way estimator without state-specific time trends. They contend that the inclusion of state-specific time trends, along with the high degree of collinearity between the minimum wage and the time and state fixed effects, overparameterizes the model—washing out the true disemployment effect.

The overparameterization argument is hard to reconcile given the robustness of wage estimates that Even and Macpherson (2014) find for both of their specifications (table 1, p. 643). This result would not follow if the specification with state-specific time trends were overparameterized. Robust minimum wage results are found with even more sophisticated specifications of the fixed-effects model, such as those that use state-linear time trends along with spatial controls (see Dube, Lester, and Reich 2010; Allegretto, Dube, and Reich 2011; Allegretto et al. 2013).

Anderson and Bodvarsson (2005) asked whether states with higher tipped wages boosted server pay. They examined 1999 aggregated data on wait staff and bartenders from the Occupational Employment Statistics from the Bureau of Labor Statistics. Anderson and Bodvarsson (2005) concluded, for the most part, that it does not appear that tipped workers get a boost in total earnings in states with higher tipped wages. The estimate of an earnings effect will be improved by using a panel of data and controls for period and state fixed effects, which are not possible when only a single year of data is analyzed as in the Anderson and Bodvarsson (2005) paper.

A paper by Wessels (1997) theoretically and empirically assessed whether restaurants have monopsony power over wages. Wessels's (1997) tested theoretical model hinged on the fact that tips allow restaurants to pay servers lower wages, and as more servers are hired, each serves fewer customers and consequently earns less in tips—thus restaurants must pay a higher wage to retain workers. Empirically, he concluded that the labor market for tipped wait staff in restaurants is indeed monopsonistic. Wessels (1997) detected the full

[4] They also include additional demographic controls such as the share of the population over 60, the share of the prime-aged (25–60) population, and female labor-force participation rate.

TABLE 1

DESCRIPTIVE STATISTICS FOR THE "ALL COUNTY" AND "BORDER COUNTY" SAMPLES BY FULL-SERVICE (FSR) AND LIMITED-SERVICE (LSR) RESTAURANT SECTORS

	All County Sample				Contiguous Border County Sample			
	FSR		LSR		FSR		LSR	
	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.	Mean	Std. Dev.
Population	189,479	434,560	257,058	506,425	222,009	364,542	352,252	451,512
Private-sector average weekly earnings	542	178	570	187	573	207	625	233
FSR average weekly earnings	204	65	218	64	211	70	232	72
LSR average weekly earnings	188	49	188	48	192	52	197	53
Private-sector employment	71,695	179,432	98,886	209,481	89,818	182,474	145,303	230,916
FSR employment	2693	6368	3826	7530	3213	6401	5247	8191
LSR employment	2489	5020	2849	5345	2646	3915	3517	4448
Minimum wage	5.47	1.21	5.46	1.21	5.50	1.23	5.51	1.23
Tipped wage	3.04	1.43	2.93	1.41	3.07	1.31	2.86	1.18
County distribution by Census division								
New England	0.04	—	0.04	—	0.10	—	0.12	—
Middle Atlantic	0.10	—	0.10	—	0.19	—	0.18	—
East North Central	0.22	—	0.17	—	0.22	—	0.15	—
West North Central	0.15	—	0.10	—	0.13	—	0.10	—
South Atlantic	0.16	—	0.22	—	0.15	—	0.22	—
East South Central	0.05	—	0.08	—	0.03	—	0.03	—
West South Central	0.09	—	0.13	—	0.02	—	0.06	—
Mountain	0.10	—	0.08	—	0.12	—	0.09	—
Pacific	0.08	—	0.09	—	0.05	—	0.04	—
Number of counties	1281		890		332		197	
Number of county pairs					281		150	
Number of states (+ DC)	49		49		48		45	
Total county-quarter observations*	119,133		82,770		52,266		27,900	

SOURCE: QCEW 1990Q1–2013Q1 data (except population data) from the U.S. Census Bureau.

NOTE: *Total county-quarter observations indicates the total number of observations within a sample, which has been balanced based on disclosed employment counts within the total private sector and the relevant subsector (either full- or limited-service restaurants). Descriptive statistics for other subsectors have a lower count, because they are based on an unbalanced subset of the sample. In particular, there are 96,803 county-quarter observations with disclosed employment counts of limited-service restaurants within the All Counties sample that has been balanced based on the full-service subsector. Likewise, there are 79,643 county-quarter observations with disclosed employment counts of the full-service subsector within the All Counties sample balanced on limited-service. There are 43,083 county-quarter observations with disclosed counts of limited-service employment within the Border Counties sample balanced on full-service. Lastly, there are 27,149 county-quarter observations with disclosed full-service employment within the Border Counties sample balanced on limited-service.

"reverse C" monopsony employment pattern. He asserted that over some range (not established) a higher wage will increase restaurant employment.

A second paper by Wessels (1993) on minimum wages and tipped employees used the Census of Retail Trade to estimate the effect of allowing a total offset of tips toward the minimum wage requirement. He concluded that restaurant employment would increase by 6.8 percent and those jobs would pay 30 percent or more above the minimum wage (which was $2.01 at the time). Wessels (1993) also found that a 10-percent increase in the tipped wage would result in a 4-percent decrease in employment, and workers who retained their jobs would have their hours cut by 6 percent. In total there would be a loss of 3 percent to 5 percent in total income, coupled with lower employment.

We contribute to this literature in two ways. First, we use more than two decades of variation in state-level tipped wage policy to estimate tip wage effects on earnings and employment. That is, in contrast to earlier approaches relying on cross-sectional data, we use within-county variation for identification. Second, we address potential bias from time-varying spatial heterogeneity using designs from recent research on the minimum wage, focusing on comparisons of counties within the same Census division, or across a state border.

Relevant minimum wage literature. The minimum wage is one of the most studied topics in labor economics. See Brown (1999) and more recently Neumark and Wascher (2008) for an overview of the literature. Recent debate on minimum wages has focused on the importance of research design. Kuehn (2014) gives a broad summary of the two main approaches: (1) those that use the two-way fixed-effects model and (2) those that use "matching criteria." The two-way fixed-effects strategy in its most simplistic form exploits variation in state minimum wages and uses states without minimum wage increases as counterfactuals. We know from looking at the map (see Figure 3) that there is a spatial component to both wage floors, and given that wage policies are not randomly assigned, there is a nontrivial possibility of estimating spurious effects.

As Kuehn (2014) mentioned, different employment trends—for example, the stagnation in the Midwest compared to growth in the South—are due to structural shifts (such as the decline in manufacturing) and not due to minimum wage policies. Allegretto et al. (2013) used four data sets and six approaches—including geographic controls, border discontinuities, synthetic controls, and dynamic panel data models—to show that the two-way fixed-effects estimator for minimum wage studies is biased due to insufficient controls for time-varying heterogeneity.

Research designs such as the case study approach used by Card and Krueger (1994) in their Pennsylvania–New Jersey study and the generalization of that approach by DLR are based on matching criteria—that is, matching or identifying an appropriate comparison group to assess what would have happened to the treatment group in the absence of the treatment. In this case, the treatment is an increase in minimum wage. DLR assert that minimum wage research that relies on the two-way fixed-effects model does not adequately account for unobservable heterogeneity that is correlated, but not causal, to low-wage employment patterns and thus produces spurious negative employment effects.

DLR extended the fixed-effects approach in conjunction with matching criteria by exploiting a research design based on contiguous border county-pairs that assumes counties that are geographically close are better controls than those that are not. In their preferred specification, DLR argued that their research design, which matched a "treatment" county with a neighboring county across a state border as a "comparison" or counterfactual, is preferred to studies that do no such matching. DLR's estimates were essentially a pooled estimate of each contiguous county-pair with a minimum wage differential over a 17-year period. The estimated negative employment effects that resulted from the traditional two-way fixed-effects specification attenuated and became indistinguishable from zero in their preferred specification.

The present research builds upon DLR as we estimate earnings and employment effects for the restaurant industry, but we analyze the full-service and limited-service restaurant sectors separately (DLR pooled them together). As in DLR, we are interested in minimum wage effects, but we extend our analysis to also include the tipped wage.

In relation to the present study it may be that the confounders with the variation in the tipped wage may be similar, but not necessarily identical, to those relating to the minimum wage (as the map in Figure 3 suggests). Hence, spurious effects may differ but heterogeneity remains a potentially serious issue.

The advances of incorporating spatial controls and policy discontinuities to better account for heterogeneity (as presented in Dube, Lester, and Reich 2010; Allegretto, Dube, and Reich 2011; Allegretto et al. 2013) is an often-preferred approach (for example, see Autor 2003; Lee and Lemieux 2010; Magruder 2013), but it is not universally accepted within the discipline. Specifically, research by Neumark, Salas, and Wascher (2014) used a synthetic control approach to argue that areas in close proximity are not more similar. And, as discussed above, Even and Macpherson (2014) preferred the traditional two-way fixed-effects specification.

Data

The QCEW data provide a near census of county-level payroll data on employment and earnings covering approximately 98 percent of all jobs.[5] Importantly, these data are well suited for research on the tipped wage as tipped workers such as wait staff are prevalent in the full-service sector but rare in limited-service restaurants—and the two sectors are separately identified in the QCEW. Furthermore, both restaurant sectors are heavy users of minimum wage workers.[6]

We construct a QCEW panel of quarterly observations of county-level employment and earnings for full-service restaurants and limited-service restaurants from the first quarter of 1990 through the first quarter of 2013.[7] Quarterly employment is the average of the three monthly employment values reported for the corresponding months of each quarter. The earnings variable is the average weekly wage for a given quarter.

The QCEW data include a measure on private-sector employment that we use as a control. Also used as a control is county-level population data for each quarter from the U.S. Census Bureau that was merged with the QCEW data. The dataset is further appended with data on the regular minimum wage and the tipped wage for each state and time period (year, quarter).[8]

We use four subsets of QCEW data. For both restaurant subsectors, we have a sample that includes all counties ("All County" or AC) sample and a subsample of the AC data restricted to contiguous border-county-pairs referred to as the "Border County" (BC) sample. The BC sample is restricted to contiguous county-pairs that straddle a state line and have a minimum or tipped wage differential. Each of the four samples, separately, is restricted to counties that have reported data for all ninety-three quarters. The descriptive statistics are provided in Table 1. The "All County FSR" sample consists of 1281 out of the 3109 counties in the United States with reported data on full-service

[5] QCEW data represent the number of covered workers who worked during, or received pay for, the pay period including the twelfth of the month. Excluded are members of the armed forces, the self-employed, proprietors, domestic workers, unpaid family workers, and railroad workers covered by the railroad unemployment insurance system.

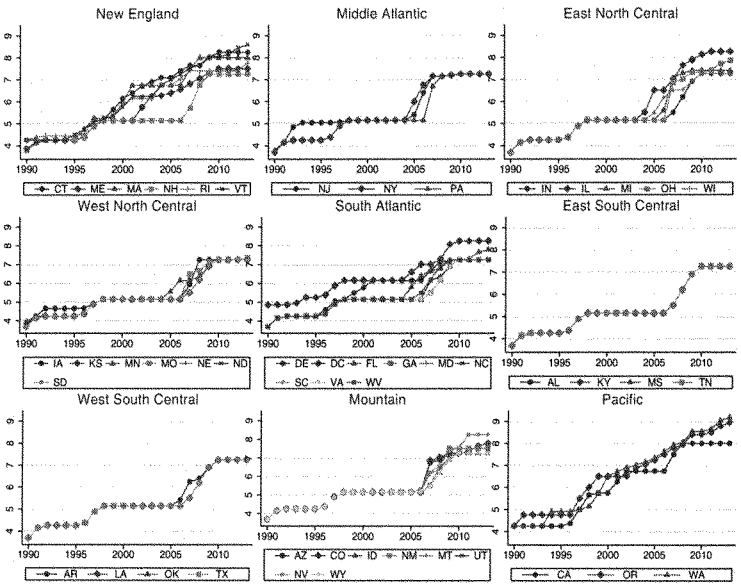
[6] The restaurant industry employs a large share of the minimum wage workforce, and of all workers employed in restaurants, about a third earn wages within 10 percent of the minimum wage (DLR 2010).

[7] NAICS codes from 1990 through 2010: FSR 7221 and LSR 722211; from 2010 onward: FSR 722511 and LSR 722513.

[8] The construction of monthly, state data on the tipped and minimum wage from 1990–2013 were compiled using various sources. Older data were found via annual issues of the *Monthly Labor Review* and its chapter on State Labor Legislation available in January for most years. Other sources were via the Internet and state labor departments.

FIGURE 4

STATE MINIMUM WAGES BY CENSUS DIVISION, 1990–2013



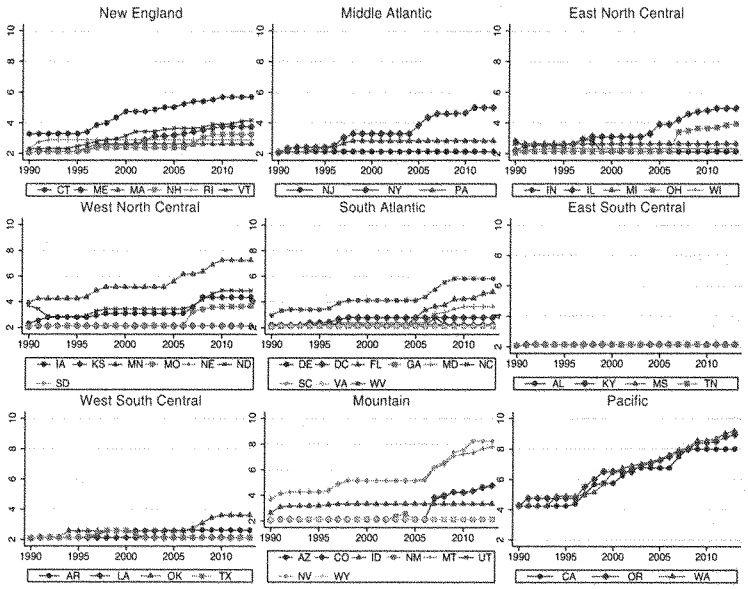
SOURCE: The construction of quarterly state data on the tipped and minimum wage from 1990–2013 were compiled using various sources. Older data were found via annual issues of the *Monthly Labor Review* and its chapter on State Labor Legislation available in January for most years. Other sources were via the Internet and state labor departments.

restaurants. The "All County LSR" sample consists of 890 counties with data on limited-service restaurants. We use this sample to replicate the traditional two-way fixed-effects specification. The spatial depiction of minimum and tipped wages across time is evident in Figures 4 and 5, respectively. The figures illustrate the two wage floors for states within each of the nine Census divisions. Thus, we build upon the canonical model to include spatial controls and state-specific time trends. We discuss the importance of spatial controls further in the Estimation Strategy section.

The BC samples are used for the border-county-pair analysis and consist of all contiguous county-pairs that straddle a state boundary and have a tipped or minimum wage differential. Descriptive statistics are reported in the right-hand panel of Table 1. The BC FSR sample consists of 332 counties and 281 county-pairs, and the BC LSR consists of 197 counties with 150 county-pairs.

FIGURE 5

State Tipped Wages by Census Division, 1990–2013



Source: The construction of quarterly state data on the tipped and minimum wage from 1990–2013 were compiled using various sources. Older data were found via annual issues of the *Monthly Labor Review* and its chapter on State Labor Legislation available in January for most years. Other sources were via the Internet and state labor departments.

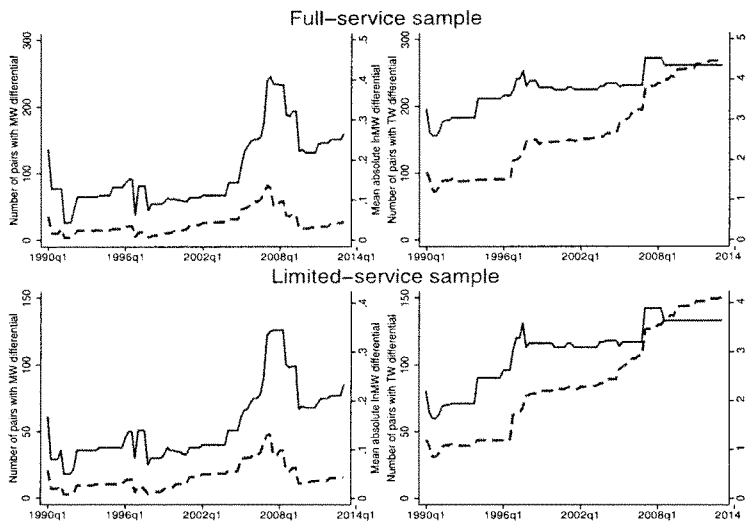
Figure 6 shows the variation in minimum and tipped wages for both restaurant sector datasets along with the mean absolute differential in the (log) minimum wage and the (log) tipped wage. The figures show that there is necessary variation in order to estimate earnings and employment effects. There are substantial pay gaps among these counties, especially regarding the tipped wage that has large increases in later years in the relevant FSR sector.

Estimation Strategy

Specifications using the All County sample. Our first strategy to assess the impact of minimum and tipped wages uses our AC sample of county-level

FIGURE 6

NUMBER OF COUNTY-PAIRS WITH MINIMUM OR TIPPED WAGE DIFFERENTIAL AND AVERAGE ABSOLUTE RELATIVE DIFFERENTIAL



NOTES: The solid line plots the number of pairs with a minimum or tipped wage differential in a given quarter. The dashed line plots the average absolute difference in the logged wage between the counties in a pair.

panel data on earnings and employment. We begin by estimating the traditional two-way fixed-effects specification as our baseline model:

$$\ln y_{ct} = \eta_{TW} \ln TW_{s(c)t} + \eta_{MW} \ln MW_{s(c)t} + X_{ct}\Gamma + \phi_c + \tau_t + \varepsilon_{ct} \qquad (1)$$

where c indexes counties and t indexes quarters from 1990Q1 through 2013Q1. $\ln TW_{s(c)t}$ and $\ln MW_{s(c)t}$ are, respectively, the log of the tipped wage and the log of the minimum wage in county c's state, $s(c)$, in quarter t. We define the tipped wage and minimum wage as the maximum of the respective state and federal wage policy. $\ln y_{ct}$ is the log of the labor market outcome of interest, which is either total employment or average weekly earnings in one of two subsectors: full-service or limited-service restaurants. φ_c and τ_t are county and quarter fixed effects, respectively. X_{ct} is a vector of county-level control variables. In all specifications, we control for the log of the county's population, reported on a quarterly basis by the Census Bureau. We also account for economic shocks affecting all industries in the county. In earnings

regressions, we include (log) total private sector average earnings, and in employment regressions we include (log) total private sector employment.

Our parameters of interest are η_{TW} and η_{MW}. They represent the elasticities of the dependent variable with respect to the state's tipped wage and minimum wage policies, respectively. Elasticities are estimated without bias under the assumption that $E[\ln TW_{s(c)t}\varepsilon_{ct}] = 0$ and $E[\ln MW_{s(c)t}\varepsilon_{ct}] = 0$. In other words, specification (1) estimates causal impacts of state tipped and minimum wage policies if changes in wage policies are uncorrelated with unobserved changes in the local economy. As previously discussed, there is growing evidence that this condition does not hold. States appear more likely to enact increases in minimum wages during periods in which employment in low-wage sectors is already falling (e.g. Dube, Lester, and Reich 2010; Allegretto et al. 2013). Because changes in tipped wage policies often occur at the same time as changes in minimum wage policies, estimates of the effect of tipped wages on employment may be negatively biased as well.

To address this potential bias, we estimate fixed-effects specifications that additionally control for time-varying regional and state-level economic conditions. To motivate our approach, one may decompose the unobserved within-county variation in a given quarter as follows:

$$\varepsilon_{ct} = \lambda_{d(c)t} + \psi_s t + u_{ct} \tag{2}$$

where $\lambda_{d(c)t}$ is a time-varying, unobserved economic shock that is common across all counties in county c's Census division, $d(c)$; ψ_s is a state-level trend; and u_{ct} is the unobserved heterogeneity that is uncorrelated with $\lambda_{d(c)t}$ and $\psi_s t$. Plugging (2) into (1) we have:

$$\ln y_{ct} = \eta_{TW}\ln TW_{s(c)t} + \eta_{MW}\ln MW_{s(c)t} + X_{ct}\Gamma + \phi_c + \lambda_{d(c)t} + \psi_s t + u_{ct} \tag{3}$$

By including controls for time-varying economic shocks within Census divisions and state trends, the model specified in equation (3) relaxes the previous identifying assumptions. Loosely speaking, identification of η_{TW} and η_{MW} is based on the arguably idiosyncratic timing of changes in state wage policies relative to nearby states presented in Figures 4 and 5, while adjusting for long-term trends in the state economy. In order to gauge the sensitivity of our results, we also estimate intermediate specifications in which we add to equation (1) either division-specific time effects or state trends. In all regressions we cluster the standard errors at the state level, because we are using county-level data to estimate the effect of state-level policies.

Identification using contiguous border-county-pairs. A limitation of our analysis of the AC sample, and of similar studies using state-level panel data, is

that we are only able to address the nonrandom timing of state-level changes in tipped and minimum wage policy by using geographically coarse controls or controls for the overall trend within the state. An alternative approach is to focus on local comparisons using pairs of counties that cross a state border. Given their geographical proximity, the border counties provide a natural control group when one county's state implements a change in their wage policy and the other county's state does not. We thus extend the border-county design originally implemented in Dube, Lester, and Reich (2010). Consider a sample of pairs of border counties. To belong in our sample, each pair, indexed by p, must be contiguous and lie across a state border and, at some point in our sample period, have different tipped or minimum wage policies. j indexes the counties that are in a pair: $j = 1, 2$. Because counties can be in multiple pairs, counties appear in the sample for each pair to which they belong.[9] Let $c(j,p)$ denote the jth county in pair p and $s(j,p)$ the county's state. The regression model is:

$$\ln y_{jpt} = \eta_{TW} \ln TW_{s(j,p)t} + \eta_{MW} \ln MW_{s(j,p)t} + X_{c(j,p)t}\Gamma + \phi_{c(j,p)} + \rho_{pt} + \upsilon_{jpt} \quad (4)$$

where ρ_{pt} is a time-varying economic shock common to both counties in pair p, and v_{jpt} is an unobserved, time-varying, county-level shock uncorrelated with ρ_{pt}. The other variables are as previously defined. η_{TW} and η_{MW} are identified under the assumption that $E[\ln TW_{s(j,p)t}\upsilon_{jpt}] = 0$ and $E[\ln MW_{s(j,p)t}\upsilon_{jpt}] = 0$.

This condition requires that local labor-market shocks that would bias our estimate of the effect of the wage policy are also affecting the labor-market outcomes of the county across the state border, adjusting for average differences between the two counties and our time-varying controls. In contrast, the two-way effects model we introduced in equation (1) assumes these confounding labor market shocks are shared across *all counties* in our sample, regardless of geographic proximity.[10,11] Following Dube, Lester, and Reich (2010), we correct our standard errors for clustering within states and border segments of adjacent pairs using multiway clustering (Cameron, Gelbach, and Miller 2006).

Results

Estimates using the All County sample. Table 2 shows the regression results from our analysis on the AC sample. Panel A reports results for

[9] In practice, most counties appear in no more than two pairs.

[10] For comparison with equation (1), we also estimate equation (4) substituting only time effects, τ_t, for the pair-specific time effects, ρ_{pt}.

[11] Because the number of pairs grows with the number of counties, pair-specific time effects are not consistently identified. In practice, we control for this variation by de-meaning at the pair-quarter level.

TABLE 2

ALL COUNTY SAMPLE ESTIMATES OF THE TIPPED AND MINIMUM WAGE ON EARNINGS AND EMPLOYMENT, BY RESTAURANT SECTOR

	Specifications							
	(1)		(2)		(3)		(4)	
Panel A Full-Service Restaurants								
Earnings								
lnTW	—	0.048**	—	0.038**	—	0.034*	—	0.032+
	—	(0.014)	—	(0.010)	—	(0.015)	—	(0.017)
lnMW	0.231**	0.173**	0.204**	0.150**	0.188**	0.165**	0.161**	0.138**
	(0.027)	(0.029)	(0.037)	(0.031)	(0.027)	(0.027)	(0.027)	(0.030)
Employment								
lnTW	—	−0.139*	—	0.006	—	0.014	—	0.011
	—	(0.060)	—	(0.037)	—	(0.072)	—	(0.084)
lnMW	−0.244*	−0.073	−0.017	−0.025	−0.058	−0.068	−0.007	−0.015
	(0.120)	(0.099)	(0.090)	(0.077)	(0.036)	(0.051)	(0.042)	(0.075)
Counties	1,281	1,281	1,281	1,281	1,281	1,281	1,281	1,281
County-pairs								
N	119,133	119,133	119,133	119,133	119,133	119,133	119,133	119,133
Panel B Limited-Service Restaurants								
Earnings								
lnTW	—	0.017	—	0.003	—	−0.021	—	−0.002
	—	(0.015)	—	(0.012)	—	(0.019)	—	(0.020)
lnMW	0.217**	0.196**	0.173**	0.169**	0.182**	0.196**	0.160**	0.162**
	(0.029)	(0.028)	(0.028)	(0.029)	(0.031)	(0.034)	(0.024)	(0.028)
Employment								
lnTW	—	−0.038	—	0.011	—	0.037	—	0.009
	—	(0.051)	—	(0.040)	—	(0.071)	—	(0.064)
lnMW	−0.167*	−0.119+	−0.018	−0.033	−0.073+	−0.098+	−0.015	−0.021
	(0.075)	(0.067)	(0.071)	(0.053)	(0.038)	(0.054)	(0.028)	(0.061)

TABLE 2 (cont.)

	Specifications							
	(1)		(2)		(3)		(4)	
Counties	890	890	890	890	890	890	890	890
County-pairs								
N	82,770	82,770	82,770	82,770	82,770	82,770	82,770	82,770
Controls								
Division-specific period effects			Y	Y			Y	Y
State-specific time trends					Y	Y	Y	Y
County-pair-specific period effects								

NOTES: Results report the estimated elasticities of earnings and employment with respect to the tipped and minimum wage. Standard errors are in parentheses. lnTW refers to the log of the tipped wage policy in a county's state in a given quarter. lnMW refers to the log of the minimum wage. All regressions control for log population and county effects. Earnings and employment models additionally control for log total private sector earnings and employment, respectively. Models (1), (3), and (5) in addition control for quarter effects. See text for construction of the All County sample. In models (1) through (4) standard errors are clustered at the state level. Full results are available upon request. Significance levels are denoted as follows: **1%, *5%, +10%.

earnings and employment in the FSR sector. Panel B shows results for the LSR sector. All models control for log population. In addition, earnings regressions control for log earnings in the private sector. Employment regressions control for log employment in the private sector.[12] In addition to estimating the models we described in the previous section, we also estimate each specification omitting the log tipped wage. We do this for comparison of our results with the related minimum wage literature. We first discuss the AC results, specifications (1) through (4), and wait until the next subsection to discuss the results from our border-county-pair design.

We begin by replicating results from Dube, Lester, and Reich (2010). We exclude the log tipped wage from the regression models and study the effect of raising the minimum wage alone. There are two main differences between our analysis and theirs. First, our QCEW data extend from 1990Q1 through 2013Q1, whereas DLR's QCEW sample ends in 2006Q2. Second, we examine the effects of the minimum wage separately by restaurant subsector. Over all, our results are broadly consistent with theirs (DLR, Table 2). When only county and quarter effects are controlled for, in specification (1), raising the minimum wage 10 percent is estimated to increase earnings a little more than 2 percent. The magnitude of this effect attenuates somewhat as division-specific period effects and state time trends are controlled for in models (2) through (4). Nevertheless, the robustness of this positive earnings effect suggests it is not biased by the nonrandom timing of state changes in wage policy over time. In contrast, estimated effects of raising the minimum wage on employment vary across specifications. Although in specification (1) we find a moderate, negative effect of raising the minimum wage, once division-specific period effects or state trends are controlled for, the effect attenuates dramatically. For example, in full-service restaurants, the effect falls in magnitude over 90 percent from –0.244 to –0.017 once division-specific period effects are controlled for in specification (2).

One difference between our results and those in DLR worth discussing is found in specification (3). Including state trends in the baseline model attenuates the disemployment effects found in model (1), but by a smaller amount than in models (2) or (4) that also control for division-specific period effects. Whereas DLR find a small, statistically imprecise, positive effect of raising the minimum wage once state trends are controlled for,[13] the result in specification (3) predicts raising the minimum wage 10 percent lowers employment –0.58 percent and –0.73 percent in the FSRs and LSRs, respectively. Though both effects are small and estimated imprecisely, the effect on LSRs is significant at

[12] Full regression results are available upon request.

[13] See Dube, Lester, and Reich (2010), Appendix Table A1.

the 10-percent level. Nevertheless, the substantial attenuation of the disemployment effect once division-specific period or state trends are controlled for suggests the two-way effects estimates in specification (1) are negatively biased.

Next, we add the log of the county's state tipped wage to the models in Table 2. Model (1) is our baseline specification, corresponding to equation (1) in the Estimation Strategy section. In addition to the time-varying control variables we discussed earlier, model (1) controls for quarter and county effects. In FSRs, we find that raising the tipped wage 10 percent increases earnings by 0.48 percent. The effect is precisely estimated and statistically significant at the 1-percent level. In model (2), we control for division-specific period effects. The tipped wage effect falls about 20 percent from 0.048 to 0.038, but remains significant at the 1-percent level. Model (3) controls for state trends instead of division-specific period effects. The coefficient on the log tipped wage variable is slightly smaller. When both state trends and division-specific period effects are controlled for in model (4)—corresponding to equation (3) in the Estimation Strategy section—a 10-percent increase in the tipped wage raises earnings 0.32 percent. Though this estimate is similar to those found in models (2) and (3), it is estimated with less precision and is significant at only the 10-percent level.

As we found in models with the tipped wage variable, moving from left to right, the estimated effect of the minimum wage on earnings falls as we add division-specific period effects and state trends but retains statistical significance. In general, comparing specifications with the tipped wage to those without, we find that controlling for the tipped wage causes the estimated impact of the minimum wage to fall in FSRs. Intuitively, since state-level changes in tipped wages are often timed with changes in minimum wages, estimates of earnings impacts of the minimum wage on tipped workers are positively biased when we do not account for changes in the tipped wage policy.

As a falsification test, in panel B, we consider the estimated impacts of the tipped wage on earnings in LSRs. Since workers in LSRs are not generally paid tips, changes in tipped wage policies should not have an impact on their earnings. Models (1) through (4) in Table 2, panel B present the same models we just discussed, except earnings and employment outcomes are specific to LSRs. As expected, across all specifications, we find very small and statistically insignificant impacts of the tipped wage on earnings.

In contrast to earnings, effects of the tipped wage on employment (while also controlling for the minimum wage) are much more sensitive to the inclusion of division-specific period effects or state time trends. Without these controls, the baseline two-way effects estimate in model (1) reports a statistically significant, negative effect of the tipped wage on employment of in the FSR sector. A 10-percent increase is estimated to reduce employment nearly 1.4

percent. A disemployment effect of this magnitude is hard to reconcile with an earnings elasticity of less than 0.5 percent and strongly suggests negative bias. Also surprisingly, once the log tipped wage is controlled for, the impact of the minimum wage in the FSR sector attenuates more than 70 percent and is no longer statistically significant at conventional levels. In models (2) through (4), we find that controlling for either division-specific period effects or state trends or both strongly attenuates the disemployment effect of the tipped wage. In all three specifications, the reported coefficients are very small and positive. Nevertheless, the impacts are imprecisely estimated and cannot rule out small-to-moderate negative impacts on employment. As before, in FSRs, the minimum wage is estimated to have a small negative, though statistically insignificant, impact on employment.

In the LSR sector, in all specifications, increasing the tipped wage is estimated to have an insignificant impact on employment. Although in the FSR sector we find that the tipped wage seemed to explain a large portion of the disemployment effect of the minimum wage in model (1), in LSRs, we find the opposite. In both models (1) and (3), the estimated impact of the minimum wage on employment in LSRs is negative and marginally significant at the 10-percent level. Nevertheless, the sensitivity of this impact to controls for division-specific period effects suggests these impacts may also be somewhat negatively biased.

One concern with including spatial controls such as division-specific period effects in our models is that we may remove valid identifying information (e.g., Neumark, Salas, and Wascher 2014). In our context, we do not feel such a concern is warranted for two reasons. First, the robustness of the estimates of the impacts of the tipped and minimum wage on earnings across specifications demonstrates that state-level variation in wage policies persists even in the presence of division-specific effects and state time trends. Second, if valid identifying information were removed, the inefficiency of our approach would lead us to find larger standard errors once we include these additional controls. This is not generally the case. For example, the standard errors in the employment regression in model (2) are smaller than those in model (1).

Regression results based on the contiguous border-county-pair design. Results from the AC samples strongly suggest that the nonrandom timing of changes in state tipped and minimum wage policies are associated with unobserved regional variation in employment outcomes in the restaurant industry. This correlation negatively biases estimates of the employment effects of these policies in two-way fixed-effects models. So far, we have relied on coarse division-specific period effects and state trends to overcome this bias. In this section, we describe the results from a design that compares pairs of counties that straddle a state border.

TABLE 3

BORDER-COUNTY-PAIR SAMPLE ESTIMATES OF THE TIPPED AND MINIMUM WAGE ON EARNINGS AND EMPLOYMENT, BY RESTAURANT SECTOR

	Specifications			
	(5)		(6)	
Panel A Full-Service Restaurants				
Earnings				
lnTW	—	0.047*	—	0.042*
	—	(0.019)	—	(0.019)
lnMW	0.235**	0.188**	0.187**	0.142*
	(0.037)	(0.039)	(0.056)	(0.059)
Employment				
lnTW	—	−0.075	—	0.070
	—	(0.079)	—	(0.079)
lnMW	−0.096	−0.021	−0.042	−0.116
	(0.103)	(0.090)	(0.079)	(0.097)
Counties	332	332	332	332
County-pairs	281	281	281	281
N	52,266	52,266	52,266	52,266
Panel B Limited-Service Restaurants				
Earnings				
lnTW	—	0.014	—	0.012
	—	(0.027)	—	(0.025)
lnMW	0.213**	0.199**	0.114**	0.099*
	(0.031)	(0.033)	(0.037)	(0.044)
Employment				
lnTW	—	0.012	—	0.051
	—	(0.067)	—	(0.040)
lnMW	−0.143	−0.155*	0.014	−0.044
	(0.092)	(0.072)	(0.083)	(0.081)
Counties	197	197	197	197
County-pairs	150	150	150	150
N	27,900	27,900	27,900	27,900
Controls				
Division-specific period effects				
State-specific time trends				
County-pair-specific period effects			Y	Y

NOTE: Results report the estimated elasticities of earnings and employment with respect to the tipped and minimum wage. Standard errors are in parentheses. lnTW refers to the log of the tipped wage policy in a county's state in a given quarter. lnMW refers to the log of the minimum wage. All regressions control for log population and county effects. Earnings and employment models additionally control for log total private sector earnings and employment, respectively. Models (1), (3), and (5) in addition control for quarter effects. See text for construction of the Border County sample. Standard errors in models (5) and (6) are clustered at the state and border segment level. Full results are available upon request. Significance levels are denoted as follows: **1%, *5%, +10.

Specification (5) in Table 3 estimates the earnings and employment impacts of the tipped and minimum wage controlling only for county and quarter effects, which is similar to the two-way fixed-effects specification in equation (1). That is, we fit models of the form:

$$\ln y_{jpt} = \eta_{TW} \ln TW_{s(j,p)t} + \eta_{MW} \ln MW_{s(j,p)t} + X_{c(j,p)t}\Gamma + \phi_{c(j,p)} + \tau_t + \upsilon_{jpt} \quad (5)$$

The estimated earnings impacts of the tipped wage and minimum wage are remarkably close to what we found earlier (see Table 2, specification 1), despite the fact that we are performing these regressions on a subset of the counties used in the AC analysis.[14] A 10-percent increase in the tipped wage is estimated to raise earnings in FSRs by 0.47 percent. A 10-percent increase in the minimum wage raises FSR earnings 1.9 percent. The log tipped wage and minimum wage coefficients are significant at the 5- and 1-percent levels, respectively. As before, minimum wages are estimated to have a similar impact in LSRs, while tipped wages are estimated to have a small, insignificant impact.

Similar to what we found in specification (1) in Table 2, tipped wages from specification (5) in Table 3 are estimated to have a negative impact on FSR employment. However, the effect in specification (5) is somewhat smaller and not significant at conventional levels. Holding the tipped wage constant, minimum wages are estimated to have an even smaller impact than we found in model (1) in FSRs. Nevertheless, in the LSR sector, a 10-percent increase in the minimum wage is estimated to decrease employment 1.6 percent. This effect is significant at the 5-percent level.

In model (6) we include pair-specific period effects, fitting equation (4) in the Estimation Strategy section. In these models, identification of the effects of the tipped and minimum wage is based on local comparisons between counties and their contiguous neighbors across the state border. The estimated earnings impact of the tipped wage is robust to the inclusion of these effects and maintains significance at the 5-percent level. The estimated elasticity, 0.042, is within the range of earnings estimates we found in the AC sample analysis. Consistent with moderate bias, minimum wage estimates drop about 25 and 50 percent in the FSR and LSR samples, respectively. Both estimates retain significance at the 5-percent level.

Once we control for pair-specific period effects, the estimated employment effect of the tipped wage is now positive. However, the estimate is imprecisely estimated, as a 95 percent confidence interval rules out employment impacts

[14] As noted in Table 2, there are 332 unique counties in the FSR BC sample, compared to 1281 in the AC sample. Likewise, there are 197 unique counties in the LSR BC sample, compared to 890 in the AC sample.

only lower than –0.9 percent and greater than 2.3 percent in response to a 10-percent increase in the tipped wage. Given that we generally find earnings impacts in the range of 0.3 to 0.5 percent, this interval of potential employment responses is consistent with both neoclassical and alternative models of labor-market responses to the increases in the tipped wage. Surprisingly, the tipped wage is also estimated to have a similar positive, though insignificant, impact in LSRs. In contrast, minimum wages are estimated to have more negative, though not significant, employment effects.

Given the imprecision of our estimated employment effects, we interpret our findings from the contiguous border county design as supporting the small, insignificant employment elasticities we found in the AC sample in models (2) through (4).[15]

Summary

The tipped wage has been little researched, especially compared to its better-known and much-investigated minimum wage counterpart. While the federal minimum wage has increased nominally more than 90 percent since the early 1990s, the federal tipped wage remains at $2.13.

We use a panel of QCEW data that spans 23 years to estimate earnings and employment effects of changes in state-level tipped wage policies on FSRs—using LSRs that do not employ tipped workers as a falsification test. We are concerned with spatial heterogeneity given the nonrandom timing of changes in state-level tipped and minimum wage policies. At issue is the validity of control groups—or the counterfactual for what would have happened in the absence of a change in the wage.

We employ two approaches to address this potential bias. First, we estimate earnings and employment effects on a sample of all U.S. counties, controlling for Census division-specific period effects and state trends. Second, we extend earlier work by Dube, Lester, and Reich (2010) and compare outcomes on a sample of contiguous county-pairs that straddle a state border, controlling for time-varying heterogeneity at the pair level.

[15] As a robustness check, in results not shown, we have also estimated models (5) and (6) on an alternative sample balanced on FSRs *and* LSRs. By balancing on both subsectors, we throw out more than half of the counties used in the FSR models, leaving only 165 unique counties. Here, we find similar earnings impacts of the tipped and minimum wage. However, the tipped wage is now estimated to have an employment elasticity of –0.032 in FSRs and 0.064 in LSRs. Both estimates are insignificant at conventional levels. Minimum wage employment elasticities are also small and insignificant: –0.07 in both FSRs and LSRs. Results are available upon request.

Across a range of specifications, we find raising the tipped wage significantly increases earnings of workers in FSRs. Our point estimates suggest a 10-percent increase in the tipped wage raises average earnings about 0.4 percent. In contrast, estimates of the employment elasticity are sensitive to controls for spatial heterogeneity. Models that control for either division-specific period effects, state trends, or border-pair-specific period effects all find small, statistically insignificant employment effects. Although the point estimates of these models are positive, they are also very imprecise. Future research would benefit from richer data on the components of server pay at the worker level. This information would better enable researchers to assess the potential effects of changes in tipped wage policy on those most likely to be affected by policy changes.

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Faith-based Organizations Support
The Raise the Wage Act of 2019

The undersigned faith-based advocacy and religious organizations enthusiastically support the Raise the Wage Act of 2019, as introduced by Senators Bernie Sanders (VT) and Patty Murray (WA), and Representatives Robert C. "Bobby" Scott (VA), Mark Pocan (WI) and Stephanie Murphy (FL). We are increasingly concerned about the plight of our sisters and brothers who work hard but still struggle making ends meet. As a remedy to that plight the Raise the Wage Act is legislation that not only provides for workers' financial well-being, but fosters their sense of self-worth as individuals and members of society.

According to our faith traditions, justice requires that every worker receive a just wage that provides a standard of living in accordance with their God-given dignity. The current federal minimum wage of $7.25/hour and $2.10/hour for tipped workers is woefully insufficient and has remained stagnant for a decade. This disregard is a shameful statement of neglect for the lowest paid people in our society.

The provisions of the Raise the Wage Act take substantive steps to ensure that the wages people earn are enough to provide for their livelihoods. If enacted, this legislation would:

- Raise the federal minimum wage to $8.55 this year and increase it over the next five years until it reaches $15 an hour in 2024;
- After 2024, adjust the minimum wage each year to keep pace with growth in the typical worker's wages;
- Phase out the outdated subminimum wage for tipped workers, which has been frozen at a meager $2.13 since 1991;
- Sunset the much-criticized ability of employers to pay workers with disabilities a subminimum wage through certificates issued by DOL; and,
- Phase out the subminimum wage for workers under the age of 20.

Our families and our economy have been increasingly burdened by wage stagnation and income inequality. The Raise the Wage Act of 2019 will begin to lighten this burden by raising the wage floor to broadly impact those at the bottom of the workforce. According to policy experts more than 1 in 4 workers would be impacted by this legislation, 90 percent of whom are over the age of 20. Some estimates project that those working year-round would see a raise on the order of $3,500 a year. The difference that makes for a preschool teacher, bank teller, or fast-food worker who today struggles to get by on around $20,000 per year would be remarkable. The *Raise the Wage Act* will especially, positively benefit women and minority workers, who are

disproportionately represented among low wage workers. Additionally, the provisions that protect workers with disabilities recognize the value of the work done by those individuals and corrects the harmful and exploitive practice of significantly under-paying individuals with disabilities.

The time for the *Raise the Wage Act* is long overdue. Justice cannot wait; and neither can Americans who labor every day with insufficient pay. We call on Congress to enact this important piece of legislation as quickly as possible, and for President Trump to sign it when it comes to his desk.

Bread for the World

Church World Service

Conference of Superiors of Men (Catholic)

Daughters of Charity of St. Vincent de Paul

Disciples Refugee & Immigration Ministries

Ecumenical Poverty Initiative

The Episcopal Church

Evangelical Lutheran Church in America

Faith in Public Life

Franciscan Action Network

Friends Committee on National Legislation

Interfaith Worker Justice

National Council of Churches

National Council of Jewish Women

NETWORK Lobby for Catholic Social Justice

The United Methodist Church - General Board of Church and Society

Poligon Education Fund

Presbyterian Church (U.S.A.)

Union for Reform Judaism

Unitarian Universalist Association

United Church of Christ Justice and Witness Ministries

January 15, 2019

The Honorable Bobby Scott
The Honorable Mark Pocan
The Honorable Stephanie Murphy
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Scott, Representative Pocan, and Representative Murphy:

As the nonprofit membership organization for the federally mandated Protection and Advocacy (P&A) systems and Client Assistance Programs (CAP) for people with disabilities, the National Disability Rights Network (NDRN) writes to thank you for the introduction of the "Raise the Wage Act". An increase in the minimum wage is long overdue and will have a positive impact for those individuals with disabilities who are employed.

We are especially pleased with the inclusion of a phase out of the subminimum wage for individuals with disabilities currently allowed under Section 14(c) of the Fair Labor Standards Act in this legislation. As you know, the practice of paying individuals with disabilities subminimum wage is a relic from the Fair Labor Standards Act (FLSA) passed in 1938 – a holdover which is now recognized as discriminatory, archaic, and in direct conflict with other exiting federal statutes and initiatives.

Unfortunately, the use of subminimum wages for people with disabilities remains prevalent. Despite federal recognition of the importance and value of people with disabilities by the Americans with Disabilities Act and the integration principles found in *Olmstead v. L.C.*, 527 U.S. 581 (1999), people with disabilities are still paid less than minimum wage even when they are more productive than people without disabilities. The subminimum wage creates and reinforces a life of poverty and dependency on public support.

NDRN has long supported the end of subminimum wage for people with disabilities. P&A and CAP agencies encounter many people with disabilities around the country who want an opportunity to work at a competitive wage, but unfortunately, have ended up in positions only earning dollars or even pennies by the hour.

NDRN has issued two reports on the subminimum wage: "Segregated and Exploited: A Call to Action" and "Beyond Segregated and Exploited."

As the Congressionally-created federal Advisory Committee on Increasing Competitive Integrated Employment for Individuals with Disabilities ("the Committee") described in its report to Congress and the Labor Secretary:

820 First Street NE, Suite 740 • Washington, DC 20002-4243
TEL: 202.408.9514 • FAX: 202.408.9520 • TTY: 202.408.9521
WEBSITE: WWW.NDRN.ORG • E-MAIL: INFO@NDRN.ORG

> [There is an] underlying need to amend Section 14(c) of the FLSA so that it reflects and aligns with modern federal disability policy and laws, which are based on the assumption that all individuals with disabilities are capable of, and have a right to, [competitive integrated employment]. The current widespread practice of paying workers subminimum wages, based on assumptions that people with disabilities cannot work in typical jobs, or on assumptions about the unavailability of alternative work opportunities, is antithetical to the intent of modern federal policy and law.[i]

The National Council on Disability, an independent federal agency charged with advising the President, Congress, and other federal agencies regarding policies that impact people with disabilities, has repeatedly called for the elimination of sub-minimum wages under Section 14(c), including in its recent report, "National Disability Employment Policy, From the New Deal to the Real Deal: Joining the Industries of the Future."[ii]

NDRN applauds you for your leadership in introducing the Raise the Wage Act which will result in a long overdue increase in the minimum wage, and as importantly the phase out of subminimum wages paid to individuals with disabilities. We see the pairing of these provisions in the Raise the Wage Act as an important and historic step in acknowledging the inherent worth of all individuals, including individuals with disabilities, in both the workplace and in society as a whole. NDRN stands ready to assist you in this move towards justice and equality.

Should you have any questions, please do not hesitate to contact Amanda Lowe, Senior Public Policy Analyst at Amanda.lowe@ndrn.org or at 202-408-9514, ext. 101.

Sincerely,

Curt Decker
Executive Director

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[i] https://www.dol.gov/odep/topics/pdf/ACICIEID_Final_Report_9-8-16.pdf
[ii] https://ncd.gov/publications/2018/new-deal-real-deal

Marc H. Morial
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presidentoffice@nul.org

Empowering Communities. Changing Lives.

February 4, 2019

Honorable Bobby Scott
Chairman
Education and Labor Committee
U.S. House of Representatives
Washington, DC 20515

Honorable Virginia Fox
Ranking Member
Education and Labor Committee
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Scott and Ranking Member Fox:

As President and CEO of the National Urban League, I am writing to express our strong support for immediate passage of the *Raise the Wage Act of 2019* (H.R. 582). Raising the minimum wage to $15/hour is a key provision of the National Urban League's Main Street Marshall Plan, a bold and comprehensive plan for lifting urban communities out of poverty and stimulating their economic growth.[i]

The National Urban League has been in every fight to raise the minimum wage. While the road from poverty to plenty is long, raising the federal minimum wage from $7.25 to $15/hour is an important and long overdue first step in lifting millions of families out of poverty and giving them a chance at a better life. No one – absolutely no one – who works full time should ever live in poverty. Yet, according to the Economic Policy Institute (EPI),[ii] one in nine U.S. workers are paid wages that leave them in poverty, even when working full-time and year-round. Raising the minimum wage to $15 would have a major impact on people of color. According to research[iii] two-fifths or 40 percent of African Americans and one-third or 34 percent of Latinos would get a raise if the federal minimum wage were increased to $15.

We applaud the *Raise the Wage Act of 2019* because it is a *comprehensive* minimum wage bill that would positively impact workers on different levels. H.R. 582 would:

- Gradually raise the federal minimum wage from $7.25 to $15 over the next six years to lift millions of workers out of poverty, stimulate local economies, and restore the value of minimum wage;
- Index future increases in the federal minimum wage to median wage growth to ensure the value of minimum wage does not once again erode over time;
- Guarantee tipped workers are paid at least the full federal minimum wage by repealing the subminimum wage for tipped workers, which will ensure consistent, livable pay;
- Guarantee teen workers are paid at least the full federal minimum wage by repealing the rarely used subminimum wage for youth workers; and
- End subminimum wage certificates for individuals with disabilities to provide opportunities for individuals with disabilities to be competitively employed, taxpaying citizens and participate more fully in their communities.

Putting more money in the pockets of working Americans who will reinvest in our economy on things like groceries and housing will boost the economy from the bottom up and create real and sustainable job growth.

National
Urban League

Marc H. Morial
President and CEO

120 Wall Street, 8th Floor
New York, NY 10005

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Empowering Communities. Changing Lives.

The federal minimum wage has not been increased since 2009. A decade is more than enough time for our nation's leaders to right this unjustifiable inequity. Let's get this done now during the opening days of the new 116th Congress. It's time for Congress to do the right – and smart – thing by working Americans. The National Urban League looks forward to working with you to get the *Raise the Wage Act of 2019* enacted into law this year.

Sincerely,

Marc H. Morial
President and CEO
National Urban League

---

[i]Main St. Marshall Plan, *From Poverty to Prosperity*, National Urban League, 2016, *Accessed at* http://soba.iamempowered.com/sites/soba.iamempowered.com/themes/soba/flexpaper/SOBA2017-MSMP-FP3/

[ii]"One in nine U.S. workers are paid wages that can leave them in poverty, even when working full time Economic Snapshot," By David Cooper, June 15, 2018, *Accessed at* https://www.epi.org/publication/one-in-nine-u-s-workers-are-paid-wages-that-can-leave-them-in-poverty-even-when-working-full-time/

[iii]"Why America Needs a $15 Minimum Wage, Fact Sheet," by Economic Policy Institute and National Employment Law Project, January 15, 2019, p. 3, *Accessed at* https://www.epi.org/files/pdf/127246.pdf

The Washington Post

Economic Policy

Leaked documents show strong business support for raising the minimum wage

So why do most chambers of commerce still oppose it?

By Lydia DePillis
April 4, 2016

henever minimum wage increases are proposed on the state or federal level, business groups tend to fight hem tooth and nail. But actual opposition may not be as united as the groups' rhetoric might make it appear, ccording to internal research conducted by a leading consultant for state chambers of commerce.

he survey of 1,000 business executives across the country was conducted by LuntzGlobal, the firm run by epublican pollster Frank Luntz, and obtained by a liberal watchdog group called the Center for Media and emocracy. (The slide deck is here, and the full questionnaire is here.) Among the most interesting findings: o percent of respondents said they supported raising their state's minimum wage, while only eight percent pposed it.

"That's where it's undeniable that they support the increase," LuntzGlobal managing director David Merritt old state chamber executives in a webinar describing the results, noting that it squares with other polling hey've done. "And this is universal. If you're fighting against a minimum wage increase, you're fighting an phill battle, because most Americans, even most Republicans, are okay with raising the minimum wage."

erritt then provided some tips on how to defuse that support, such as suggesting other poverty-reduction ethods like the Earned Income Tax Credit. "Where you might find some comfort if you are opposing it in your tate is, 'how big of a priority is it against other priorities?'" he said. "Most folks think there are igger priorities. Creating more jobs rather than raising the minimum wage is a priority that most veryone agrees with. So when you put it up against other issues, you can find other alternatives and other hings to focus on. But in isolation, and you ask about the minimum wage, it's definitely a winner."

ixty-three percent of respondents said they belong to a chamber of commerce, whether on the local, state, or ederal level — suggesting that the groups' public statements might be out of step with their members' beliefs. he materials shed light on how some business trade associations operate, and why they've continued to ppose minimum wage increases even as the rest of the public thaws towards them.

he research had been commissioned by the Council of State Chambers, a small, non-political umbrella rganization that coordinates messaging across the dozens of groups that make up its membership. The main urpose of the survey, says Council director Joe Crosby, had been to assess what the broader business

ommunity thinks about state chambers, and what kind of language they respond to best. (Under the terms of ts contract, Crosby says, LuntzGlobal was forbidden from discussing the survey publicly.)

o why do state chambers, which are usually the largest and most powerful business organizations represented n state capitols, seem so far apart from the broader business community when it comes to the minimum wage?

rosby argued that modest minimum wage hikes don't impact the majority of chamber members, and so they ctually tend to leave the issue to trade groups for retailers, hotels and restaurants, which employ most low- age workers.

"In chambers, historically, it's more successful businesses that are in manufacturing and other higher wage ndustries," Crosby says. "They tend to see themselves as the voice of business, but there are other groups that re focused on sectors that are focused on different wage mandates."

n the more liberal areas where minimum wage increases have succeeded, that's often true: Broad-based usiness groups have hesitated to speak out too strongly against the popular measures, leaving those industries hat are most affected out in the cold.

"Most folks think there are bigger priorities. So when you put it up against other issues, you can ind other alternatives and other things to focus on."

— Republican pollster David Merritt

n some instances, advocates have even targeted low-wage service industries first — a hotel wage ordinance assed in Los Angeles before the across-the-board increase, for example, and New York Gov. Andrew Cuomo aised wages for fast food workers before launching a campaign to do so for all workers (which New York City- ased chambers of commerce actually supported).

ut in most states, chambers of commerce haven't been as shy in their opposition to minimum wage hikes. ennsylvania Chamber of Business and Industry president Gene Barr says he canvasses his members regularly n lots of issues, and they are against raising the state's minimum wage above where it still sits at the federal loor of $7.25 — even the big, high-tech industries that already pay well above it.

"Our larger businesses get that," said Barr, who sat through the LuntzGlobal presentation. "We don't get ushback saying that 'you really need to get behind a minimum wage increase,' because they understand that t's really not appropriate."

innesota Chamber of Commerce president Doug Loon says his members' opinions don't match those of the untzGlobal survey — including those regarding requirements that businesses offer benefits like paid paternity eave, which 82 percent of respondents supported, or more paid sick leave, which 73 percent supported. The innesota Chamber has found that even those of its members who are offering those benefits would rather ave the choice of whether to do so, and how.

"It's what most employers are moving to," Loon says. "Do we need to pass a one-size-fits-all on sick leave? We ould argue that we do not."

o Loon and Barr say they're just following their members' wishes. Some business groups have a different erspective — but don't necessarily have the power to combat a state chamber when it puts its mind to omething.

he South Carolina Small Business Chamber of Commerce has supported a higher minimum wage, but its resident Frank Knapp says his members simply don't have the bandwidth to push for it, with so many other ssues on their plate. "When you actually talk to those people one on one, you find that yeah they're fine with aising the minimum wage," Knapp says. "But they're not going to crusade for the minimum wage."

hat might be true of traditional chamber members too, Knapp thinks, many of whom mostly join for the etworking benefits rather than the political advocacy aspect anyway. But within those groups, the industries hat care most about a given policy matter — hotels and restaurants, in the case of the minimum wage — drive he organization's agenda. "Usually the most vocal members of the state chambers dominate on that particular ssue, and everybody else stays quiet," Knapp says.

hen that happens, it's easy for politicians and the public to get the idea that the private sector stands united gainst raising the minimum wage, when opinions are actually much more diverse.

olly Sklar is CEO of a national group called Business for a Fair Minimum Wage that favors raising the wage loor in states and nationwide, and she points to a number of surveys by reputable pollsters — from areerBuilder, Small Business Majority, and the American Sustainable Business Council — that found most usinesses agree. Many of those businesses don't join state chambers, which means their opinions don't filter p to the organization's leadership, so its positions don't change — and that's what gets conveyed to politicians.

"Sometimes you end up confused by the fact that someone has enough money to be in the halls of the state enate, day after day after day, funded by some of the bigger corporations that have more of an investment in he status quo," Sklar says. "It has an impact on how it's perceived — you start thinking that's what business hinks."

orrection: A previous version of this story incorrectly identified the LuntzGlobal epresentative speaking in the webinar. The error has been corrected.

Lydia DePillis
Lydia DePillis was a reporter for The Washington Post's Financial desk. She left The Post in April 2016.

Center on Wage and Employment Dynamics: https://www.govinfo.gov/content/pkg/CPRT-115HPRT36712/pdf/CPRT-115HPRT36712.pdf

NBER Working Paper Series: https://www.govinfo.gov/content/pkg/CPRT-116HPRT36710/pdf/CPRT-116HPRT36710.pdf

[Questions submitted for the record and their responses follow:]

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February 19, 2019

The Honorable Paul A. Brodeur
State Representative 32nd Middlesex District
Commonwealth of Massachusetts House of Representatives
Massachusetts State House 24 Beacon Street
Boston, MA 02133

Dear Representative Brodeur:

I would like to thank you for testifying at the February 7, 2019, Committee on Education and Labor hearing on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, March 4, 2019, for inclusion in the official hearing record. Your response should be sent to Eunice Ikene or Udochi Unwubiko of the Committee staff. They can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

"Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
Thursday, February 7, 2019
10:15 a.m.

REPRESENTATIVE LORI TRAHAN

Mr. Brodeur, those opposed to gradually raising the minimum wage to $15 an hour by 2024 have argued that, come a recession or economic down turn, that wage level will hurt our national and local economies. What would you say to this?

MAJORITY MEMBERS:

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DUSTY JOHNSON, SOUTH DAKOTA

February 19, 2019

Ms. Kathy Eckhouse
Business Owner
La Quercia
400 Hakes Drive
Norwalk, Iowa 50211

Dear Ms. Eckhouse:

I would like to thank you for testifying at the February 7, 2019, Committee on Education and Labor hearing on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, March 4, 2019, for inclusion in the official hearing record. Your response should be sent to Eunice Ikene or Udochi Unwubiko of the Committee staff. They can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

"Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
Thursday, February 7, 2019
10:15 a.m.

REPRESENTATIVE MARCIA L. FUDGE

Kathy Eckhouse: People have repeatedly made arguments that raising the minimum wage to $15 is going to hurt small businesses and lead to more unemployment. Conversely, in your testimony you connect higher wages, lower turnover, and the growth of your business. Do you believe that paying your employees a livable wage not only benefits them financially, but reduces the stressors that can decrease worker productivity?

Kathy Eckhouse: Can you expand on your comment that "workers in one business are the consumers for another" and how the gradual increase in the minimum wage will increase consumer spending across all businesses?

MAJORITY MEMBERS:

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February 19, 2019

Mr. Michael Reich, Ph.D.
Professor
University of California, Berkeley
2521 Channing Way
Berkeley, CA 94720

Dear Dr. Reich:

I would like to thank you for testifying at the February 7, 2019, Committee on Education and Labor hearing on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, March 4, 2019, for inclusion in the official hearing record. Your response should be sent to Eunice Ikene or Udochi Unwubiko of the Committee staff. They can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Full Committee Hearing

"Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
Thursday, February 7, 2019
10:15 a.m.

CHAIRMAN BOBBY SCOTT

Professor Reich, in 2014, the Congressional Budget Office concluded that a proposal to increase the federal minimum wage to $10.10 an hour would reduce total employment by about 500,000 workers. Has there been an evolution in research, research methods, or economic conditions that could now better inform such projections? What has this research shown on the impacts of raising the minimum wage on employment?

Professor Reich, what are the impacts of raising minimum wages on aggregate demand, including consumer spending, in the U.S. economy?

Professor Reich, why is it that the minimum wage increases proposed in H.R. 582 would have a stronger stimulus effect in low-wage states or states with a $7.25 an hour minimum wage?

Professor Reich, what impact would a regionalized federal minimum wage have on low-wage areas? Would we see continued or widening gaps between these low-wage areas and the national economy?

REPRESENTATIVE JAHANA HAYES

Professor Reich, what are the costs associated with employee turnover? Why does a higher minimum wage decrease employee turnover?

REPRESENTATIVE SUSAN DAVIS

Professor Reich, do we have any historical examples of substantial increases to the minimum wage? What do we know about the impacts of those increases? How do those increases compare to those under H.R. 582?

REPRESENTATIVE MARCIA L. FUDGE
Professor Reich: In your testimony you say that minimum wage increases are absorbed through higher prices. What do these price increases look like?

If we're gradually increasing the minimum wage from $7.25 to $15, does that mean the price of a hamburger or other widely purchased item is going to double?

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February 19, 2019

The Honorable William E. Spriggs
Professor, Department of Economics and Chief Economist
Howard University and AFL-CIO
2400 Sixth Street, NW
Washington, DC 20059

Dear Dr. Spriggs:

I would like to thank you for testifying at the February 7, 2019, Committee on Education and Labor hearing on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, March 4, 2019, for inclusion in the official hearing record. Your response should be sent to Eunice Ikene or Udochi Unwubiko of the Committee staff. They can be contacted at the main number 202-225-3725 should you have any questions.

We appreciate your time and continued contribution to the work of the Committee.

Sincerely,

ROBERT C. "BOBBY" SCOTT
Chairman

Enclosure

Full Committee Hearing

"Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
Thursday, February 7, 2019
10:15 a.m.

CHAIRMAN BOBBY SCOTT

Dr. Spriggs, what are the lasting impacts to wage and wealth levels to regions of the country from the minimum wage coverage exclusions in the Fair Labor Standards Act in 1938? Would a regional minimum wage in 2019 lock in income and wealth disparities that were borne of the racially-motivated exclusions to the FLSA? Or have those disparities dissipated since the 1966 FLSA amendments expanded coverage to agricultural and service workers?

REPRESENTATIVE MARCIA L. FUDGE

Dr. Spriggs: As we discuss raising the minimum wage for the first time in over a decade it is important to remind ourselves that the original minimum wage left out women and African Americans, and wage inequality persists today. Can you further explain your statement that "a regional minimum wage would undoubtedly repeat a lower level of protection for African American workers?"

Are you suggesting a regional minimum wage could help reinforce the discrimination embedded in the 1938 version of the FLSA?

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DUSTY JOHNSON, SOUTH DAKOTA

February 19, 2019

Mr. Ben Zipperer, Ph.D.
Economist
Economic Policy Institute
1225 Eye St. NW, Suite 600
Washington, DC 20005

Dear Dr. Zipperer:

I would like to thank you for testifying at the February 7, 2019, Committee on Education and Labor hearing on "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy."

Please find enclosed additional questions submitted by Committee members following the hearing. Please provide a written response no later than Monday, March 4, 2019, for inclusion in the official hearing record. Your response should be sent to Eunice Ikene or Udochi Unwubiko of the Committee staff. They can be contacted at the main number 202-225-3725 should you have any questions.

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10:15 a.m.

CHAIRMAN BOBBY SCOTT

Dr. Zipperer, if, under current law, employers who pay their tipped workers a subminimum wage must still ensure that these workers make the full federal minimum wage, what is the problem of having a subminimum wage for tipped workers?

REPRESENTATIVE SUSIE LEE

Dr. Zipperer, in your testimony you state that "workers in every region of the country will soon need $15 per hour to maintain a modest but adequate standard of living." Can you expand on this, why is that the case?

REPRESENTATIVE MARCIA L. FUDGE

Dr. Zipperer: Prior to the passage of the FLSA, President Roosevelt challenged Congress to pass a law to establish fair labor standards to ensure "working men and women a fair day's pay for a fair day's work." According to the MIT Living Wage Calculator, a family of 3 (1 adult, 2 children) in Cuyahoga County, OH needs to earn $56,119 per year before taxes, or a living wage of $26.98 per hour to attain an adequate standard of living without providing for retirement, buying a home, or even emergency funds.

What do we know about the workers currently being paid the federal minimum wage? Are they receiving 'a fair day's pay for a fair day's work'?

Dr. Zipperer: Working Americans must make difficult decisions on how to spend their money, be it on housing, food, education, child care, health care, transportation and other necessities, to say nothing of purchasing something a bit extra.

Do you believe raising the minimum wage would further stimulate the economy? How so?

[Responses to questions submitted for the record follow:]

PAUL A. BRODEUR
STATE REPRESENTATIVE
32ND MIDDLESEX DISTRICT

The Commonwealth of Massachusetts
HOUSE OF REPRESENTATIVES
STATE HOUSE, BOSTON, MA 02133-1054

Chair
Joint Committee on Labor and Workforce Development

STATE HOUSE, ROOM 472
OFFICE: (617) 722-2013
Paul.Brodeur@MAhouse.gov

Statement of the
Honorable Paul A. Brodeur, Esq.
State Representative, 32nd Middlesex District
Commonwealth of Massachusetts House of Representatives

Testimony Before the U.S. House of Representatives
Committee on Education and Labor
Response to Question from Representative Lori Trahan

February 28, 2019

Mr. Brodeur, those opposed to gradually raising the minimum wage to $15 an hour by 2024 have argued that, come a recession or economic down turn, that wage level will hurt our national and local economies. What would you say to this?

Gradual increases in the minimum wage have not historically been identified as singularly causing previous recessions and we know from our experience in Massachusetts that these increases are effective in curbing the harmful effect economic downturns have on working families.

During the last recession, Massachusetts increased its minimum wage from $6.75 an hour to $8. While the Commonwealth's unemployment rate spiked during the 2008 recession at a rate similar to the trend in national unemployment, Massachusetts recovered at a faster pace. In January of 2010, the Commonwealth's unemployment rate peaked at 8.8%, while the national unemployment rate was 9.8%. Over the next two and a half years, the Massachusetts unemployment rate dropped by 25% while the national rate dropped by 16.33%.

These statistics are likely to be indicative of a number of scenarios and patterns each of which is shaped by our minimum wage policy. A recession's downward pressure on employment and wages forces many workers to find a new job, find a supplemental job, or to work the same job for lower pay. When unemployed individuals who formerly earned more than the minimum are forced to settle for an available minimum wage position, the higher wage will help offset some of the negative consequences of underemployment. If a non-primary earner has to get a job to

supplement their family's income, their wages will be supported by a high minimum wage that can help cover costs and prevent a family from sliding into bankruptcy.

A higher minimum wage during a recession keeps money flowing through the economy when it is needed most. During an economic downturn, the retail and dining sectors are normally hit hard as consumers limit their purchases to necessities. A higher minimum wage puts more money in the pockets of low-income consumers, and during a recession that can limit the decline in demand for goods. These policies that support families during a downturn can also keep small businesses afloat by improving the overall health and resiliency of the local economy.

[Ms. Eckhouse response to questions submitted for the record follow:]

March 1, 2019

Follow Up Questions for the February 7, 2019, Committee on Education and Labor hearing on "Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
March 1, 2019

Thank you for your questions, Representative Fudge.

1. **People have repeatedly made arguments that raising the minimum wage to $15 is going to hurt small businesses and lead to more unemployment. Conversely, in your testimony you connect higher wages, lower turnover, and the growth of your business. Do you believe that paying your employees a livable wage not only benefits them financially, but reduces the stressors that can decrease worker productivity?**

It is easier to retain workers when they are paid enough money to afford secure lodging, a reliable mode of transportation, and sufficient food and clothing. A higher base wage can reduce turnover, since employees are not constantly searching for a small wage increase to survive. Turnover is costly in terms of time and efficiency, so keeping employees saves us money in both the short and the long term. We don't need, for example, to advertise positions, screen applicants, and engage in months of training. Furthermore, workers who earn enough money to live with some degree of comfort and security can focus on their jobs when at work, since they aren't constantly worrying about unaffordable but essential expenditures like car repairs, rent, and groceries, thus improving employee morale and efficiency. And long term employees are knowledgeable about their work and are therefore able to contribute in creative and substantive ways to the work process.

2. **Can you expand on your comment that "workers in one business are the consumers for another" and how the gradual increase in the minimum wage will increase consumer spending across all businesses?**

We are meat processors. We produce food, so workers in other businesses are literally our consumers! If people can't buy what we make, we can't sell it and then we'll go out of business. That may sound a little glib, but what's true for us as food producers is also true for other businesses, whether they be grocery stores, gas stations, clothing stores, or restaurants. Businesses depend on a customer base that has dollars to spend. Lower wage workers will actually spend their increased earnings since their expenditures are generally constrained. An increase in the minimum wage will enable them to buy goods and services that they could not previously afford.

I hope these answers are helpful. I really appreciate your interest.

Best wishes

Kathy Eckhouse

La Quercia Cured Meats 400 Hakes Dr. Norwalk, IA 50211 (515) 981-1625 www.laquercia.us

"Raising the Minimum Wage to $15: Good for Working People, Good for Business, and Good for the Economy."
Thursday, February 7, 2019
10:15 a.m.

Responses to the questions for the record appear in italics below—Michael Reich

CHAIRMAN BOBBY SCOTT

Professor Reich, in 2014, the Congressional Budget Office concluded that a proposal to increase the federal minimum wage to $10.10 an hour would reduce total employment by about 500,000 workers. Has there been an evolution in research, research methods, or economic conditions that could now better inform such projections? What has this research shown on the impacts of raising the minimum wage on employment?

Economic theorizing is insufficient by itself to identify the likely net employment effects. For this very reason, economists have spent considerable effort on empirical studies on this question. We turn next to these studies.

The effect of minimum wages on employment constitutes one of the most studied questions in all of empirical economics. Great strides have been made, partly through improved statistical methods and partly from greater access to administrative microdata. As a result, the effects of minimum wages are clearer than they were in previous decades.[1]

Earlier empirical studies focused on two groups of workers with very low wage levels: teens and restaurant workers. This strategy made sense-- employment effects are likely to be smaller to nonexistent for groups that experience smaller or no increases in their pay as a result of minimum wage increases. The early teen studies often found that a 10 percent increase in the minimum wage reduced teen employment by one to three percent (Neumark and Wascher 2008).

However, teen employment has been falling for at least three decades, and unevenly so in different states. The challenge for minimum wage studies involves isolating the effects of the policy from the confounding effects of declines in teen employment that are attributable to other causes. For example, states that raised their minimum wages were more likely to emphasize educational policies that result in teens continuing their schooling longer, which reduced the number of available teen workers. Careful studies that credibly take such confounding forces into account find that a ten percent minimum wage increase reduces teen employment by a much smaller amount, between 0.5 percent and zero (Allegretto, Dube and Reich 2011; Allegretto, Dube, Reich and Zipperer 2017).

Economists have also attempted to estimate the effects of minimum wages on low-paid adult workers. One such group of studies looks at restaurant workers, many of whom are also exposed to minimum wage increases. Remarkably, given previous controversies among minimum wage scholars, studies of restaurant workers have arrived at a consensus: A ten percent increase in the minimum wage affects restaurant employment somewhere between - 0.5 percent and zero (Dube, Lester and Reich 2010; Allegretto et al. 2017; Cengiz, Dube, Lindner and Zipperer 2019).

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[1] *Nonetheless, the literature is not unanimous. Consider, for example, the exchange between Neumark, Salas and Wascher 2014 and Allegretto, Dube, Reich and Zipperer 2017.*

Although recent studies have not been unanimous (a rare event in economics), the most credible teen and restaurant worker studies have visibly shifted the views of the economics profession. In 2013, a panel of 41 prominent economists organized by the University of Chicago's Booth School of Business was asked about the desirability of raising the minimum wage to $9 an hour, as proposed by President Obama.[2] Only one-third of the panel agreed that the minimum wage hike "would make it noticeably harder for low-skilled workers to find employment." The panel supported the Obama proposal by a 3 to 1 margin. In 2015, the panel was asked the same question, but for a $15 an hour federal minimum wage. Only 26 percent of the panel agreed with the proposition about job loss.

Empirical studies of all low-wage jobs and workers The teen and restaurant worker studies together account for about 90 percent of all minimum wage studies. However, these studies leave an incomplete picture, as these two groups of workers together account for only about half of all the workers exposed to minimum wages. In the past few years, two advances have allowed empirical economists to overcome this limitation.

The first advance is methodological—the development of a "bunching" estimator that allows examination of the net change in the number of all jobs that are just below and just above the minimum wage (Cengiz, Dube, Lindner and Zipperer 2019). Using this method, Cengiz et al. find that federal and state minimum wage changes over the period 1992 to 2016 did not reduce employment, either overall or among specific groups of less-educated workers.

Cengiz et al. are also able to assess methodological issues in two oft-cited studies of all workers that do obtain negative employment effects: Clemens and Wither 2014, and Meer and West 2016. These issues include whether the highest minimum wage policies have more negative employment effects than more modest increases, whether previous studies adequately control for changes in business cycle conditions, and whether previous studies spuriously find negative employment effects where they should not, such as among professional and other highly-paid workers. Cengiz et al. find that both the Clemens and Wither and the Meer and West studies do not pass these basic methodological checks.

Cengiz et al. do find negative employment effects among one group of low-wage jobs—those that are located in tradeable industries. As I mentioned above, tradeables are goods and services that can be produced in a different locations from where they are consumed. Tradeables account for 13.4 percent of the jobs in their sample. The employment effect is small—a ten percent increase in the minimum wage generates a 0.5 percent loss in such jobs—and it is balanced by an increase of the same magnitude in all other jobs.

The Cengiz et al. paper has already proven very influential. David Autor of MIT and Co-Director of Labor Studies at the National Bureau of Economic Research, has called this study the most important minimum wage paper since Card and Krueger's in the 1990s.[3]

The second and also very recent important advance in the minimum wage literature involves the new availability, at least for Census Bureau researchers, of data obtained from income tax filings that are then linked to Current Population Surveys. These data permit much greater statistical precision because the number of tax filings is so much larger than the sample size of the CPS. Studies by Census Bureau economists using this newly-available data do not find negative employment effects, even five and ten years after a minimum wage increase (Rinz and Voorheis 2018; Toddy and Zipperer 2018).

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[2] *http://www.igmchicago.org/surveys/minimum-wage*

[3] *Another important study --Cengiz (2018) -- uses Machine Learning methods to identify about 75 percent of all minimum wage workers. This innovative approach also finds no effect of minimum wages on employment.*

The highest minimum wage levels in the U.S. today are found at the city level. San Francisco was the first city to implement a citywide minimum wages—at $8.50 in 2004 and currently at $15. Dube, Naidu and Reich (2007) studied the San Francisco policy effects through a survey of affected and non-affected restaurants in San Francisco and the East Bay. They found no employment decreases. Dube, Naidu and Reich (2014) updated the San Francisco study, also with similar results.

A new wave of citywide minimum wage policies began to be enacted in 2014, with Los Angeles, San Francisco and Seattle leading the way among large cities, and Oakland, San Jose and many other cities following shortly thereafter. By the end of 2016, minimum wage levels in Oakland, San Francisco, Seattle and San Jose had reached $13. These levels are higher in 2019 dollars than the minimum wage levels in HR 582.

Two studies of the Seattle minimum wage appeared in June of 2017. In a food services industry study, Reich, Allegretto and Godoey (2017) found that minimum wages raised pay and did not adversely affect employment. To isolate the causal effect of the policy, Reich et al. compared Seattle's experience to a "synthetic" control group drawn from urban metro areas across the U.S. In contrast, Jardim et al. (2017) found that reduced hours and employment left Seattle workers worse off after the minimum wage increased from $12 to $13. Jardim et al. also drew upon a synthetic control, but theirs was drawn exclusively from other urban areas in Washington State. However, Seattle experienced an economic boom—related to the expansion of Amazon—at the same time that the minimum wage was implemented. Other areas of Washington did not experience a boom in those years, undermining the validity of using those areas as a control group.

Jardim et al. were thus criticized for not having an adequate control for business cycle conditions (Schmitt and Zipperer 2017). The boom-related wage growth in Seattle was well above wage growth in the rest of Washington. Thus Jardim et al.'s data contained fewer low-wage jobs, but because of the boom, not because of the minimum wage policy. Jardim et al. revised their study in 2018, with estimates that were about half the size of their previous numbers, but they did not expand their control group, continuing to leave open the credibility of their finding. A second study by Jardim et al. (2018), using longitudinal data and the same control groups, found positive effects overall, but again did not address the issue of how to control for the economic boom in Seattle that did not occur in the rest of the state.[4]

Finally, Allegretto et al. 2018 and Nadler et al. (2019) expanded their previous work to examine high minimum wages in the six large cities that were early adopters: Chicago, District of Columbia, Oakland, San Francisco, San Jose and Seattle. Using a variety of state-of-the-art statistical methods and checks, and again with control groups from around the entire U.S., they found that pay increased in food services, that employment did not change, and that there was no evidence that employers switched their hiring to more-educated workers.[5]

To summarize, our most credible evidence comes from studies that carefully check that their treatment and control groups exhibited similar trends prior to the minimum wage policy treatment, that their effects on pay line up with the size of the mandated increases, and that the methods do not find results where they should not—such as among the college-educated or in high-paying industries. The studies that meet these

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[4] *The Jardim et al. data also did not include most of the multi-location employers in the state, also limiting the validity of their study.*

[5] *Nadler et al. (2019) further examined a claim made by Jardim et al. 2018--that using industry-based averages from Quarterly Census of Employment and Wages data attenuated employment effects that would be detected in individual-based data. Their evidence refutes the attenuation argument.*

criteria do unanimously find no negative employment effects.[6]

The Cengiz et al. paper constitutes our most definitive study of past minimum wage increases. As I discussed above, the increases they study are not so different from those that would occur with a federal $15 minimum wage by 2024. Allegretto et al. (2018) and Nadler et al. (2019), study minimum wages that are already as high in real dollars or exceed $15 in 2024. They also find that they do not cause adverse employment effects. The weight of the evidence in careful empirical minimum wage studies increasingly has tilted toward finding small to zero negative employment effects of citywide, state and federal minimum wages. This conclusion has been reinforced by the results in the newer studies that used improved methods and data. These newer studies supersede the older ones.

Professor Reich, what are the impacts of raising minimum wages on aggregate demand, including consumer spending, in the U.S. economy?

Cooper, Luengo-Prada and Parker (2017) find that past minimum wage increases had a modest positive stimulus effect on local economies. In particular, they find that low-wage workers purchase more food away from home and more cars. In other words, low-wage workers spend their increased incomes locally, stimulating the local economy modestly.

Professor Reich, why is it that the minimum wage increases proposed in H.R. 582 would have a stronger stimulus effect in low-wage states or states with a $7.25 an hour minimum wage?

Since wage increases are greater in low-wage states, the stimulus is also greater there. Reich et al. 2019 quantify how much the stimulus effect increases with higher minimum wage increases, taking into account how consumption propensities vary by household income. They find that stimulus effects will be stronger in the low-wage states.

Professor Reich, what impact would a regionalized federal minimum wage have on low-wage areas? Would we see continued or widening gaps between these low-wage areas and the national economy?

Some observers suggest that minimum wage policy should not maintain a single federal standard. Such recommendations usually reflect concerns from employers and policy makers in lower-wage areas. They can also reflect a concern about fairness among workers: Why should workers in low living cost areas have a higher real minimum wage than workers in high living cost areas? We take up this issue briefly here.

There is surprisingly little recent research on the advantages and disadvantages of regional wage standards. Congress discussed including a Southern differential in the debates leading up to the Fair Labor Standards Act of 1938. In 1938, wage and living cost differentials between the South and the non-South were much greater than they are today. But in the end, Congress decided to establish a single national minimum wage floor.

By establishing a single national floor at a time of other major economic transformations, Congress set in motion a series of substantial positive economic changes in the South (Wright 1997). In particular, the isolated economies of the rural South became more linked to the national economy. The South prospered in succeeding decades, and the southern regional wage differential became much smaller. A similar development occurred as a result of the civil rights revolution and the associated extension of Fair Labor Standard Act coverage to more of the South's industries (Wright 2005, 2015; Derenencourt and Montialoux 2018).

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[6] Appendix A discusses these issues in more detail

Congress did authorize states to set higher floors. States began to do so in the 1980s and with increasing frequency, especially as Congressional inaction has allowed the real value of the minimum wage to decline over time. The patchwork of state minimum wages today allows states to adjust their minimum wages to reflect living cost differences among the states.

The key disadvantage of regionalizing the federal floor concerns the potential dynamic effects that high minimum wages can exert on low-wage areas. Minimum wage policy cannot by itself transform a stagnating economic region into a dynamic one. But it can contribute to such a transformation.

REPRESENTATIVE JAHANA HAYES

Professor Reich, what are the costs associated with employee turnover? Why does a higher minimum wage decrease employee turnover?

Employee turnover generates vacancy, recruitment, retention and training costs for employers. In general, low-wage industries experience the highest employee turnover rates, often in excess of 100 percent per year. Modern economic models of the labor market recognize that employers can choose between two equally profitable strategies: a low-wage/high-turnover human resource management model or a high-wage/low-turnover model. In the low-wage industries, many employers, but not all, opt for the first model. Higher minimum wages can then move these employers closer to the high-wage model. Employers then save on vacancy, recruitment and retention and costs and they have greater incentives to provide training to their workers. These adjustment mechanisms reduce negative effects on their demand for workers (Manning 2003). Dube, Lester and Reich (2016) find that minimum wage increases do indeed reduce turnover.

REPRESENTATIVE SUSAN DAVIS

Professor Reich, do we have any historical examples of substantial increases to the minimum wage? What do we know about the impacts of those increases? How do those increases compare to those under H.R. 582?

The federal minimum wage increased by over 75 percent in 1950. Increases of over 50 percent occurred in formerly uncovered industries with FLSA extensions and minimum wage increases in 1965 and soon after.

REPRESENTATIVE MARCIA L. FUDGE

Professor Reich: In your testimony you say that minimum wage increases are absorbed through higher prices. What do these price increases look like?

Price adjustments provide a principal adjustment mechanism for employers in low-wage industries to pass on their increased labor costs to consumers. The research studies show that a ten percent increase in the minimum wage results in a price increase of about 0.5 percent. However, such price increases appear only for food consumed away from home. Such an increase does not deter restaurant customers. Smaller, price increases are also detectable for grocery stores (Leung 2018; Renkin, Montialoux and Siegenthaler 2019), but not more generally. The effect on inflation is therefore extremely small.

If we're gradually increasing the minimum wage from $7.25 to $15, does that mean the

price of a hamburger or other widely purchased item is going to double?

The price of a hamburger might increase by about 2 percent per year over six years. Food prices increase about 2 percent per year, on average.

[Mr. Spriggs response to questions submitted for the record follow:]

Compromises reached in passing the National Labor Relations Act that excluded agricultural, domestic and certain service industries were extended to protections in the Fair Labor Standards Act (FLSA). The result was to lower the share of workers who were organized in the same states where high shares of African American workers lived. This lack of unions weakened an organized voice for workers in those regions. In those states that had higher union density, state minimum wage laws were enacted to provide some protection for workers who were excluded from the FLSA. Without the presence of an organized voice for workers, when the 1966 Fair Labor Standards Act amendments extended protections most of the Southern states where the heavier concentration of newly protected workers lived were also states that did not have state minimum wages protecting those workers.

The proposed regional minimum wage approach targets specific metropolitan areas for having the lowest minimum wage and the slowest path to reaching a federal minimum wage of $15 an hour. Those metropolitan areas are in "Right-to-Work" states, again mirroring the same low union density areas that had been hampered by lower wages until the 1966 FLSA amendments. Thus, these areas are not really low-cost areas, but low-wage areas. As the analysis of the Economic Policy Institute's Family Budget Calculator indicates, $15 an hour is needed in every county in the United States to maintain a modest living.[1] A family budget analysis is the correct way to understand the needs of low-income households, since they cannot afford to live on the average family budget implicit in calculating metropolitan cost-of-living indices. These are low wage areas, because of differences in labor protections. These targeted areas are where workers have the least bargaining power and the least levels of labor protections and the weakest state labor inspectorates to enforce labor laws. They are also areas least likely to have extended

[1]Family Budget, https://www.epi.org/resources/budget/

Medicaid coverage or access to public transportation to improve worker mobility in finding and maintaining jobs.

Economists Derencourt and Montialoux have examined the 1966 FLSA amendments that expanded FLSA coverage. The importance of the work of Derencourt and Montialoux is their finding that the disparate impact of excluding agricultural and domestic workers in the 1939 FLSA was to create a racial wage gap. Derencourt and Montialoux show that 20 percent of the wage gap between Black and white workers in the 1960s was from that racially disparate exclusion. More importantly, in understanding the dynamics of the racial wage gap, most of the 20 percent wage gap was not between the wages of workers who had been in the protected industries compared to those who were not protected, but from within the industries that had no protection.[2] In other words, when Black and white workers have equal protections under the law, the resulting wage gaps are smaller. Today, this is also true where workers are under the protection of a collective bargaining agreement, racial and gender wage gaps are smaller than outside collective bargaining agreements.

Consequently, it is not surprising that taking the regional minimum wage approach and failing to protect the wages of workers in low-wage areas would have a disparate impact on workers who are most vulnerable without labor law protection. Women of color are America's lowest wage workers. Women of color make up 18 percent of the American workforce. But, among the workers who would be designated to receive lower labor standards under the regional wage approach and so would be kept below the boost to $15 an hour that all other Americans would receive, women of color make up 36 percent of the workforce. Clearly, that is a racially and

[2] Ellora Derencourt and Claire Montialoux, "Minimum Wages and Racial Inequality" (November 2018) http://clairemontialoux.com/files/montialoux_jmp_2018.pdf

gender disparate impact. The research based on the 1966 FLSA amendments shows those disparate impacts will have long lived consequences on race and gender wage inequality. Should Congress take such a racial and gender biased approach, Congress will be responsible for exacerbating one of the largest and cruelest wage inequalities. The regional minimum wage approach would be inequality by design.

Questions for the record
Mr. Ben Zipperer, Ph.D.
March 4, 2019

Committee on Education and Labor hearing, "Gradually Raising the Minimum Wage to $15: Good for Workers, Good for Businesses, and Good for the Economy"

Question from Chairman Bobby Scott:

Although employers must ensure that tipped workers receive at least the full minimum wage in combined wages and tips, the reality is that many employers ignore this requirement. Sylvia Allegretto and David Cooper observed that in a Department of Labor investigation of roughly 9,000 full-service restaurants, 84 percent of establishments had some type of wage and hour violation, and there were more than 1,100 tip credit violations. (See Allegretto, Sylvia and David Cooper, Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage, Economic Policy Institute, July 2014.)

Question from Representative Susie Lee:

The Family Budget Calculator of the Economic Policy Institute calculates the income a family in a given area needs in order to pay for housing, food, transportation, child care, health care, taxes, and other necessities. We call this a "modest yet adequate standard of living" because while it accounts for expenses associated with important necessities, it does not include anything else, including saving for retirement, buying a home, or even allowances for emergencies.

Two adults working 40 hours a week at $15 per hour will earn $62,400 per year. If these two adults have two children to care for, according to the Family Budget Calculator there will be no county in the United States in 2024 where that family can live and meet their family budget with wage income alone. (These estimates use Congressional Budget Office estimates of projected changes in the cost of living.)

Question 1 from Representative Marcia L. Fudge:

We are suppressing the wages of low-wage workers when we fail to raise the minimum wage. As I explained in my testimony, minimum wage workers today are paid 29 percent less than their counterparts five decades ago, after adjusting for changes in the cost of living. Moreover, worker's productivity has doubled over the last 50 years. The minimum wage fell in value since then, but had it been raised to keep pace with workers' increasing productivity, this year the minimum wage would be more than $20 per hour.

Question 2 from Representative Marcia L. Fudge:

Raising the minimum wage unambiguously benefits workers, their families, and their local communities. An economy that does not work for those earning the lowest wages is an economy that does not work at all. This is why we need to strengthen the minimum wage, which, as part of the Fair Labor Standards Act, was enacted in 1938 "to protect this Nation from the evils and dangers resulting from wages too low to buy the bare necessities of life" (S. Rep. No. 75-884, at 4, 1937).

[Whereupon, at 5:36 p.m., the committee was adjourned.]

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