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The Impact of Minimum Wage Legislation on the Working Class Poor

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THE IMPACT OF MINIMUM WAGE LEGISLATION ON THE WORKING CLASS POOR

Mary Ching, B.A.

An Abstract Presented to the Faculty of the Graduate
School of Lindenwood College in Partial
Fullfillment of the Requirements for the
Degree of Master of Science in Human Resource Management

1998

ABSTRACT

This thesis will focus on the study of the working class poor minimum wage and the impact it has had on their income. The study begins with the historical background of the minimum wage from early colonial times until the changes of the minimum wage law of 1993. It analyses the reasoning of creation of minimum wage legislation and the economic principles of the period.

Chief Justice Hughes said in in <u>West Coast Hotel Co v. Parrish</u> 300 U.S. 399:

> The exploitation of a class of workers who are in an unequal position with respect to bargaining power and are thus relatively defenseless against the denial of a living wage is not only detrimental to their health and well-being but casts a direct burden for their support upon the community. What these workers lose in wages the taxpayers are called upon to pay. The bare cost of living must be met. (Interim Report III)

The purpose of this study is to investigate the important studies of minimum wage to determine if a living wage has been provided for the working class poor and the impact that minimum wage has had on

poverty and income distribution. This study will analyze and attempt to determine the impact to workers such as disemployment and unemployment and the effect of other programs related to the low wage earners such as government transfers.

As this study indicates, the value of minimum wage to the low wage worker is the provision of a living wage. Previous studies did not adequately indicate impact of disemployment or unemployment have on minimum wage. The data from the literature review indicates that any impact of disemployment occurred only to teens aged 16-19.

A change in distribution of income does not occur in any great significance as a function of raising the minimum wage. Prior studies indicated that minimum wage workers are across all deciles of income and that the low wage worker can be found in all categories. Distribution of income does not reflect minimum wage increases to those workers who are below the poverty line because of government transfers.

The author reasons that minimum wage is a necessary ideal because of potential unfair labor practices that can occur without it, that the author thinks that there is a moral obligation of any nation to care for its working class poor. However, the data indicates that there may be

more efficient ways in which to distribute income to the working class poor. Data appears to indicate that family size and education attainment are critical to solving poverty of low wage workers.

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A Culminating Project Presented to the Faculty of the Graduate School of Lindenwood College in Partial Fullfillment of the Requirements for the Degree of Master of Science in Human Resource Management

1998

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Chapter 1

INTRODUCTION

> Every man has a right to life; and this means that he has also a right to make a comfortable living. He may by sloth or crime decline to exercise that right; but it may not be denied him. We have no actual famine or dearth: our industrial and agricultural mechanism can produce enough and to spare. Our government, formal and informal, political and economic, owes to everyone an avenue to possess himself of a portion of that plenty sufficient for his needs, through his own work.
>
> Franklin Delano Roosevelt at the Commonwealth Club
> San Francisco, California, September 23, 1932
> (Interim Minimum Wage Report to the President 2)

Wage earners in the United States have played an important role in the life and growth of the national economy. Beginning in colonial times with a work ethic brought from the European countries, American wage earners sought to contribute to the growth of industry and American society. Working for a wage was considered a source of honor and pride in colonial times. The worker was responsible for taking care of his family and providing a living wage so that society would not have to care for the family under relief acts such as England's Poor Act of 1620 (Groner 32) .

The Industrial Revolution brought to America new prosperity and technology. The revolution also brought an increased social consciousness of a labor force which occasionally conflicted with the economics of manufacturing companies. Disagreement arose on the minimum age for a worker to be allowed to work in a factory and how many hours a day all workers could be allowed to work for their safety and productivity. The fact that women and children received different wages for the same hours of work and same work done by men in the same plant was also at issue. Individual states and the Congress of the United States questioned if they should interfere with the right of entrepreneurial ownership. A minimum wage and a maximum hour schedule were demanded by reformers so that workers could earn a living wage and have time to spend it. As early as 1830 in the United States these were all issues which were debated between reformers, businessmen and legislators (Andrews 9) .

The History of Minimum Wage

During Colonial times, production of goods was limited to what the manufacturer could produce for his family and for the

community. Few manufacturers employed others, but those who did, paid the worker a low wage and treated the worker as family. Because the individual states had traded with England and other countries as colonies, the practice of individual trade agreements and tariffs was common. By 1776 free-flowing commerce without government interference was considered very important by the Continental Congress and the individual states (Groner 40) .

Congress was charged with the responsibility of interstate commerce by the Constitution, but not intrastate commerce. States were left to legislate commerce produced and distributed within the geographical boundary of the state. A national policy of labor was not established until 1888 when the first subdepartment of labor was created under the Department of the Interior. Until that time there was no state or national policy regarding workers, wages or hours in the private sector (Groner 42) .

The economic principle of "laissez-faire" was the prevailing principle of early American commerce. Adam Smith, considered to be the father of modern economics wrote a book called An Inquiry into the Nature and Causes of the Wealth of Nations in 1776. Alex Groner wrote in his book The History of American Business and Industry

> By a coincidence of history rather than of forethought, two documents made their appearance in 1776. Which one had more enduring significance remains moot- The Declaration of Independence, published July 4 in the American colonies, or Adams Smith's *An Inquiry Into the Nature and Causes of Wealth of Nations,* published in the spring of that year of ferment. (32)

Adam Smith believed that a free market system which allowed workers to make goods, sellers to buy goods and owners to make a profit would result in a productive society. He wrote in An Inquiry into the Nature and Causes of Wealth of Nations:

> All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way and to bring both his industry and capital into competition with those of any other man or order of men. (qtd in Bartletts 326)

Smith believed that labor was to be considered a production cost just as raw materials and machinery were costs, and that businesses should be allowed to set the price of the item based on production costs and profits and sell the product in a competitive marketplace. Workers in

the plants should be able earn a spendable wage, purchase products and the market allowed to flow freely without government interference. Smith was critical of government interference such as the British system of tariffs, British colonization and other interferences of free trade. Smith wrote in An Inquiry to the Nature and Causes of Wealth of Nations that:

> It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity but to their self-love. (qtd in Bartletts 326)

Beginning in the 1820's the Industrial Revolution brought new jobs and wages into communities. The "Lowell Experiment", a mass production factory in Lowell, Massachusetts, made changes in the New England countryside. Not only were men employed in the textile plant, but also young women from farm families were employed. Rules of the plant included that the young unmarried girls were chaperoned, educated, and taken to church on Sunday as well as paid a good wage. Money from the work at the plant was required to be sent home to the farm families by these young, single girls and the wages they earned supplied much relief to the families. Generally, the work in the plants was comfortable and the

girls were allowed to read when they were not busy on the looms (Andrews 30) .

By 1830 trade competition in the textile plants began to change the wage structure and working conditions. Immigrant labor began to replace farm girls as workers and the hours were extended to twelve hours a day. Overcrowding was common and employee safety in the plant was ignored. The attitude of the American population, Congress and the Supreme Court was to leave private industry alone to work out wages, hours, and working conditions with its workers (Andrews 32) .

Low wages, child labor and unsafe working conditions were the common practices after 1830. Public sympathy began to grow for shorter hours and higher wages in the plants. President Van Buren issued an Executive Order in 1840 to limit the work day to ten hours per day on government projects but no laws were passed for the private sector. By 1872 both the Republican and Democratic parties had incorporated a maximum eight hour day for government projects in their campaign platforms. Federal laws were passed in 1868 which prohibited the public sector from working more than eight hours a day but the Supreme Court nullified the act by declaring that companies who worked for the government were not required to follow the law (Minimum Wage Vol II: 15) .

Trade unions began to gather strength in the 1880's and the Knights of Labor admitted the first women members in 1881 and appointed a women representative to investigate the concerns and wages of women workers in the factories. The Populist Party, a social change political party seeking reforms from abuses in labor and farming, was formed by the Knights of Labor in 1892 and the Farmers' Alliances. The party promoted an eight hour work day, an increase in the amount of money in circulation by the government, and the printing of paper money. The Populist party did not win the presidential race but it did receive over one million votes in 1892 and was successful in obtaining several state offices. By 1896 the Democratic party had taken over the social reforms that the Populist Party had advocated and the Populist party gradually dropped out of existence.

Harold Metz reported in his book Labor Policy of the Federal Government that Congress established a Bureau of Labor as part of the Department of the Interior in 1884 to collect data regarding wages and information of workers as a "means of promoting their material, social, intellectual, and moral prosperity" (7). The bureau had no regulatory powers. Congress changed the name of the bureau in 1888 to the Department of Labor but did not give it cabinet rank status (Congressional Record 132) .

Public indignation was aroused for minimum wages, child labor and working conditions for women when a tragic fire broke out at the Triangle Shirtwaist factory in New York in 1911. The fire enveloped the building where garment workers were sewing and 145 men, women and children were trapped inside the building. However, the only immediate result of the tragic fire was legislation in New York State prohibiting workers working in unsafe conditions with no fire exits. A witness to the fire was Frances Perkins, who was the Executive Secretary and principal lobbyist for the New York Consumers' League. Perkins was to become the first woman Secretary of Labor in 1933 (Volume II 12).

The first state to pass minimum wage legislation and child protection laws was the state where the Lowell experiment began. In 1912 Massachusetts passed legislation which established a minimum wage for women and maximum hour regulation for children. Eight other states quickly passed legislation which was similar in language to Massachusetts. Andrews in her book, Minimum Wage Legislation, described the mood of the day as being concerned about the health and welfare of women and children. She noted that the states were concerned about a living wage which should be the minimum wage for all workers. She quoted the National Conference of Charities and Correction

by the Committee on Standards of Living and Labor with the following:

> The monetary equivalent of a living wage varies according to local conditions, but must include enough to secure the elements of a normal standard of living; to provide education and recreation; to care for immature members of the family; to maintain the family during periods of sickness; and to permit reasonable saving for old age. (9)

The United States was not the only country considering and adopting minimum wage laws. Great Britain had passed the British Trade Board Act on October 20, 1909 and the Coal Mines Act on March 29, 1912. The New York Factory Investing Commission wrote to the Board of Trade in London asking questions regarding the minimum wage laws. The Commission wanted to know the answers to four questions: 1) Does the minimum wage become the maximum; 2) How much unemployment results from such legislation; 3) Do such laws tend to drive industry from the state; and 4) Do minimum wage laws results in decreasing efficiency? (77) The Secretary of the Board of Trade replied that while the Trade Boards act had only been recently legislated, the Board felt that employers had not reduced the wages to the minimum wage as a whole; that unemployment had not resulted from establishing a minimum wage; that manufacturing had not been transferred to other countries such as

Ireland; and that workers were no less efficient than before the minimum wage was enacted (78).

Great Britain's laws of minimum wage covered all workers, both male and female: whereas all the laws written in the United States covered only women and children who were considered incapable of organizing and speaking for themselves.

One of the primary reasons for the lack of interest in minimum wage and minimum hours for men in the United States was the belief that men should be members of the American Federation of Labor and could negotiate their wages through individual bargaining even though the right to collective bargain was not yet law. Samuel Gompers, head of the AFL from 1886-1924, wrote in his book Labor and the Employer in 1909:

> I trust no one misapprehends my position as far as to believe that I favor a government enactment of a "living wage" for wage-earners in private employ, for, as a matter of fact, I recognize the danger of such a proposition. The minimum would become the maximum, from which we would soon find it necessary to depart.
>
> In laying the basis of, or giving a definition for this discussion I submitted the following; "a minimum wage- a living wage which, when expended in the most economical manner, shall be sufficient to maintain an average-sized family in a manner consistent with whatever the contemporary local civilization recognizes as indispensable to physical and mental health, as required by the rational self-respect of human beings. (58)

The Supreme Court affirmed what Gompers and his AFL members believed. All of the laws, except a Massachusetts law, written from 1913-1920 pertaining to minimum wages and minimum hours were declared unconstitutional by the Supreme Court. The Report to the President by the Minimum Wage Commission reported that :

> It was feared that a reliance on government would dilute the negotiating strength with employers and leave workers vulnerable to subsequent wage reduction as government policy changed. (Vol. II:11)

Public support for minimum wages and hours was present even when the laws were constitutionality declared invalid. California manufacturers who were no longer bound by legislation, continued to support the wage and hour system provided by the voided law. Legislation of wages and hours was considered a violation of the individual's right to the Fifth Amendment to make a contract, and that having to pay a "living wage to women was an unacceptable interference with freedom of contract as implied in the Constitution" (12).

The Sherman Anti-Trust Act of 1890 began a new trend of the public thinking away from the old "laissez-faire" approach thinking of economics and interference into business. While this law and other antitrust laws were not used extensively until after 1900, the American

public was beginning to see that non-government interference was leading to monopolist practices. By 1911 Standard Oil was broken up and other companies such as General Electric, U.S. Steel and National Cash Register had court cases pending against them. John Groner writes in his book The History of American Business and Industry that the worker did not benefit from the successes of their companies, and a study in 1890 reported that more than half of the nation's wealth was held by one percent of its families (216).

In the quest for higher wages, shorter work hours and better working conditions, labor unions began to become more vocal and violent in the 1880's. In 1886 the McCormick Harvesting Machine Company and labor had a dispute which resulted in police killing several strikers in Haymarket Square in Chicago. Carnegie Steel was the site of a battle between strikers and police in 1892 when ten strikers were killed. When laborers at Pullman went on strike, the federal government called out troops to stop the violence which had resulted in property damages of $80,000,000 (Groner 218) .

The Age of Labor Reformation:

Reformers continued to press for minimum wages, child labor and maximum hours. A cabinet position was given to the Department of Labor as a separate department in March of 1913. It was given the directive "to foster, promote, and develop the welfare of the wage earners of the United States, to improve their working conditions, and to advance their opportunities for profitable employment" (Metz 8). The Secretary of Labor was a representative of organized labor from 1913 until 1933. Congress passed its first minimum wage legislation for women and children in the District of Columbia in 1918 (Congressional Record 6) .

Businessmen such as John Bates Clark continued to debate the issue of minimum wage in 1913. Clark wrote in the article " The Minimum Wage" in *The Atlantic Monthly* that:

> Of pending measures of economic reform, few appeal so strongly to public feeling as does the minimum-wage act, and perhaps none has a better right to appeal to it. If in every large city thousands of persons must continue to work hard and get less than a living, the fact in an indictment of civilization. (289)

Clark continued his essay by questioning if minimum wage could be legislated into effect when business could not support the law and stay in

business. He continued:

> . . .Whoever will support a law which fixes minimum rates of pay needs first to assure himself that the thing can be done, . . . it is safe to say no one at present can be sure enough that it is not workable to justify him in definitely rejecting it. (289)

Minimum wage and minimum hours became a less popular issue for workers and reformers during World War I. Employment was high, wages were higher and almost everyone who wanted a job could get one that would pay a good wage. Workers were called upon to produce more goods, more quickly than ever before. However, at the close of the war, the demand for all the goods to be produced dropped and workers began to lose their jobs and the wages began to slide. Frances Perkins wrote in her book People at Work :

> After the war and the high prices and markets so great that they could not be satisfied, it was natural to expect a recession. The recession came. The huge government plans were cancelled and plants which had been running overtime on war work began to throw off men by the thousands. (70)

In 1919 nearly one in four wage earners worked in manufacturing. As orders decreased for products, companies began laying off workers, increasing hours of existing workers and cutting salaries. According to

Groner industrial production had dropped from its 1920 peak of 119 per cent of the 1914 base to 102 per cent in the second quarter of 1921. Between 1920 and 1921 the wholesale price index suffered a 33 per cent drop. Unemployment jumped from 3 million in 1919 to 4.74 million in 1921 (273) .

War debts unpaid by European countries to the United States, tight money supply, farmers borrowing too much based on war time economy, labor strikes, and buying too much stock on credit inevitably led to the collapse of the stock market in 1929. While business continued to produce durable goods from 1922-1929, wages did not rise in conjunction with the increase in production. Production of durable goods increased 65% from 1922-1929 (290). Among workers and the general population, however, "almost four fifths of all Americans could be considered as having little or no discretionary income" (290). As a result, companies produced more, stockpiled more goods, cut hours and pay of workers and eventually, many of the plants drastically cut production or ceased business altogether. The course was set for the Great American Depression (292) .

Perkins wrote:

> The Bureau of Foreign and Domestic Commerce of the Department of Commerce reports that wages suffered the most severely in the general decline since 1929 with a falling of 60 percent in those industries in which it was possible to segregate this item. Salaries dropped 40 per cent, much less rapidly than wages, with the most severe curtailment occurring in 1932. Wages totaled $52,793,000 in 1929; $48,582,000 in 1930; $40,896,000 in 1931; and $31,533,000 in 1932. (104)

She noted the figure of employment sank to 38.4 percent when payroll actually decreased to 58.6 percent, indicating that wages had dropped even lower than employment (104).

President Hoover maintained the position of earlier day "laissez-faire" economists and declared that the system would have to cure itself of its own cancer. He refused to interfere with private businesses and would not grant relief aid to unemployed workers. He routed army veterans from Washington with troops and declared that prosperity was just around the corner. Feeding the hungry, unemployed wage earners and their families fell to cities and states, whose relief systems were soon overburdened.

Fortune wrote a lengthy exposé on the poverty and unemployment of families in 1933, entitled " No One Has Starved". The

following are statistics from that article:

> •California: Los Angles last winter had 151,00 unemployed registered, of whom 60,000 were heads of families. May relief expenditures in Los Angles were $638,207 ; in San Francisco $564,737; in Oakland $107,734.
>
> •Missouri: In March the Governor estimated that 100,000 were unemployed. May relief expenditures were $259,298, in Kansas City $69,192. In St. Louis relief agencies dropped 13,000 families from their load of 25,000. Approximately one-eighth of the city's population faced starvation and eviction.
>
> •Georgia: Atlanta had 4,000 families on relief in December. Relief needs for thirty weeks were estimated at $1,200,000. Contributions were only $590,000. In June 20,000 people in Atlanta and Fulton County were abandoned when a county appropriation was withdrawn from the budget.
>
> •New York: Ninety-five persons suffering from starvation were admitted to city hospitals in 1931, of whom twenty died; and 143 suffering from malnutrition, of whom twenty-five died. Housing is, of course, with the general lowering of standards and doubling up of families, worse that it was during the boom. About 1,000,000 of the city's 3,200,000 working population are unemployed.
>
> •Detroit: The great majority on relief are laborers but Detroit also carries or has carried forty-five ministers, thirty bank tellers, lawyers, dentists, musicians and "two families after whom streets are named." Riots, chiefly employments riots, have been fairly common with bloodshed in at least one. (19-28)

The article concluded by blaming the current administration for a lack of purpose, direction and funding which led to the dire situation of that

winter. The article prophesied that American industry would have to pull itself out of the depression without help from the presidency and that a thirty hour week was the most important new development of the depression for workers (84) .

By 1932, wages had hit a new low and the percent of unemployed had reached a new high. Men and women wage earners were experiencing a decline in wages and living conditions. In the book Productivity, Wages and National Income Spurgeon Bell wrote the following:

> While such technological procedures have been instituted by business enterpriser with a view to making profits for themselves rather than for the express purpose of raising standards of living, the theory has been that the latter objective is none the less automatically realized. The increasing efficiency in production makes possible an expansion of output which is supposed to result in higher standards of living and increasing employment resulting from new demands.
> In recent times, however, the process by which new technological developments are transmitted into higher standards of living has obviously not been working smoothly. Even before the coming of the great depression, there appeared to be some doubt as to whether the system of wealth production and distribution was operating with maximum effectiveness. (164)

FDR and the New Deal:

Democrat Franklin Roosevelt was swept into office in 1933 by promising a "New Deal." He said in a radio address in 1932:

> These unhappy times call for the building of plans... that build from the bottom up and not from the top down, that put their faith once more in the forgotten man at the bottom of the economic pyramid. (Radio Address April 7, 1932 qtd in Bartletts 648)

Roosevelt took office in the midst of a terrible economic depression; 13,204,000 workers were unemployed and 15,071,000 were part time workers (Berstein 2).

Roosevelt may have been impressed by a different economist. Dexter Perkins noted in his book <u>The New Age of Franklin Roosevelt, 1932-45</u> that a British economist of the day, John Maynard Keynes, had written to the president telling that only an infusion of government money into the economy would save the country from the deepening recession of 1937 (66). According to Perkins, the president only gave a perfunctory response. Perkins indicated that the Roosevelt was an "opportunist rather than wedded to any theory " (66) . Exactly how much influence that Keynes had on Roosevelt is not clear, but some of the principals of

Keynes were employed by Roosevelt in his planning to repair the damaged economy. Jacob De Rooy, in his book Economic Literary, What everyone needs to know about Money and Market describes Keynes philosophy as "animal spirit"- meaning the public optimism or pessimism that pervades a market place (209) . Described by later economists as "business confidence" this type of economic theory concluded that if business as a whole and the public saw the market place as properous, they would continue to invest and spend in such a market place; if business confidence was bad, the reverse would be true (209). Keynes was also a believer in government using its buying power to interfere with private markets to stabilize economies (327). Alan Brinkley reported in his book The End of Reform: New Deal Liberalism in Recession and War:

> But while Keynes' own influence in America was relatively limited in the winter of 1937-38 a set of ideas closely related to his was emerging from other sources and was slowly gathering substantial support both within the administration itself and in the larger liberal community....The foundation of what would eventually become known as the "Keynesian approach" were two broad assumptions about the economy... One was the belief that consumption, not investment, was now the principal engine driving the industrial economy and hence the principal social goal toward which public efforts would be directed. The other was the conviction that public spending was the best vehicle for fighting recession and economic stagnation. The two ideas emerged separately, but by the late 1930s they were

becoming fused. (66)

One of his Roosevelt's first steps was to appoint Frances Perkins as Secretary of Labor, the first woman to be appointed to a cabinet position and the first Secretary of Labor who was not a representative of organized labor. Perkins, who was a graduate of Mt. Holyoke College and Columbia University, had also worked in the slums of Chicago at Hull house (Berstein 11-12) . She had been Industrial Commissioner in New York under Governor Al Smith and had taken the position of the welfare of the worker (13) . She believed as did Roosevelt that underconsumption was the issue and that more workers needed to return to work, working shorter hours so that the workers could buy the stockpiled goods of manufacturers. Perkins said:

> The Department of Labor of the United States is dedicated to achieving a good life for the wage-earners of America. It has become increasing clear that national recovery can be made permanent only on the basis of an internal market great enough to absorb the products of our industry and our farms. (223)

Roosevelt saw his task, besides restoring public confidence in themselves and government, as a three-pronged approach. He determined that government regulation of business, government

mandates in hours and wages, and public works projects could solve the problem, and he directed Perkins to begin work on legislation to help the workers (18) . Almost immediately after taking office, Perkins meet with Senator Hugo Black of Alabama who had introduced a bill in Congress known as the Black Bill. The bill called for a mandatory 30 hour work week for all workers, as recommended by the AFL. Roosevelt felt that this was unworkable for industry because not all industries could scale their production to meet this schedule. Industry was opposed to the Black bill because it did not contain a floor for wages while it placed a ceiling on hours. The Black bill passed the Senate but did not pass the House, due to lukewarm support from the President and opposition from industry (24-25).

By May of 1933 a new bill was drafted by Perkins and Roosevelt called the National Industrial Recovery Bill. Its objective was to act as a vehicle for "a great cooperative movement throughout all industry. . . to obtain wide reemployment, to shorten the working week, to pay a decent wage for the shorter week and to prevent unfair competition and disastrous overproduction" (30). Perkins wrote in her book :

> During the spring of 1933, I had over five hundred letters from employers saying something like this: "Can't you do something about the wages in our industry? We, in our

> plant, are being ruined by competition which is paying less than a living wage. Can't you do something about this?" (142)

The National Industrial Recovery Act was amended and made into law on June 16, 1933. Supported by both the U.S. Chamber of Commerce and the AFL, the legislation marked a change in the attitude of government and the public toward the wages and hours of workers. Title 1, Section 7(a) of the National Industrial Recovery Act said:

> Every code of fair competition, agreements, and license approved, prescribed, or issued under this title shall contain the following conditions: (1) that employees shall have the right to organize and bargain collectively through representatives of their own choosing, and shall be free from the interference, restraint, or coercion of employers of labor or their agents, in the designation of such representatives or in self-organization or in other concerted activities for the purpose of collective bargaining or other mutual aid or protection; (2) that no employee and no one seeking employment shall be required as a condition of employment to join any company union or refrain from joining, organizing, or assisting a labor union of his own choosing; and (3) that employers shall comply with the maximum hours of labor; minimum rates of pay, and other conditions of employment, approved or prescribed by the President. (Berstein 34)

With the passage of this bill, Congress had passed legislation providing for minimum wage and maximum hours to be established by the

President for the first time in history for the private sector. Industries were to make their own codes for their industry subject to government approval. The Blue Eagle emblem symbolized adherence to the code, and was displayed as a sign of patriotism and cooperation throughout the United States.

Congress, industry, the President, labor unions and the American people saw the National Industrial Recovery Act as a way of economic recovery through teamwork. In its historical account The Minimum Wage Commission Report Volume Two by the Minimum Wage Commission in 1981 recorded:

> Aside from these particular interest, the Act had a general appeal as well. Judging from the exceptional number of states that followed with minimum wage laws of their own in the legislative session of 1933, considerable support for wage and hour legislation had already developed since 1929. The upswing in the economy following the enactment of the NIRA could not but affirm their positions. Production increased after the NIRA was enacted, and average weekly hours were reduced to produce a net reemployment effect of 2,462,000 jobs between June and October of 1933. These increases in employment under the NIRA must have been welcomed by large number of Americans considering that unemployment was the major concern of the day. (16)

The Supreme Court took a different point on NIRA when hearing the case of Schechter Poultry Corporation v U.S. (Grossman 2) . While

this case had nothing directly to do with minimum wage, the court ruled in a five to four decision that NIRA was unconstitutional in that it interfered with the right of states to control intrastate commerce.

Franklin Roosevelt saw the court as reactionary and narrow in its definition of interstate commerce and determined to change the structure of the court by a process known as packing. In February of 1937, declaring that the court was behind in their work, the President proposed that when a federal judge reached his seventieth birthday, the President could appoint a type of co-adjudicator for the court. This system, the President claimed, would speed up the judicial process and end the backlog of court cases. Ultimately, Roosevelt withdrew his plan under fire, but the threat resulted in the resignation of one of the four conservative justices and Congress passed a bill assuring the retiring justices full retirement benefits. Another justice switched positions on the matter of government interference in interstate commerce and minimum wage legislation so the door was opened to new legislation. Newsweek Magazine reported with the headline "Court: Justices Reverse themselves on Wages" in April, 1937:

> This week the Supreme Court of the United States looked upon the present-and upon Mrs. Elsie Parrish, a chambermaid of Wanatchee, Washington. Her needs and

> her changing world induced five of the Justices-including the youngest and the oldest-to reverse four previous decisions and to uphold Washington's State's Minimum Wage Act (10) .

The next minimum wage, maximum hour legislation proposed by the Roosevelt administration was the Fair Labor Standards Act in 1937. In its original form, the bill provided for an administrator to set minimum wage and maximum hours as the NIRA law had done. Senator Black was back again to push the merits of the minimum wage law. He said in a radio address over NBC on June 7, 1937:

> We know that... minimum wages, maximum hours, child labor and working conditions in industry cannot be adequately handled by 48 separate State legislatures, 48 separate State administrations and 48 separate State courts... We have sought and will continue to seek to meet these problems through legislation within the Constitution (Black 686)

Black referred in his speech to the Democratic Convention which had passed the plank of minimum wage, child labor reform and less hours and when facing delays in the voting, he noted: "This Republican 'do nothing yet' policy was overwhelmingly repudiated by American voters in 1936" (688) .

Robert H. Jackson, Assistant Attorney of the United States, appeared before a Joint Congressional Hearing on the Constitutionality of the bill on June 2, 1937. He defended the constitutionality by noting the powers of Congress in interstate commerce as specifically referred to in the constitution as the basis of law (Jackson 526). He pointed out that commerce had been regulated since the passage of the antitrust acts (527) . Jackson quoted Justice Holmes in the issue of states rights versus Federal rights when Holmes said:

> The act does not meddle with anything belonging to the States. They may regulate their internal affairs and their domestic commerce as they like. But when they seek to send their products across the State line they are no longer within their rights. If there were no Constitution and no Congress, their power to cross the line would depend upon their neighbors. Under the Constitution such commerce belongs not only to the States but to Congress to regulate. It may carry out its views of public policy whenever indirect effect they may have upon the activities of the States. Instead of being encountered by a prohibitive tariff at her boundaries, the State encounters the public policy of the United States, which it is for Congress to express. The public policy of the United States is shaped with a view to the benefit of the nation as a whole. (529)

The Senate passed the bill, but the House, whose members had not approved of the President's Supreme Court reorganization, refused to

pass the bill before the end of the session. The President called a special session of Congress in November of 1937 to act on the bill. The House sent the bill back to committee and it did not reach the floor until May of 1938. The misery of the Depression had not passed for the working people when Elinore Herrick of the National Labor Relations Board reported in a radio address in January 1938:

> When the Industrial Commissioner of New York State, and the Director of the State Minimum Wage administration can report as they did on December 14, 1937, that the working girl who lives alone cannot clothe, feed, house, beautify entertain, and educate herself unless she earns at least $23.00 a week, yet the average wage scale in an industry employing over 25,000 women was only $13.00, and some made as little as $6.00, who can say that minimum wage legislation is not needed in the north as well as in the south. (Herrick 250)

Finally, after numerous compromises, additions and exceptions, the bill passed the House and Senate and was passed into law on June 25, 1938, with its effective date October 24, 1938 (Grossman 9) .

The Fair Labor Standards Act

The Fair Labor Standards Act (FLSA) was written to include several key elements. These items were administration of the law, exceptions to the law, child labor, minimum wage, equal pay for equal work, and the establishing of regular work pay, hours in a work week, training wages, liabilities, fines and penalties. The law set a minimum amount of money per hour based on a standard set of hours. It called for certain business in interstate commerce to provide a living wage to their employees who were workers, rather than management, and provided rules and regulations regarding child labor. Since the date of its original passage, the law has been amended by Congress twenty five times (History of Minimum Wage 3) .

The purpose of the law was fully explained in The Fair Labor Standards Practice Act "Congressional finding and declaration of policy" which states:

> (a) The Congress 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 the health, efficiency, and the general well-being 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. The Congress further finds that the employment of persons in domestic service in households affects commerce. (b) It is declared to be the policy of this chapter through the exercise by Congress of its power to regulate commerce among the several states and with foreign nations to eliminate the conditions above referred to in such industries without substantially curtailing employment or earning power. (2)

To administrate FLSA, a division of the Department of Labor called the Wage and Hour division was created. An administrator was to be appointed by the President with the advice and consent of the Senate to manage the division. The Administrator was made accountable to the Secretary of Labor (3) .

The Secretary of Labor was required to make a report to Congress each year to include further legislation, an evaluation and appraisal of the minimum wage and overtime coverage and include further recommendations. Once every two years the secretary must have made a study of employment opportunities which have had "an historically high incidence of unemployment" (6) and the secretary was required to report on imported foreign commerce which resulted in unemployment in the United States (3) .

While Congress intended that workers should receive a fair and living wage for their labors, it did not originally envision for all workers to be covered by the Fair Labor Standards Act. In the *Interim Report of the Administrator of the Wage and Hour Division* by the U.S. Department of Labor written in 1939, the number of employees that were covered by the act was 11,000,000, roughly 1/3 of the total number of workers employed (I-10) .

The courts affirmed that the purpose of the Fair Labor Standards Act was to provide a living wage for workers and their families. The case of Foremost Dairies Inc. v Wirtz in 1967 affirmed that the law

> is a major enactment by Congress of social and economic policy, intended to protect certain groups of the population from substandard wages and excessive hours which endanger the national health and well being and free flow of goods in interstate commerce. (U.S.Annotated Code Title 29 Labor 199).

A New York court confirmed in the case of Snee v Goldman in 1947 that the law " was passed in part to rectify labor conditions which were detrimental to the maintenance of minimum standards of living for health, efficiency and general well-being of workers" (200) .

Congress had determined that the rulings of hourly wages by an administrator was too slow and unequal and amended the bill to give Congress the power to set the rates as it chose. Once Congress had the power to legistate minimum wage, it has done a very inconsistent and

erratic job of governing. The following chart shows the erractic behavior of Congress in changing the rates of minimum wage. There was no consistent plan of raising the rates, no index, no cost of living, but rather an arbitrary raising of rates, many times related to politics. The Department of Labor provides the following:

Table 1

History of Minimum Wage Rates under the Fair Labor Standards Act 1938-1996

Effective Date	1938 Act (1)	1961(2) Amendments	1966 and(3) Subsequent Amendments	
			Non farm	Farm
Oct 24, 1938	$0.25			
Oct 24,1939	$0.30			
Oct 24, 1945	$0.40			
Jan 25, 1950	$0.75			
Mar 1, 1956	$1.00			
Sept 3,1961	$1.15	$1.00		
Sept 3, 1963	$1.25			
Sept 3, 1964		$1.15		
Sept 3, 1965		$1		
Feb 1, 1967	$1.40	$1.40	$1.00	$1.00
Feb 1, 1968	$1.60	$1.60	$1.15	$1.15
Feb 1, 1970			$1.45	
Feb 1,1971			$1.60	

(2) The 1961 Amendments extended coverage primarily to employees in large retail and service enterprises as well as to local transit, construction, and gasoline service station employees.

(3) The 1966 Amendments extended coverage to State and local governments of employees of hospitals, nursing homes, and schools, and to laundries, dry cleaners, and large hotels, motels, restaurants and farms. Subsequent amendments extended coverage to the remaining Federal State and local government employees who were not protected in 1966, to certain workers in retail and service trades previously exempted, and to certain domestic workers in private household employment.

4. Grandfather clause- employees who do not meet the tests for individual coverage, and whose employers were covered by FLSA on March 31, 1990, and fail to meet the increased dollar volume test (ADV) for enterprise coverage, must continue to receive at $3.35 an hour.

5. A subminimum wage-- $4.25 an hour is established for employees under 20 years of age during their first 90 consecutive days of employment with the employer.

Source: History of Federal Minimum Wage Rates under the Fair Labor Standard Act 1938-1996, Department of Labor : http//ww.dol/gov/esa/publi/minwage/coverage.htm. 1996.

Summary and Statement of Purpose

Hourly earnings for workers is a complex and subjective concern of workers, management and social reformers. From the time of the Industrial Revolution, a class of workers was created who worked at the very bottom of the economic ladder. Adam Smith followers believed that salaries and the cost of employing workers was a cost of doing business and not a social concern. The "Laissez-faire" philosophy demanded that

employers be free to pay their workers as they chose, rather than have government interference. As early as 1838, reformers took a conflicting view of this theory stating the need of society to provide a "living wage" to its workers so that the workers could provide for their families (Groner 289) .

During the good economic times, labor unions also supported the view of the employers who believed that business should have the freedom to pay its workers as it chose. The aftermath of World War I and the changing of social patterns in America saw the growth of the Progressive Party and their reforms, among the reform legislation for minimum wage, maximum hours and child labor laws. As the debate raged in Congress and the states, questions about the effects of unemployment, competition, the minimum wage becoming the maximum, and decreased productivity came to the forefront. How much of a wage was minimum and how many hours were maximum were also part of the discussion.

The original purpose of the Federal Fair Labor Standards Act (FLSA) as stated in its Congressional Findings and Declaration of Policy was to provide " a maintenance of the minimum standard of living for the health, efficiency, and the general well-being of workers" (2). The

following sections of this paper will review current literature to determine the impact of minimum wage legislation on the working class poor in the private sector.

The purpose of this study is to clarify who the low income workers are and if, in fact, these individuals on the lowest income scale have achieved such as minimum standard of living as prescribed by the law. How minimum wage workers compare to poverty levels will be addressed to see if the purpose of the law as stated in the court case of Culkin v. Glenn L. Martin of "stopping employment at substandard rates of pay by establishing a floor under wages" has been met (U.S. Annotated Code Title 29 Labor 201) .

Specifically, this study will focus on full time, minimum wage workers of all ages, the impact of minimum wage legislation, distribution of income, poverty levels, unemployment and the actual, real numbers of the individuals who fall within the category of working class poor. The author will evaluate studies from the literary review in an attempt to determine if, in her estimation, the current minimum wage legislation (FLSA) which was passed into law in 1938 is a valuable asset to the working poor, or a deterrent to maintaining a minimum standard of life.

Chapter II

LITERATURE REVIEW

> It seemed to Harold Wolfe of Philadelphia that 'a miracle happened to me and my family.' He reported working fewer hours, making a fine living, and enjoying better health. Roosevelt... made it possible, our dream come true. (Nelson 47)

In his article "Give us Roosevelt : Workers and the New Deal" , Bruce Nelson describes the feeling of a worker of the depression era as a result of Roosevelt's work and the passing of Federal Standards Labor Act. Another worker expressed his feelings in another way when he wrote:

> I'm almost as much a product of that mill down there as any rail or ingot they ever turned out. If I'm anything at all, I'm an American, only not the kind you read about in the history books or that they make speeches about on the Fourth of July, any way, not yet. (Nelson 45)

Franklin D. Roosevelt commented in his State of the Union message on

January 11, 1944:

> In our days these economic truths have become self-evident. We have accepted so to speak a second Bill of Rights under which a new basis of security of and prosperity can be established for all-regardless of station, rank or creed among these are the following:
>
> (1) The right to a useful and renumerative job in the industries of shops or farms or mines of the nation.
>
> (2) The right to earn enough to provide for an adequate living.
>
> (3) The right of every farmer to raise and sell farm products at a return which will provide a decent family living.
>
> (4).The right of every business, large or small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad.
>
> (5)The right of every family to a decent home.
>
> (6).The right to adequate medical care and the opportunity to achieve and enjoy good health.
>
> (7)The right to adequate protection from the economic fears of old age, sickness, accident and unemployment.
>
> (8).The right to a good education.
>
> (DSA HOME Page 2 "A Bill to establish a Living Wage. Feb 24, 1995.)

Since the passage of FLSA, the American public as a whole has supported the concept of minimum wage. The Gallup organization reported that "by early in 1938, two of three Americans favored the minimum wage and that it should be between 30 and 40 cents per hour."

(Gallup Poll Newsletter Archive Internet page 1). Due to the strong support of the public, Congress and the President also supported the minimum wage law, but at a lower wage than did the public. The concept of support for a low-income worker having a minimum wage was always strong. Starting in the late 1940's Gallop first reported public support for minimum wage increase to 65-70 cents (when the current rate was 40 cents) and support continued through 1963 when Gallup reported that three-quarters of the public was in favor of raising the minimum wage from $1.00 to $1.25. The public has always supported increases in raising the rates (2). Voting for increases has nearly always been along partisan lines and liberals support minimum wage less than do moderates or conservatives (2). In a 1995 telephone poll of 1,010 adults, Gallup gathered information regarding the stance of selected sub groups on the minimum wage (see Table Two). The chart clearly shows that Democrats overwhelming approved of a minimum wage increase, while Liberals and Conservative did not. Depending on who had the votes in Congress determined whether or not minimum wage was passed in that session.

Table 2

Minimum Wage, By Selected Subgroups

Gallup Poll by Selected Sub-groups	Favor	Oppose	No Opinion
Total	77.00%	21.00%	2.00%
Politics:			
Republican	63.00%	34.00%	3.00%
Democrat	89.00%	11.00%	
Independent	80.00%	18.00%	2.00%
Ideology			
Liberal 84	15.00%	1.00%	
Moderate 83	16.00%	1.00%	
Conservative	68.00%	30.00%	2.00%
1992 Vote:			
Bush	59.00%	37.00%	4.00%
Clinton	10.00%	1.00%	
Perot	74.00%	26.00%	0.00%

Source: Gallup Poll Newsletter Archive. webmaster@gallup.com Internet 2.

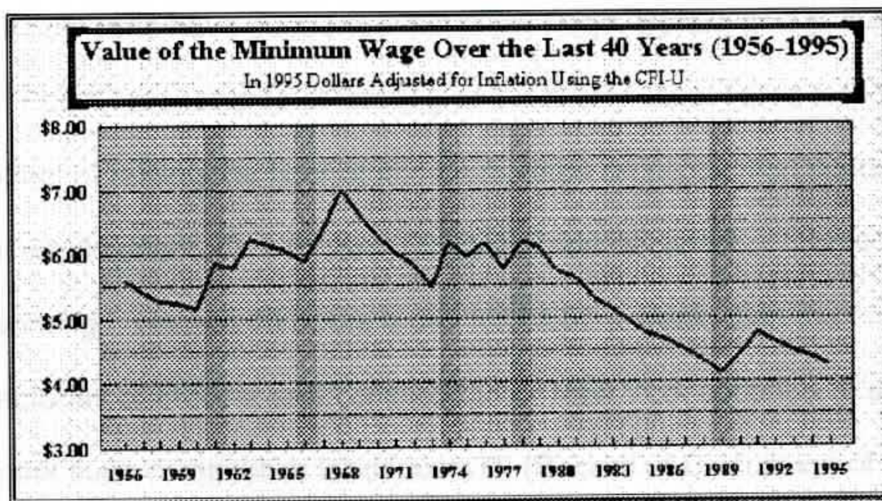
Minimum wage legislation has far reaching impact, beyond what the face-value of the law indicates. Although many studies have been performed on minimum wage, no one study covers all of the issues of the impact of minimum wage. This study will look at various types of ramifications and limitations of the minimum wage so that the entire picture may become

more clear to the reader. The author feels strongly that to attempt to study minimum wage without looking at all ramifications of the issue is short-sided and limiting. For ease of comparison: this paper will be subdivided into these headings for easier comparisons the Elasticity of the Labor Force; the Real Minimum Wage; Coverage vs Noncoverage; the Minimum Wage Worker, Employment, Disemployment, and Subminimum Wage; Poverty and Low-wage worker; Inflation and Costs; Distribution of Income and Government Transfers; and Teenagers Wage Earners.

The Real Minimum Wage:

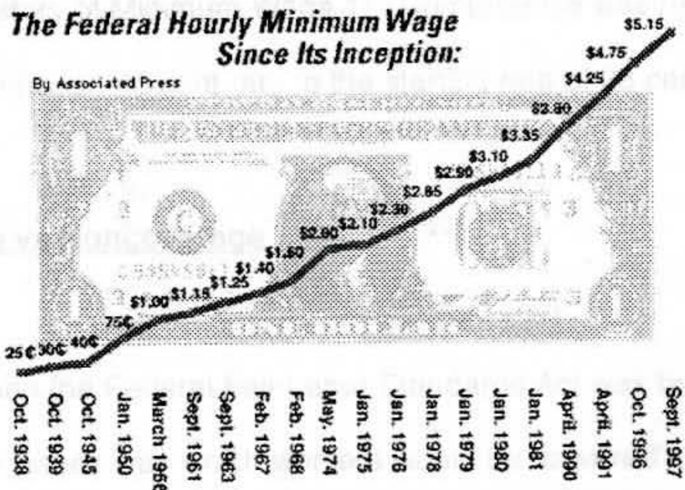
Federal Minimum Wage is not indexed to the Cost of Living or any other index. Congress and the President have elected to raise the minimum wage 16 times since its inception in 1938. At times, the minimum wage kept pace with the rate of inflation; at other times it did not. The following chart from the Bureau of Labor Statistics indicates the value of minimum wage increases as adjusted for inflation for the years 1956-1995.

Table 3



Source: Bureau of Labor Statistics, "Value of the minimum Wage Over the Last 40 years in 1995 Dollars." http://www.dol.gov/dol/esa/public/minwage/chart2.htm

Table 4



Source: "Minimum Wage through the Years"Bureau of Labor Statistics. http://www.cnn.com/us/9608/20/minimum.wage.sign/graph_minimumwage.gif

Historically,even though the public supported minimum wage, not all politicans have supported minimum wage. Before and at the passage of FLSA, proponents of farming and industry were worried about the effect of raising the floor of minimum wage on production costs and costs of employment. One Indiana Congressman declared... "canning factories working... women 10 hours a day for $4.50 a week. Can the canning factories of Indiana and Connecticut or New York continue to exist and meet such competitive labor costs?" (Record of Discussion of FLSA of 1938. (U.S. Department of Labor) 873). Southern orators even quoted scripture to support their cause when they asked, "What profiteth the laborer of the South if he gain the enactment of a wage and hour law- 40 cents per hour and 40 hours per week- if he then lose the opportunity to work" (History of Minimum Wage 1) . Compromise was reached from the original proposed 40 cent rate to the starting rate of 25 cents in 1938 (2) .

Coverage vs Noncoverage

When the Federal Fair Labor Standards Act was being adopted, one of the issues was which workers would be "covered"- that is which jobs would be subject to minimum wage and which jobs would not. In

1938, a number of industries and jobs were not covered by minimum wage rules. This would affect all later studies when the other issues of loss of jobs, poverty etc. were considered. The first question which had to be asked was the percent of coverage in the work place since subsequent law changes resulted in different statistical data.

One of the earliest studies which addressed this issue was one by Jacob Mincer of Columbia University in 1976. Using an empirical, mathematical, theoretical approach, Mincer sought to find if low-income workers move from one area of covered minimum wage jobs to uncovered jobs just to keep a job, thus causing the wages in the uncovered sectors to fall (S88). Introducing the concept of covered versus uncovered sections of the law, Mincer pointed out that many sectors of the American economy were not covered by the law at the time of the study (1954-1969). He used statistical data inferences to take into account the changing covered and uncovered sections. He noted the number of hours and the changes in both wages and hours in the newly covered sections. Mincer reported that "minimum wage creates unemployment which is not merely transitional" (S88). He noted "The level of this unemployment, the size of wage differential, and the direction of mobility depend on labor demand elasticities in the two sectors, the total labor supply elasticity, the minimum-wage coverage, and the

vacancy rate in the covered sector" (S89). He also introduced the concept of "teenage" work force rather than a certain age group, a term which would caused great discussion in further minimum wage planning (S89).

Mincer said:

> It is striking to observe that the labor force effects of minimum wages are predominately negative. According to the theoretical analysis, the labor force may increase or decrease, given a decrease in employment, depending on demand elasticities and turnover rates. Findings of negative labor force effects indicate that the demand elasticities are not so small as to cause an increase in the labor force and that low-wage workers who are not employed in the covered sector perceive the minimum wage hike as a deterioration of their wage prospects. (S104)

Minimum Wage and Maximum Hours Level Under the Federal Labor Standards Act illustrated in Table Five, is of particular interest. It indicated the coverage of the minimum wage law from 1938 to 1971.

Finally Mincer noted "the largest increase in the unemployment rate is observed for nonwhites males (20-24), followed by nonwhite teenagers, white males (20-24), and white teenagers" (S103). His conclusion was "Thus, outflows of labor from the covered sector take place when the elasticity of demand for labor in the covered sector exceeds the vacancy rate in that sector while inflows are generated by the opposite inequality" (S92).

Table Five

Minimum Wage and Maximum Hours Level Under the Federal Labor Standards Act

		Minimum Wage		Maximum Hours		
Effective Date	% Coverage	$Covered	Newly covered	Covered	Newly Covered	Enactment date
Oct 24, 1938	...	$0.25	...	44	....	June 1938
Oct 24, 1939	...	$0.30	...	42	....	....
Oct 24, 1940	...	...	...	40	...	..
Oct 24, 1945	...	$40.00	...	...	...	....
January 25,1950	50%	$0.75	...	....	...	Oct 1949
March 1, 1956	54%	$1.00	...	...	...	August 1955
Sept 3, 1961	61%	$1.15	$1.00	...	...	May 1961
Sept 3, 1963	...	$1.25	...	...	44	...
Sept 3, 1964	...	...	$1.15	...	42	....
Sept 3, 1965	...	...	$1.25	...	40	...
Feb. 1, 1967	79%	$1.40	$1.00	...	44	Sept. 1966
Feb1,1968	...	$1.60	$1.15	...	42	...
Feb.1, 1969	...	...	$1.30	...	40	...
Feb 1, 1970	...	...	$1.45	...	...	...
Feb1, 1971	...	...	1.6	...	...	...

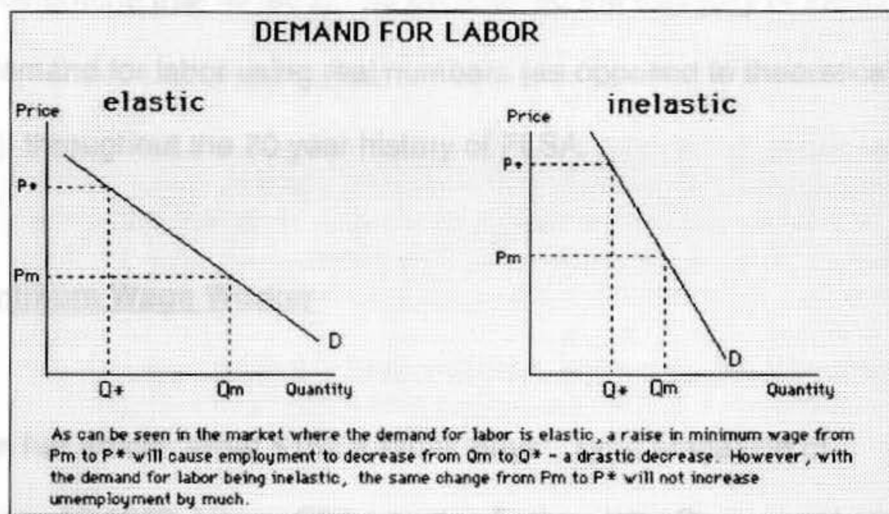
Source: Mincer, Jacob. "Unemployment Effects of Minimum Wages" Journal of Political Economy. S101. 1976.

Elasticity in the Labor Force:

Throughout many of the surveys included in this research, the term elasticity of the labor force appears frequently as a variable in the empirical models. Many of the researchers sought to show the relationship of elasticity to the labor force to minimum wage increases. Andrew Mude in his work described elasticity in this manner:

Table 6

Demand for Labor



Source:Mude,Andrew. "Minimum Wage.
http://www.gettsburg.edu/~352079/wage/html3, 1997

Elasticity refers to the amount of flexibility or resiliency from the norm there is in the supply of labor in the market place. Too much labor or too little labor available in the market place will lead to either unemployment

or labor shortages.The elasticity of the labor force indicates how much the labor force will be affected if there is an outside change such as minimum wage increases. As Mude indicates, the more inelastic (or unchanged) the labor force is by an outside change, the less the impact of minimum wage. He reports: " If the demand and supply of labor are relatively inelastic, then the quantity of jobs is not highly dependant on wages" (3) . Most of the studies mentioned will either use a series of variable numbers of elasticity or presume no elasticity in their studies. The author has been able to determine that no study has established the elasticity or inelasticity of the demand for labor using real numbers (as opposed to theoretical models) throughout the 70 year history of FLSA.

The Minimum Wage Worker

In her article "What $152 a Week Buys", Time Magazine of September 16,1990, Nancy Gibbs quotes Father John Seymour of our Lady of Victory Church in Compton California, and the life style of the minimum wage workers in his parish.

> You lead a simple life... Your main recreation is television. You eat a lot of rice, pasta, potatoes and beans, maybe some green vegetable. You take the bus, or you kind of

carpool it, riding with someone and helping with the gas. If you're pregnant, you don't begin prenatal care until your seventh, eighth or ninth month, because even at a public clinic its $25 a visit. (65)

To determine who the minimum wage worker is, the United States Government determined that the method of recording these numbers should be with the Current Population Survey (CPS). The survey which is revised each quarter of each year prints a table which lists hourly individual workers. This is further broken down into categories of sex and age; family relationship and full-and part-time status. Earl Mellor in his article "Workers at the Minimum Wage or Less: Who They are and the Jobs They Hold" in Monthly Labor Review reported that workers who were paid by the hour represented three-fifths of 96.9 million wage and salary workers and that their median hourly earnings were $6.32 (34) .

Mellor pointed out that even though the chart indicates that some workers may receive below the l986 minimum level of $3.35, this does not necessarily indicate that there is widespread violations of FLSA. Many of the low-volume retail, service, and seasonal amusement parks are not covered by the 1986 FLSA law, so workers were not paid minimum wage. Tips in the restaurant business were also not counted in the wage computations so the actual dollar figure could be higher (34) .

The conclusions reached by Mellor were that of the five point one

million workers with wages at minimum wage or below, most were young, or women (38). He also concluded that the majority of workers were part-time and that the actual hourly wages may have been understated due to the lack of consideration of tips (38). The breakdown by occupation in the private sector in 1986 was 48 percent in private households, 22 percent in retail, 19 percent in entertainment and recreation and 19 percent in agriculture (37). However, in industries such as mining or manufacturing, less than two percent of the workers were minimum wage (37). Mellor also notes the education of minimum wage workers:

> Not surprisingly, the highest proportion of workers with hourly earnings at or below \$3.35 was found among those workers with the fewest years of schooling completed. For example 10 percent of workers age 25 and over with only 8 or fewer years of education earned \$3.35 or less, as did 5 percent of those finishing high school but not college; however, only 2 percent of those worker finishing at least 5 years of college earned the minimum wage or below. Altogether, workers who had not completed high school accounted for almost two-fifths of those workers 25 years and over whose hourly wage was \$3.35 or less. (35)

In addition to these workers, another 600,000 workers earned between \$3.35 and \$4.35 (37). This number is significant because these are workers who will be affected by minimum wage increases as later noted by Card in his studies. Between the two groups, those workers currently at minimum wage and those workers of the slightly higher group

between the new and old minimum wage, the number of workers comprised in1986 a total of nine point six million people (37).

In the article "Estimating the Number of Minimum Wage Workers" published in the Monthly Labor Review, Steven E.Haugen and Earl F. Mellor reported many of the same themes of the previous work by Mellor, with only the numbers changing. By 1990 Mellor reported: "the typical minimum wage workers is young, female, and works part time" (70). The teenage population at minimum wage was now at 36 percent, and 22 percent were ages 20-24 (70). Haugen and Mellor also noted that the number quoted by the Bureau of Labor Statistics from the CPS were somewhat inaccurate because they did not include salaried and other workers not paid by the hour (70). The numbers also did not indicate accurately the impact of tipped workers, as well as business not covered by the law at the time (70). In this study, Haugen and Mellor found that many of the workers who reported minimum wage or below had additional compensation in other forms which changed their hourly rate. The researchers reported:

> In 1988, about two-fifths of the 3.9 million hourly paid workers who reported $3.35 or less appeared to have had supplemental compensation which raised their usual hourly earnings above $3.35... however, when the usual hourly earnings of nonhourly paid workers are computed, some 1.5

> million additional workers appeared to have had earnings that were \$3.35 or less... the proportion of workers with low wages was less than the usually published estimate, which is based on the wages of person paid on an hourly basis... the sensitivity of the estimates to the rounding of both weekly hours and weekly earnings on the part of the respondents severely limits their usefulness as a reliable measure of either the true hourly earnings or workers or of the actual number of workers with earnings at or below any particular level. (73)

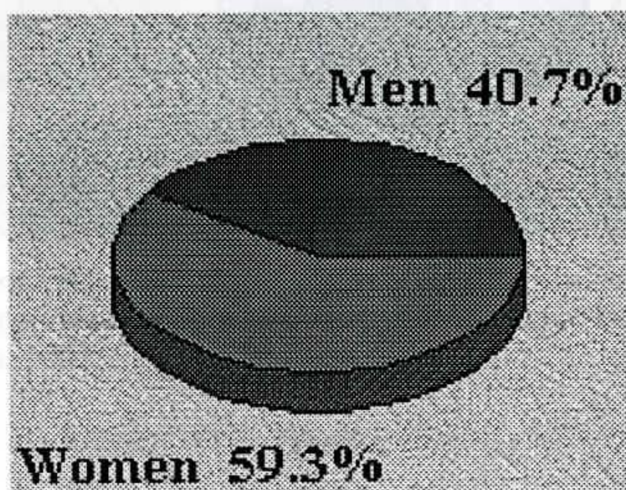
Congress approved a pay increase of minimum wage effective October 1, 1996. The Bureau of Labor statistics printed an article called "The Bottom Line" on the Internet which shows the following data for 1996:

- A grant total of 9.7 million American workers who currently earn \$4.25-\$5.14 an hour (14% of all hourly-paid workers) will receive a pay raise to \$5.15 an hour on or before September 1, 1997.
- A recent analysis by the Economic Policy Institute and preliminary work by the Department of Health and Humans Services suggest that 300,000 people will be lifted out of poverty as a result of the new law, once the minimum wage rise to \$5.15 on September 1, 1997.
- 5.75 million women currently are paid wages of \$4.25-5.14 per hour (17 percent of all hourly-paid female workers), compared with 3.94 million mean (11 percent of hourly paid workers).
- 3 million of these women are 25 years of age or older (52 percent of the women in this wage range). (2)

Graphically illustrated, the Bureau of Labor printed the following graphs.

Table 7

Wage Earners by Sex from $4.25 to $5.14

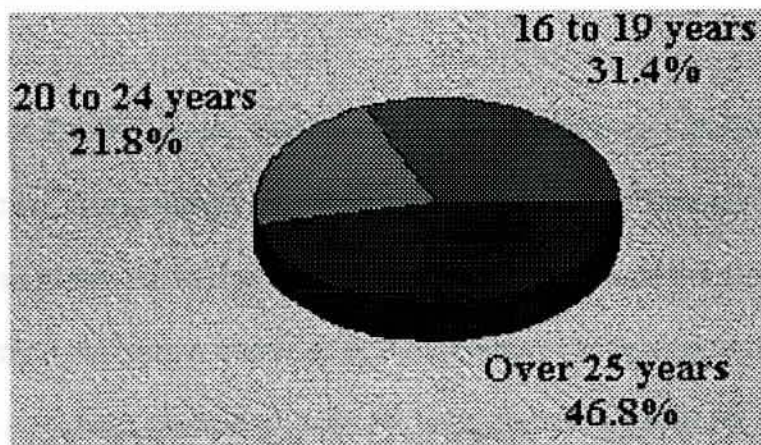


Source: Bureau of Labor.
http://www.dol.gov/esa/public/minwage/bott
om.htm. 1997.

As indicated by the information in Table 8 , most of the workers are women. The next table indicates the breakdown by age.

Table 8

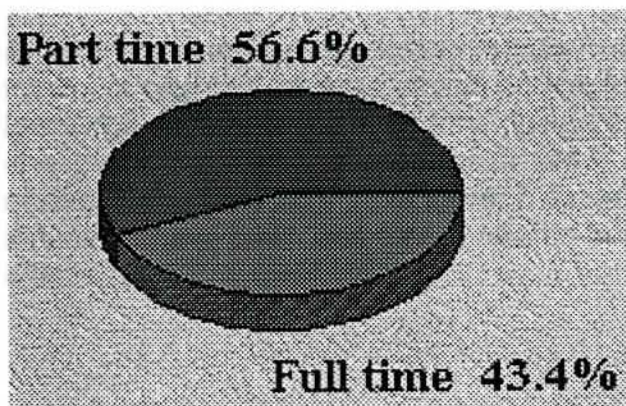
Wage Earners by Age from $4.25 to $5.14



Source:
http://www.dol/gov/dol/esa/public/minwage/bottom/htm, 1997.

Table 9

Wage Earners by Employment from $4.25 to $5.14



Source:
http://www.dol.gov/dol/esa/public/minwage/bottom/htm. 1997

Employment , Disemployment and Subminimum Wage

One of the first major studies of minimum wage was done by Charles Brown, Curtis Gilroy and Andrew Kohen called "Employment Effects of the Minimum Wage in the Low-wage Sectors of the Economy." Brown, Gilroy (who was a member of the Minimum Wage commission) and Kohen reviewed several phases of background material on minimum wage and its effect on low-wage sectors. Specifically they reviewed the industrial sector, the manufacturing sector, agricultural sector and the geographical area data. This study, which was a literary review rather than an empirical model, had inconsistent resulting findings. For example, while the authors believed:

> At least some of the historical increases in the federal minimum age had adverse effects on employment in the low-wage sectors of the economy....by contrast, employment changes in the newly covered (as of 1961) low-wage sectors of retail trade (and segments thereof) as well as service industries have been less clearly related to minimum wage effects" (209) .

The researchers indicated that many of the previous studies that they

reviewed used "statistical methodology that is not highly developed" (209) . The economists Brown, Gilroy and Kohen were not impressed with the results of these studies and indicated "almost none of the studies adequately control for the confounding elements which may mask the true effect of the minimum wage" (210). The elasticity in the work place was pointed out by Brown as a major issue because the employer who is faced with rising rates of pay must determine what rate of pay he will use, how many workers he will use to do the job, and how many workers are available in the work force (211). Movement from the covered sections where minimum wage is required to uncovered sections was also a factor. This did not show in the overall employment statistics unless looking at statistics in specific sections such as agriculture, etc. (211). Brown goes on to say "If, for example, employment would have grown 5 percent, the effect of the increased minimum wage could be to restrict this growth to 3 percent " (214). His point was that the elasticity of the market helped cover the impact of the loss of jobs in the minimum wage increase.

The study also analyzed the three studies at the time of unemployment due to minimum wage increases in agriculture. Gardner, Lianos and Trapani and Moroney all studied the effects but from different directions- Gardner from a time-series effect; Lianos from a geographical

effect of twelve southern states and Trapani and Moroney studying both a time frame of six years and 14 cotton producing states (213). Brown and his group were cautious of the results of these studies since as they noted the "heterogeneity of the farm labor force", meaning the great diversity in the types of workers involved tended to skew the numbers (213).

Brown also pointed out the importance of "the degree of enforcement as well as knowledge of legal requirements, among both farmers and farm workers" (213). While Brown et. al. did not dismiss the conclusion that agricultural workers may have an increase in unemployment due to minimum wage increases, they questioned the length of time and the methodology used, thus questioning the overall validity of the study (214).

Brown et al. also reviewed retail and service industry studies. Here, as in the case of agriculture, the Brown group discovered many inconsistencies in methodology of study. According to the researchers, no clear evidence was presented in a correct statistical method to prove that there was any decrease in employment in either retail or service industries as a result of minimum wage increases (215). The issue of covered versus uncovered also appeared in this review section and was a significant issue for the Brown group.

Manufacturing was reviewed in comparison with the previous work of agricultural, retail and service. Brown reviewed the work of Zucker and Mixon. Zucker established a "quarterly-used time-series date to analyze the impact of minimum wage changes in seven low-wage, non-durable manufacturing industries (216). According to Brown et al, the results presented by Zacker indicated that there had been a definite correlation between a theoretical model and actual employment and that "this disemployment impact was found to prevail for both number of workers and number of hours worked" (216).

In the conclusion, Brown et. al. made the statement: "that at least some of the historical increases in the Federal Minimum wage rate had adverse effects in low-wage sectors of the U.S. economy" (209). They concluded that an overall opinion of the studies indicated that: "a 10% rise in the minimum wage would result in a reduction of teenage employment of 1-3%" and that this also meant unemployment would result in teens leaving the labor force entirely (219). They continue: "While little evidence has been advanced to demonstrate adverse employment effects of the minimum wage in low-wage areas of the nation, this no-impact conclusion cannot be accepted without reservation" (219). Concern for the quality of data and empirical models, and the lack of sufficient

variables such as the different type of workers and the number of hours worked, Brown concluded: "There is a notable lack of uniformity in the methods and conclusions of the empirical research on the employment impact of the minimum wage in low-wage sectors of the economy" (219).

Peter Linnenman conducted a different type of empirical study in "The Economic Impacts of Minimum Wage Laws: A New Look at an Old Question." which was published in the Journal of Political Economy in 1982. Linnenman took a different point in his empirical study which introduced the concept of identification of the subminimum wage population. He described the subminimum population as "the population for which the unconstricted wage is less than the legally established minimum wage" (443). The study centered on a group of individuals who were at the low end of the earnings scale in 1973, and in an attempt to determine if the wage rate were allowed to float vs being changed by the 1974 FLSA amendment, who that population would be and what would be the impact on their earnings. Linnenman found the following "the subminimum population is disproportionately composed of blacks, females, restricted individuals, residents of small cities, those with low education, the old and non-union members" (468). His study considered education, sex, adult population only and experience level, as well as

> experience an increase in production cost and a reduction in profits. In the longer term less unskilled labor will be hired, as it will tend to be replaced by skilled labor and capital, with consequent changes in the price of these inputs. However, such replacements cannot reduce costs to their former level, and so prices of final products will be increased. (6)

Johnson charged that the cost of the minimum wage, particularly if there was a loss in employment is always at the cost of someone else, and it "creates no new income" for the country since "there is less output" (6) . He concluded by citing a study done by Johnson and Browning and repeats the findings without question or further verification. He said in his conclusion: "This article has described the economic analysis of the minimum wage, pointing out that a legal minimum wage above the market clearing wage will reduce employment, especially teenagers and other unskilled workers...(6) . Johnson himself does not prove this point.

"Do Minimum Wages Reduce Employment? A Case Study of California 1987-89" by David Card radically changed the thinking of economists regarding minimum wage and disemployment, particularly regarding teenagers. Published in 1992, Card based his study on the State of California and its state-mandated minimum wage rates, compared to a comparison group of the states of Arizona, Florida, Georgia, New Mexico and the metro area of Dallas-Fort Worth, since the

neighboring states such as Washington and Oregon had also raised their state minimum wages (41) . He used data from the Current Population Survey to gauge the impact of minimum wage on the population of California. One of the first items he found in researching the numbers was that one point three percent of covered workers by California law were not making the current rate of $3.35, clearly a violation of law - or noncomplying employers (40) . Part of this group were also salaried employees who apparently did not report the total number of hours worked. Card selected a larger group, ten point eight percent of workers who were earning exactly $3.35 an hour, or between $3.35 and $4.24 per hour (40) . He referred to these individuals as "affected workers" because it was these workers whose wages would go up when the law took effect on July 1, 1988. Card's statistics showed that "some 44 percent of affected workers lived in families with annual incomes of less than $15,000 (41) . He also said "Any distributional consequences of rise in the California minimum wage are necessarily modest, although perhaps more favorable than suggested by earlier studies" (41) .

Card felt the most significant numbers were that California unemployment figures dropped from five point eight percent to five point one percent from 1987-1989 while the national rate dropped from six

point two percent to five point three percent (43) . He goes on to say

> For California teenagers, however, the pattern is quite different. Between 1987 and 1989 teenage unemployment rates in California fell 3 percentage points (from 16.9 to 13.9) while the average U.S. rate fell only 1.9 percentage points (from 16.9 to 15.0%). An even stronger relative trend is indicated by the teenage employment population ratio which increased 4.1% in California (from 43% to 47.1%) compared to a 2 percentage point increase nationwide (from 45.4% to 47.5%). Since teenagers are the group most directly affected by an increase in the minimum wage, these responses are clearly unexpected (43) .

Significantly, with respect to the comparison group, the "usual earnings per week " in California increased from $125.6 to 149.8 where the comparison group went from $121.3 to $132.1; employment rate was higher in California and the unemployment rate was lower (43) . Enrollment in school dropped in California by two percentage points whereas it rose in the comparison states one point three percentage points (43) . He also documented a key fact: "Although these results rule out any widespread substitution of younger for older teenagers, it should be noted that the youth subminimum wage is apparently only rarely used" (49).

Retail trade which was covered under the new California law was also analyzed by Card. Statistics from 1987-1989 showed "there were no corresponding changes in weekly hours or in the age or gender of retail

employment... contrary to expectations, none of these comparisons suggest a substitution away from less-skilled workers " (51) . Eating and drinking establishments also followed the same patterns both in hiring and employment practices as well as in prices charged to the consumer (51) . Card notes that "Neither the BLS or the ACCRA data show a pattern of statewide increases in California restaurant prices between 1987 and 1989" (52) . Card sums up his research in this way:

> I find no empirical support for the conventional prediction that economist prediction make regarding the employment effect of minimum wages. Although the rise in the minimum wage in California raised the earnings of low-wage workers, it does not seem to have significantly reduced employment, even in the retail trade industry. For teenagers the changes following the rise in the minimum wage are particularly striking: hourly and weekly earnings rose by 10% while employment population ratio by 4%. The observed employment changes contrast with predictions based on aggregate time series studies which imply a 3-8% reduction in teenage employment following a 27% increase in the minimum wage. (53)

A completely different suggestion was made in the study done by Harry J. Holzer, Lawrence F. Katz and Alan B. Krueger entitled "Job Queues and Wages", published in <u>The Quarterly Journal of Economics,</u> August 1991. The researchers in this empirical study sought to determine that "minimum wage jobs attract more applicants than jobs that pay either

slightly more or slightly less than the minimum wage " (739) . This theory was in opposition to that of Jacob Mincer who believed that job transfers to the noncovered sections would occur when employers were forced to implement the minimum wage or its increases. The researchers used a unique set of data called the Employment Opportunity Pilot Project Survey. They looked at "the 1982 follow-up wave since it contains specific information on the demographic characteristics and starting salary of selected job applicants" (747) . Twenty-eight sites were selected and a survey created to ask employers specific questions related to hiring, firm size, starting position, and new workers demographic characteristics (748) . The survey also contained information about the company such as firm and establishment size, unions, geographic location, etc. Restaurants which employed tipped employees were eliminated from the survey and only applicants between the ages of 16 and 65 were included (748).

As demonstrated in their empirical model, the results indicated that firms which pay exactly the minimum wage are statistically more likely to have more applicants than either firms who paid less than the minimum wage (such as noncomplying firms) or those that paid slightly more than the minimum wage (749). The demographic make-up of the workers

actually hired show the workers to be less educated, younger, less experienced and female than those hired for jobs which pay more than minimum wage, thus making it clear that a worker would not likely go to higher paying jobs since the skill levels were different (751). The researchers also noted: "Overall, these results suggest that employers do not fully offset rents from the minimum wage by reducing fringe benefits or eroding working conditions" (754) . These results are in direct contradiction to Mincer and others who believed the wages and benefits would erode as minimum wage effected employers. Holzer et al. also noted that the establishment size effected the number of applicants- they were unsure whether it was the reputation of the company, benefits of the company or its visablilty (763) . This study also confirmed data presented as to the type of worker at the minimum wage level as determined by other researchers.

David Card published "Using Regional Variation in Wages to Measure The Effects of the Federal Minimum Wage" in Industrial and Labor Relations Review in 1992. This study looked at the regionalization of the minimum wage as well as looking at the school enrollment figures and teen employment rate. Based on the 1990 increase, Card sought to determine how teenagers were really effected by the minimum wage and

was somewhat similar in its findings to the study printed by Card in 1988. Card first created a model to determine who teenage minimum wage workers were, using the Current Population Survey of 1989 and 1990. He used the numbers and groupings provided by the outgoing rotation groups in which employees are asked information on earnings and hours on main job (23) . He looked at the time period of April-December of 1989 and April-December 1990. The model used the characteristics of teens into 17 variables including female, nonwhite, enrolled in school, hours/week, including tips and commissions, and industry distribution (24). He noted that the numbers must be carefully analyzed "since school attendance rates vary over the year. During 1989 the average fraction of teenagers enrolled in school varied from 77% in April to 14% in July and August " (24) .

Card pointed out that there had been a decline in employment of teenagers from 1989 to 1990. He attributed this to the 1990 recession which began in midyear (26) . He explained this phenomena with an historical chart based on a regression model with the equation Teen employment =Constant-.86=Trend + 2.17=Overall Employment rate (26) . He stated: "Although it may be tempting to attribute this discrepancy to the effect of the increased minimum wage, it should be noted that the real

minimum wage was relatively high in 1976, 1979, and 1981, and then trended down throughout the late 1980's with little apparent effect on employment" (27) . Card then turned his attention to regional impacts by dividing the states into three groups: low-wage states which had 40 percent or more of teens earning $3.35-$3.79 per hour in 1989; high-wage states included states with less than 20 percent of teens earning $3.35-$3.79 per hour and the medium-wage states all other states (30). He compared the same groups with quarters in 1990 to 1989 to determine the rise or fall of employment. The result of his regression model was -2.5 percent for low-wage states, -2.7 percent for medium wage states, and -2.6 percent for high wage states (31) . He said: "Accounting for aggregate factors, however, there is no indication of an adverse employment effect in low-wage states, where the increase in the federal minimum wage raised teenage wages by 6%" (31) . Card concluded his study by saying that this study reinforced his previous study and that of Katz and Krueger; in that minimum wage increases did not in fact, lower teenage employment but instead raised teenage earnings and employment (36) .

David Neumark and William Wascher in the study "Employment Effects of Minimum Wage and Subminimum Wages: Panel Data on State Minimum Wage Laws", 1992 studied the effects on state minimum wage

laws and subminimum wage laws (for students and apprentices). Based on the conclusion by Brown in 1981 that using Federal data amounted to an "average" rather than specific data, Neumark and Wascher gathered panel data on all the states which had above-Federal minimum wage laws in the time period of 1973-1989. Based on the states which had these laws, Neumark obtained data for each May for "state Labor market conditions" (57).

Because not all the states were equal in covered versus uncovered areas of the law, when the issue was unclear, Federal coverage was used. For example, the authors state: "In Minnesota in recent years, the state minimum wage level for workers covered by the federal laws (FLSA) differed from the level for those covered by state law; in this case, we used the state minimum for workers covered by the FLSA" (58) . The reason for using data from the states was threefold: to be able to exploit "the greater independent variation in relative minimum wage at the state level, avoiding measurement error caused by using a uniform federal minimum wage" ; to use state data allowed state-specific data to be used, particularly in the years when there was not federal change in the late 1980's ; and the possibility of being able to use state-specific data related to Subminimum wage groups of students and apprentices (57) .

Because the study was state specific, two more issues became apparent to the researchers- did the adjoining state's minimum wage affect the workers who would go to where the higher wage was located, and when the state's wage was low, did it cause high school students to stay in school and not become employed? (62).

The minimum wage which was used in the study was a ratio of minimum wage in that state in May for the covered section divided by the average hourly rate during the same month. This provided a variable used in the study (63) .The results of this table indicated using the state and year effects that" the minimum wage effect is slightly positive for teenagers and is negative for young adults. By using the school enrollment rate (which the authors endorsed) the numbers change to be much more negative for teens with a "larger disemployment rate for teenagers" (62) .

Neumark and Wascher also studied the rates of Subminimum wage (sometimes called a training wage) and found that by using a training wage, the disemployment rate for both teens and young adult is reduced (77). One of the most notable differences between Neumark and Wascher and Card was the emphasis of Neumark and Waascher on a lagged time frame for study. Neumark and Wascher believed that the time

frame used by Card resulted in "substantial upward bias in the estimated effects of minimum wage on employment, leading to elasticities that are too close to zero and frequently positive " (78). Finally, the researchers concluded by saying:

> Our results indicate that youth subminimums, but not student subminimums, moderate the disemployment effects of minimum wages on teenagers. ...But research on subminimum wages is in its infancy, and a more definitive answer awaits further research (80).

"Impact of the Minimum Wage on the Fast-Food Industry" by Karence F. Katz and Alan B. Krueger in Industrial and Labor Relations Review was printed in October 1992. This study which was a longitudinal study using surveys, confirmed the findings of David Card. The authors chose Texas fast-foods as their source of information and distributed surveys to all Burger King, Wendy's and Kentucky Fried Chicken outlets in the state. In the initial survey in December of 1990 Katz and Krueger received a response rate of 57 percent. In a follow-up survey, every restaurant in Texas listed in the 1990 phone books was solicited for a total of 330 restaurants, of these 110 were restaurants which answered the first survey (8). The authors sought to determine if the subminimum wage was being used, how a manager determined to use the subminimum, how

did minimum wage affect current workers, employment levels and price to the consumer of food items (6) . Texas was selected because of its size and the fact it was not a state-sponsored minimum wage state (7).

The results of the surveys indicated that only a small percentage of the restaurants took advantage of the subminimum wage because of a "fairness" issue, the difficulty administering it and competitiveness in the market place for workers (7) . In the first survey in December of 1990 only 1.8 percent of fast-food restaurants used subminimum; in the second survey only 4.8 percent used the submininimum (7) . The researchers also found that 34.1 percent of managers were unaware of the training wage (9). As to wage increases for workers already employed, the surveys indicated a wage hierarchy was maintained in 41 percent of restaurants and they reported, " Not surprisingly, there is less of a spillover effect of the minimum wage increase further up the wage hierarchy" (14) .

As far as employment was concerned, the minimum wage seemed to have had little effect on employment with the possible exception that more part time workers became full time employees (17) . Katz and Krueger's study reinforced both the findings of David Card (1991) and Lester (1964) that "The statistics... do not lend much support to the notion

that a forced increase in the minimum wage will soon lead to a reduction in a firm's employment in proportion to the relative size of the age increase" (24). Katz reported "We find little difference in responses between those directly constrained by minimum wage increase and those already paying starting wages above the new minimum wage prior to April 1990" (18) .

In surveying the change of cost of food to consumers, the researchers asked about the cost of a medium soda, small order of french fries and main course (19) . The results of the study indicate that there was little correlation between mandated increase in minimum wage and price increase to the consumer. Katz said: "The results indicate that the price of a full meal tended to decline in restaurants with large mandated wage increases relative to restaurants not much effected by the minimum wage change" (20) . They also said: "Under certain conditions, monosphony models predict that a small increase in the minimum wage leads to an increase in employment, whereas a large increase in the minimum wage leads to a decrease in employment" (20) .

In the same issue of Industrial and Labor Relations Review, David Card, Larence Katz and Alan Krueger took issue with the Neumark and Wascher study in the work " Comment on David Neumark and William

Wascher, Employment Effects of Minimum and Subminimum Wages: Panel Data on State Minimum Wage Laws." At issue in the study was the analysis of Neumark and Wascher's data. Card et al. pointed out that Neumark and Wascher used the May Current Population Survey and included the school enrollment figures in their variables (488) . According to Card, when included in the variables, the school enrollment numbers lead the employment figures to a negative conclusion (488) . When excluded, the figures are statistically insignificant and have "a positive contemporaneous effect on teen age employment" (488) . Card et al. obtained the actual numbers from Neumark and Wascher and sought to replicate their findings. Neumark informed the researchers that the variable "proportion of age group in school" is actually any teenager who is enrolled in school, and excluded any teenager who is working, even part-time (488) . The variable was obtained from the Employment Status Record, a part of the Current Population Survey which records employment and unemployment figures (488) . Card said: " According to the ESR variable, anyone who worked even one hour in the survey week is coded as employed, regardless of that person's school enrollment status" (488) .

After replicating Neumark and Wascher's data, Card et al. also determined an additional problem with the data in a conventional model

which predicted a rise in the minimum will reduce employment because of a higher minimum raises wages (490) . This model was discounted by Card, Katz and Krueger since it involved using adult wages as variables. The conclusion Card et all determined was: "Contrary to Neumark and Wascher's conclusion, these results show that a higher minimum wage is associated with higher teenage employment" (490) .

Finally, Card, Katz and Krueger conclude their study by saying:

> In summary, a corrected analysis of Neumark and Wascher's data shows that state-specific minimum wage increases during the 1970s and 1980s had no systematic effect on teenage employment. Taken together with the evidence in our studies in the Minimum Wage Research Symposium, and with the evidence in Card and Kreuger (1993), the interstate patterns of teenage employment rates in Neurmarks and Wascher's data challenge the conventional view that higher minimum wages lead to measurable reductions in teenage employment. (496)

David Neumark printed a new paper for the Employment Policies Institute in 1993 entitled " Employment Effects of Minimum and Subminimim Wages." The work was primarily a review of the work of Katz and Krueger and Card, and in the words of Neumark:

> This paper reviews the evidence presented in Neumark and Washer that bears directly on the conflicting findings in this new research on minimum and explains how this research supports conclusions that are consistent with the textbook model of minimum wage effects; that minimum wages lead to reductions in employment of young workers; and that

subminimum wages moderate these reductions. (2)

Neumark again defended his own study published in 1992 by pointing out the importance of "time-series" data (2) . He pointed out the concerns with the data used by Card, Katz and Krueger, (which was time-series), was that " there have been relatively few changes in the federal minimum wage with which to conduct statistical 'experiments', and that other changes in the time "made it difficult to separate the independent effects of the minimum wage increase from the effects of other economic forces" (3) . He reiterates that the other studies only used the minimum wage change of 1990 to base their studies and that they do not use a lagged effect or long time frame for a good comparison (5). Neumark asserts in this paper that the accepted 1982 study of Brown et al is correct and that "based on the evidence, the best estimate of the range of effects is that a 10 percent increase in the minimum wage reduces employment of teenagers by 1-2 percent, with the effect generally closer to 2 percent " (8) . Neumark also addresses the issue of the subminimum wage. He noted that Katz and Krueger also researched this area but he concluded that the Katz and Krueger study was too narrow a study to properly address the issue and did not address the issue of "moderation of the disemployment effects of standard minimum wages " (6) . Neumark cites his study as showing that " youth subminimum wages did substantially moderate

the disemployment effects of minimum wages for teenagers"(7).

Women, Minorities, Demographics:

A series of various studies were produced in 1981-1982 regarding minimum wage which were commissioned by a presidential commission. Jere Behrman, Robin Sickles and Paul Taubman researched "The Impact of Wages on the Distributions of Earnings for Major Race-Sex Groups: A Dynamic Analysis". These researchers decided that though Lineman's theoretical model was probably valid, a more in-depth study needed to be done, using a longer term, greater supply base method. For their study they used the Social Security Administration records for the period 1951-76 (767). They said: "we restrict our attention to those born between 1911 and 1936 who generally would not have retired by 1976 and generally were working in 1951 in order to investigate dynamic effects over the life cycle" (767). Their study included roughly 90,000 persons of various race, sex and schooling levels (767). Concerns expressed by the researchers were about the long term vs short term consequences of FLSA on the various groups, changes in the coverages by the law itself, and a time lag-effect in results (768).

By establishing a variable table including all of the sex, age, and

schooling groups along with the short term and long term rates, plus the schooling level of the various groups, the researchers were able to verify some of the results of Linnenman and reject others. Based on their findings, Behrman, Sickles and Taubman determined eight implications:

- Widespread impact of minimum wage laws
- Impact of the first two dependant variables- mean earnings relative to deflated mean earnings
- Least impact on proportion below poverty level. The estimates suggest that an expansion in coverage reduces the proportion of males below the poverty level significantly, with the effect damped significantly for white males with more schooling. The [the results] also suggest that the proportion of white females below the poverty level is reduced significantly by an increase in the minimum wage, more so in this case for the more schooled
- More frequent significance of FLSA coverage than of minimum wage variable
- Wider significant impact on whites than on blacks but more favorable effects on low-schooled blacks
- About the same impact on males and females
- importance of interactions with schooling with negative implications for the less schooled
- Widespread and substantial differences between short-and long term responses. (768)

The conclusion that the researchers reached was

> dynamics are very important in understanding the impact of minimum wage law provisions on earnings distributions. In the majority of the cases, the long-run effects are at least twice the magnitude of the short-run effects.... time is required for important labor market adjustments and short-term employment and training impacts have longer-run persistent effects. (775)

On-the-job Training was an issue addressed by Masanori

Hasimoto in his study of "Minimum Wage Effects of Training on the Job, 1982. Hasimoto believed that a human capital theory of earnings exists in which the employer, when faced with mandated increase in minimum wage, will provide less minimum training to the lower end employees, because of the cost involved. He said: "By reducing their training opportunities, minimum wage may cause serious harm to young worker's future well-being" (SI-70). He conducted an empirical study of 400 young men, ages 14-24 from the 1966 National Longitudinal Study. He believed it to be a valid study since the wage of 1967 was also factored into the study. Hashimoto believed that training was a type of fringe benefit offered formally or informally to workers and that "these opportunities called on-the job training(training herein), provide young workers with basic skills, stimulate their motivation, nurture their sense of responsibility, and generally cultivate attitudes conducive to productivity in work " (SL-70).

The two ways that Hashimoto believed that the minimum wage would affect the growth of workers' earnings were as follows: "First, to the extent that the minimum wage leads to lost employment of some affected workers, it deprives these workers of access to training. Secondly, the minimum wage may affect the growth of earnings through a reduction in

training opportunities available to those who remain employed" (S1071). This empirical study used a variety of theoretical models based on full wage, current wage, number of workers and cost of training. His training curve showed a downward trend "signifying the firm's offer of a lower current wage the more training it offers" (S1073). He stated:

> Competition for the scarce jobs would enable employers to cut back on training and, as a result, the demand curves would shift upward and the supply curve would shift to the left... the prediction about minimum wage effects is straightforward. The minimum wage decreases both the rate of employment and the amount of training. (1075)

He also stated that: "according to my theory, after the minimum wage is raised, the proportion of time spent on learning decreases, and the proportionate spent on menial tasks increases" (1076). He does admit to some biases such as including full time workers with those who are students and part time and the effect of increased minimum wage legislation coverage (1079).

In calculating the loss in training, Hasimoto's studies indicated "minimum wages do indeed flatten the experience-earnings profile, a finding which is consistent with my hypothesis of adverse minimum wage effect on training" (1081). He said youth will try to recover their training

and if they are successful within a two year period, little is lost in wage-earning potential (1081) . His final summary said " the estimates confirm my hypothesis that minimum wages reduce on-the-job training. They also indicate the reduction in training associated with the Amendments to have been greater than an increase in current wages unless the lost training is completed recaptured costlessly in two years" (1082).

Women exclusively are the topic of a study done by Robert A. Nakosteen and Michael A. Zimmer called "Minimum Wages and Labor Market Prospects of Women." The authors sought to discover what type of woman could be employed in a minimum wage or subminimum wage job and they used an empirical study based on the Public Use Sample of the 1980 Census (302). The model used a sample of 2,537 from the 1980 Census and they were grouped by the following variables: years of schooling, number of children ever born, employment status, disability status, race, English language, and ratio of employed population to total population in state of residence (307). Results of the study indicated that age and schooling decrease the possibility of minimum and subminimum wage (313). Strong evidence was present that women who marry early are more likely to be minimum or subminimum wage than those who marry later or do not marry at all (313). They also found that women who

have had children are less likely to find employment and that non-English speaking women will be limited in employment (313). Younger women are more likely than older to be subminimum (as noted in Linneman) and disabled women will have greater difficultly getting job and are more likely to have subminimum wage jobs (314).

A concern about the growing number of single mother households and the increase in poverty, in relationship to a proposed minimum wage prompted the study by Linda R. Martin and Demetrios Giannaros entitled "Would a Higher Minimum Wage Help Poor Families Headed by Women?" . The study was published in Monthly Labor Review in 1990 as the minimum wage change was to take place in 1991. Martin and Giannaros were concerned with the feminization of poverty, a term given by economist to describe the single head of a household headed by a woman. The researchers said: "Because women are overrepresented in the low-wage labor market, a relationship between the minimum wage and poverty in households headed by women may exist " (33) . They believed that both the unemployment rate and the real minimum wage would determine whether or not a woman and her family would live in poverty (33) . The authors reviewed a series of studies which pointed to the value of minimum wage as opposed to government transfers (34) .

Martin and Giannaros stated: "Studies suggesting that transfer payments reduce work incentives and promote the formation of households headed by women assume that receipt of Aid to Families with Dependent Children (AFDC) payments reduces the dependency of women on male wage earners" (34) .

The researchers set up a model which used the rate of poverty, the rate of female unemployment, and economic growth (35). They also used the variable of government transfer payments and the time period of 1959-87, using a least squares technique (36) .

The results were as the researchers predicted. Martin and Giannaros noted: "A $ increase in the real minimum wage would decrease poverty by 4.5 percentage points" (36). They noted that the rate of unemployment was not an important factor (36) . They also noted: "The results do substantiate Sawhill's report that the effect of government transfers on the feminization of poverty has been small" (36).

Key points the researcher made were

- real minimum wage plays a major role in explaining the feminization of poverty
- changes in the real median income of women and real per capita income are statistically significant in determining changes in the poverty rate of households headed by women
- the rate of unemployment does not seem to directly affect the variation in the poverty rate
- government transfers to not seem to play an important role in explaining poverty rate variations for this household cohort. (36)

Inflation:

What impact does the increase of minimum wage have on employment and inflation? John F. Boschen and Herschel I. Grossman investigated this combination in a study completed in 1982 as part of the Minimum Wage Commission studies called: " The Federal Minimum Wage, Employment, and Inflation." Boschen and Grossman created a theoretical model of data using the Bureau of Labor Statistics data from 1947-1980. Using a series of models they studied average wage rate, total employment, and minimum wage employment in nine industries (30). They used five elements in this study. They are:

(1) Both the demands and supplies of labor services in the subset of constrained markets depend on the expected relative minimum wage in the near and distant future, as well as on the current

relative minimum wage and on past level of employment,

(2) The relevant expectations of both workers and employers about relative minimum wages are "Rational" which means that these agents behave as if their beliefs about future wages and policy actions are equal to the true mathematical expectations implied by the current and past levels of these variables and by the economy's stochastic structure,

(3) The federal minimum wage depresses employment in the subset of constrained markets, but, because the aggregate labor market clears the effect of minimum wage policy on average wages and aggregate employment depends on the effect that inability to obtain employment in the subset of constrained markets has on effective labor supply in unconstrained markets,

(4) The current and near future Federal minimum wage and coverage are currently predetermined but for the distant future, which in the empirical analysis means after next year, it is rational to expect the minimum wage to be adjusted in line with average wages and for coverage to increase,

(5) Current monetary policy is known, an assumption that contrasts sharply with the assumption of incomplete monetary information made in many macroeconomic models that incorporate rational expectations, and it is rational by an autoregression on current and past monetary policy. (20-21)

The study was based on nine different industries- Lumber and Wood Products, Furniture and Fixtures, Miscellaneous Manufacturing Industries, Food and Kindred Products, Tobacco Manufactures, Textile Mill Products, Apparel and Other Textile Products, Leather and Leather Products, and Retail Trade. Using the number of teenage employed data

and the time series, the authors set up a series of theoretical models to determine employment and inflation (30). They also used the measure of Ct and Ct=1 to indicate the ratios of covered workers to total employment of production and nonsupervising personnel in the following industries: Construction, Transportation and Public Utilities, Wholesale Trade, Retail Trade and Services (30).

The study concluded:

> (1) increase in the current or near-future Federal minimum wage appear to depress current employment in certain industries that probably have a high portion of minimum wage workers and among teenagers, the demographic group that has the highest incidence of minimum wage workers,
>
> (2) Neither the current nor the near-future minimum wage appear to affect either current aggregate employment or average wage rates,
>
> (3) Although monetary policy affects average wage rates, this relation does not seem to be equiproportionate. In line with this finding, monetary expansion appears to have a positive effect on aggregate employment. However, Federal minimum wage policy and, specifically, the role of monetary policy in determining the real value of the preset nominal minimum wage do not seem to account even in part for the relation between monetary policy and aggregate employment. Monetary nonneutraility apparently results from other, undermined factors,
>
> (4) The effects of proposed indexation of the Federal minimum wage on the average over time of employment of minimum wage workers would depend inversely on the chosen relation between the Federal minimum wage and recent-past average wage rates relative to the level and trend of the expected rate of average rate

inflation. (43)

Distribution of Income:

Another study which was included in the Minimum Wage Commission of 1982 was the study by William R. Johnson and Edward K. Browning, "Minimum Wages and the Distribution of Income." Johnson and Browning did an empirical study using mathematical models to determine if an increase in minimum wage would distribute income to low-income individuals and if so, at what rate. Several key items were noted in this study. Johnson and Browing were very aware that the study of minimum wage involved a number of factors. For example, they report:

> The simplest case is when all jobs and industries are covered by the mandated wage (the full-coverage model), competition exists in all markets, and low-wage workers are a homogeneous group, so that a single wage rate prevails in the absence of the minimum wage. (33)

This perfect model is not the case in the marketplace, so Browning and Johnson looked at the variables which had to be factored in such as "reduced employment results from a number of workers losing their jobs which the remaining workers continue to work the same number of hours

as previously" (33). They also noted that "low-wage labor is not homogeneous" (33). This meant that before the wage increase, different workers had different pay scales, and would have resulting differences in percent of increase, depending on their original salary (33). "Ripple Effect" is created when at or above level wage earners benefit from the increases when the minimum wage goes up (33). Another variable addressed by Browning and Johnson in their study was the impact of government entitlement such as tax transfers on wage distribution (34). Until the tax transfers and the increase in earnings is factored in, Browning believed no true reading could be given to wage distribution (34).

Distribution of earnings also meant that the ultimate cost of minimum wage increases (and tax transfers) is eventually born by the total population in either lower earnings for the entire population or higher prices to every worker, thus reducing the purchasing power of the general population (34). Browning and Johnson also pointed out that it is also possible to assume to a degree that business as a whole will bear some or all of the cost of the increase in minimum wage (34). These three factors were included in the empirical research done by Browning and Johnson as well as including the covered versus uncovered sections of

the economy.

Browning and Johnson used as their data the 1974 Current Population Survey regarding income and demographic studies as it was corrected in 1976 (35). They pointed out that in the statistics "such tabulations do not indicate the degree of inequality in living standards very accurately." (36)

Table 10

Aggregate Income, Taxes and Transfers, 1976 (Billions of Dollars)

Item	Amount
Before-tax, before transfer income	$1,374
Plus transfers	$200
Before-tax, after transfer income	$1,574
Less Taxes	$459
After-tax, after-transfer income	$1,116

Source: Browning and Johnson " Minimum Wages and the Distribution of Wages", 36.

Chart 11 indicates the American population as a whole showing that when taxes and transfers are completed, the disposable income for the American population was $1,115.7 billion dollars.

Table 11

Income, Taxes, and Transfers by Income Decile (dollars per household)

Docile	BTBT *	Transfer	ATAT	Tax	ATAT Income
1	$1,788	$1,959	$3,747	$464	$3,283
2	$4,228	$2,828	$7,056	$1,164	$5,892
3	$7,084	$2,890	$9,974	$1,959	$8,015
4	$9,932	$2,766	$12,698	$2,798	$9,900
5	$12,609	$2,711	$15,320	$3,619	$11,701
6	$13,393	$2,310	$17,913	$4,479	$13,434
7	$19,624	$2,412	$23,036	$3,854	$16,182
8	$23,634	$2,417	$26,051	$7,226	$18,825
9	$30,109	$2,730	$32,839	$9,724	$23,115
10	$614,433,252	$323,264,675	$6,467,524,177	$2,417,740,498	$40,498

Source:Browning and Johnson " Minimum Wages and the Distribution of Wages, 37.

Browning and Johnson concluded their study with the following findings:

- The additions to household income produced by increasing the minimum wage are spread quite evenly across the distribution of household income... the minimum wage compares unfavorably with government transfer programs.
- When considering both costs and benefits, increasing the minimum wage by 22 percent (and assuming no disemployment) has an equalizing effect on the distribution of household income, but the effect is extremely small... The even distribution of benefits across deciles, the small

contribution the earnings of low-wage workers make to total incomes, and the impact of marginal taxation interact to make the marginal wage a very weak distributive policy.

- Increasing the minimum wage distributes income within income classes. More than 80 percent of low-income households are harmed by the minimum wage, while more than ten percent actually gain.
- When disemployment effects are taken into account, the gains to lower-income classes are diminished and the losses to upper-income classes are greater. (31)

Distribution of Income is also a concern in the issue of minimum wage. Andrew Kohen and Curtis L. Gilroy addressed the issue of "The Minimum Wage, Income Distribution, and Poverty " in 1982, also part of the Minimum Wage Commission's Report. Kohen states: "There can be little doubt that the framers and amenders of the Act have intended its minimum wage provisions to serve a purpose in reducing poverty and/or redistributing the society's income" (1). This long, comprehensive study examined the literary background of the subject, then went to a Demographic profile using the Current Population Survey. The study analyzed family composition, poverty status, school enrollment, contribution to household income, sources of income and public income transfers (tax credits etc). By reviewing previous authors, Kohen and

Gilroy concluded: "Economic theory suggests that minimum wage laws tend to reduce the demand for workers whose wages are less than the legal minimum...Theory, however, fails to provide any unambiguous predictions on the distribution of income (or earnings)" (210). Kohen noted that in the five years preceding 1982, studies had only begun to address the issue of income distribution/poverty consequences because the Current Population Survey contained inadequate information (209).

What happens to the attitude and effort of the minimum wage earner when the minimum wage is increased? John S. Pettengill wrote "The Long Run Impact of a Minimum Wage on Employment and the Wage Structure in 1982", an essay written-in his words: "to explain to the intelligent layman" (63). This essay is limited in background material to forty pages of hypothetical numbers which are used to emphasize some of the author's key points. Pettengill pointed that long-range statistics should be studied, rather than statistics in the year of the minimum wage increase. He spends a great deal of time explaining "youth members" as he refers to them, should be excluded in minimum wage because of their lack of experience and training. He also pointed out that "workers come in a continuous spectrum of productive capacity (quality) from low productive

capacity to high productive capacity " (63). Pettengill also noted that he created a mathematical model which took into effect the "long-run rather than the short-run impact of a minimum wage" (64). He said:

> the second portion of this essay is dedicated to explaining how the secondary repercussions of the minimum wage will over the next 5 or 10 years erode at least some of these wage gains, and increase the toll of unemployment attributable to this minimum wage. It is the importance of these long-run effects which make a theoretical analysis of the minimum wage essential, because (as I shall show) existing empirical techniques for evaluating the impact of minimum wages on employment are effectively unable to distinguish these long-run effects from random noise or other shifts in the economy. (64)

Regarding the worker who is at the lowest end of the working scale, in terms of ability and skills, Pettengill related:

> Workers who would in the absence of the minimum wage have displayed a lower productivity now have a choice; increase their productivity to the new minimum level or leave the labor force. Those workers who find it too difficult to meet the new standard (in particular, those of limited ability who were already putting in as much effort as they could) will leave. Those workers who remain will earn a higher wage at the cost of more effort or less pleasant working conditions. (66)

Poverty:

Impact on the family and poverty levels under the minimum wage was the focus of the study by Ronald Mincy called " Raising the Minimum Wage, Effects on Family Poverty." Similar to income distribution studies, Mincy sought to discover the impact on families as a unit as a result of increase in minimum wage. He noted three barriers to decreasing poverty in families:

(1) the provisions of the minimum wage law
(2) the characteristics of low-wage workers, and
(3) the characteristics of poor families with low-wage workers (18)

Using the Current Population Survey of 1989 as data, he used information of wages, hours, employment and poverty status as input (18). As he assembled his empirical models, he used different assumptions to discover information about disemployment, coverage and compliance and level of minimum wage (18) . As cited in Kohen and Gilroy, Mincer noted one of the first issues of reducing poverty is that few low wage workers are in poor families. Many of low wage earners are in families where some one else in the family is not low wage. It is also true that few poor low-wage workers have full time and full-year jobs (19). Many of these workers work part time or work less than 30 weeks per

year as noted by the Bureau of Labor Statistics (19) .

Table 12

Selected Characteristics of low-wage working poor paid up to 4.24 per hour, 1987.

Worker Characteristics	Number of workers (thousands)	Percent
Total	1,922.00	100.00%
Age group and gender	1,135.00	
Adults:		
Female........	1,135.00	59.10%
Male........	430.00	22.40%
Teenagers (16-19 years)		
Female........	165.00	8.6.00%
Male........	193.00	10.00%
Employment Status:		
Full-time, full-year........	286.00	14.90%
Other........	1,672.00	85.10%
Number of low-wage family members		
One member........	1,672.00	87.00%
Two members of more........	250.00	13.00%
Percentages may not add to total because of rounding. Source: unpublished tabulations by the Urban Institute based on Current Population Survey, March 1987.		

Source: Mincy, Ronald, Monthly Labor Review 19, 1990.

Based on these selected statistics, it is clear that only 14.9 percent of all low-wage working poor were full time, full-year workers and that 87

percent had not other plow-wage worker in their family (19) . The immediate problem created by these statistics is that this does not indicate family size.

Mincer created an empirical model which used current wage rates, a median wage increase (to $3.80) and the legal wage rate ($4.25) to project the reduction in poverty using zero employment elasticities, published elasticities (meaning Brown, Kohen and Gilroy) and high employment elasticities (Brown, Kohen and Gilroy). He sought to established the reduction in "poverty gap" which is "the difference between family income and official poverty line, summed over all poor families" (21). According to his statistics, using the zero elasticities variable and full compliance with the law and a $4.25 rate there was a 12.3 percent poverty reduction, published employment elasticities was 11.1 percent, and using high elasticities was seven point one percent reduction (21). Mincer disregards disemployment because teenagers are the primary target of such disemployment and as a group, they make a "small contribution to family income" (21) . Mincer concludes his study by saying:

> Despite its inefficiency in reaching the poor, a higher minimum wage would significantly reduce poverty among

> working families. Further, the decline in poverty is sensitive to changes that policymakers can control-such as coverage and the new minimum wage. (24)

Ralph E. Smith and Bruce Vavrichek published a report in the Monthly Labor Review in June 1987 which was entitled " The Minimum Wage: Its Relation To Incomes and Poverty." The authors who were economists at the U.S. Congressional Budget Office prepared the report based on data from the March 1985 Current Population Survey. The first item of the survey was to examine the purchasing power of the 1987 Minimum Wage. After adjusting for inflation, the value of the 1987 wage was less than it had been was the mid-1950's (25). The authors said, " To have the same purchasing power it had at the start of 1981, the minimum wage would have had to have been about $4.22 per hour in January 1986 " (26) . They also noted that in percentage, the minimum wage had declined from 50 percent in 1950s and 60s to 39 percent in 1987 (27).

Smith and Vavrichek also examined the empirical data on the comparison of wages to poverty thresholds. They noted:

> During most of the 1960s and 1970s a person working full time, year round at the minimum wage would have received an income roughly equal to poverty threshold for a three-person family... fulltime, year-round earnings at the minimum wage have declined relative to poverty thresholds

> since then, however, because these thresholds are adjusted to account for changes in prices, while the minimum wage has not increased since 1981. (27)

The number of hours worked, the amount of other income in a family and household size were also issues addressed by Smith and Vavrichek in looking at family incomes in relationship to poverty levels (27) . They determined that the CPS does not provide sufficient information about the total number of hours worked by employed people in 1984 to yield good estimates of their hourly rate during that year" (27) . For that reason, the authors had to estimate the link between hourly wages and poverty which they did by comparing a monthly CPS sample compared to a yearly CPS. Their results indicated that in March 1985, approximately 10 percent of all workers were at or below minimum wage. Of the 5.2 million workers who were paid at or below minimum wages, Smith and Vavrichek approximated that 1 million were in families that were poor in 1984 (27) . The difference between being minimum wage worker and a poor worker was that in the majority of cases, at least one other family member held a job. They observed that minimum wage workers worked less hours and more infrequently that others (29) . Of the minimum wage population, only 12 percent had worked full time, full year in 1984 while 73 percent had worked part time or part year or both (29) . They estimated the

number of poor workers full time, year around was in 1984 only 120,000 workers (29) . If another family member had a job and contributed to family income, only seven point nine percent of those families were at poverty level, when the worker was the only worker in a family the rate of poverty was 44.5 percent (29). Teenagers accounted for one third of all jobs paying at or below minimum wage (29). They concluded that:

> the likelihood of being poor also depended heavily on the number of other members of the worker's family who were employed and the level of the family's poverty threshold... poverty rate was highest among workers in families with poverty thresholds of at least $10,500. (29)

Definition of the "working poor" has been a problem of the minimum wage since almost its beginning. Bradley Schiller examined this problem in his working paper called "Who are the Working Poor." Schiller said: "If millions of Americans are stuck in poverty despite extensive work effort, something is surely wrong with the way the labor market functions, and additional government intervention may well be needed" (61) . He continued by saying that it is possible that the assumption of who the working poor is may be incorrect and that there is no market failure and it is possible that poverty has other causes (62) . He looked at the U.S. Census Bureau statistics which categorize data on "(1) the size and

composition of households; (2) the total income of households in the previous year; and (3) the extent of work experience of household members" (62) . He noted that responding to 1 and 2 will determine "poor" and 3 determines "working poor." (62) Government transfers such as ADC and Medicaid were not computed by the government in these statistics making them inaccurate, according to Schiller (62) . Poverty is determined by the government as the number of individuals in a household based on income. Schiller noted the government statistics compare current family size to previous year's income, also destroying validity (63). Schiller noted that if a head of household were to work full time, year-round, wages should be sufficient to keep the family from poverty (66) .

Table 13

Work Experience of Poor Adults

Work Experience of Poor Adults

Reason for Not Working	Worked None	Worked Some
A. All Adults		
Ill or disabled	18%	13%
Retired	3%	1%
Home and family reasons	44%	35%
School or other	23%	39%
Could not find work	13%	12%
B. Housholders in families with Children		
Ill or disabled	20%	18%
Retired	1%	---
Home or family reasons	55%	46%
School or other	10%	24%
Could not find work	13%	12%
C. Fathers in Families with Children		
Ill or disabled	48%	29%
Retired	2%	1%
Home or Family reasons	4%	9%
School or other	14%	36%
Could not find work	32%	26%

Source: Schiller, Bradley. The Public Interest. "Who are the Working Poor".1994 65.

His table showed that a large percentage of poor individuals - 54 percent of those living with other adults in the family did not work at all, and 25 percent of fathers living in families considered poor did not work at all, compared to 18 percent and 3 percent respectively of the nonpoor. These

number verify previous studies which indicate that the working poor do not have full-time, year-round jobs.

Table 14

Work Experience of Adults Living in Families

Work Experience of Adults living in Families	Poor	Nonpoor
A. No of adults ages 16-64	13,563,000	121,859,000
Didn't work at all	54%	18%
Worked year-round, full time	12%	52%
Worked less than year-round, full-time	34%	30%
B. No. of householders in families with children	6,095,000	28,672,000
Didn't work at all	44%	5%
Worked year-round, fulltime	17%	77%
Worked less than year-round, full-time	38%	18%
C. No. of married fathers in families with children	2,091,000	23,244,000
Didn't work at all	25%	3%
Worked year-round, full time	32%	82%
Worked less than year-round		

Schiller, Bradley. The Public Interest. "Who are the Working Poor?" 1994. 68.

The reasons given by the poor as reported by Schiller are even more striking. He showed this in Table 15 of Work Experience of Poor Adults. Schiller concluded his study by saying: "The most serious challenge for poverty policy

is to increase the work activity of the poor, not to restructure the mechanisms of the private-sector wage and employment determination" (71) .

The issue of helping one worker maintain a living wage versus helping the entire population redistribute income to all levels continues to emerge. In the study published in 1989, Richard Burkhauser and T.Aldrich Finegan, considered "The Minimum Wage and the Poor: The End of a Relationship." In a study which had little empirical study, Brukhauser and Finegan sought to point out that though the original passage of FLSA was to help the working class poor, passage of new minimum wage legislation would not do much to provide relief to working poor, because the working poor do not constitute a large part of minimum wage workers (63) . Using data from the Current Population Survey, the authors claim that "only 10 percent of the increased wage bill would go to low-wage workers who live in households below the poverty line ($11,600 for a family of four in 1987) " (54) . The study goes on to disclose the number of individuals who are heads of households (only 7%) (59). They also noted that poor heads of household work 25 percent less hours that nonpoor, probably due to small children or the number of family members in the family (59) . They said:

> Today, whether a family headed by a low-wage worker falls above or below the poverty line depends much less on how much she earns per hour than how many hours are worked,

> how large is the family that must be supported, and most importantly, how much other family members earn- variables largely beyond the reach of the minimum-wage policy. (60)

The authors of this study concluded that the increases in minimum wage would not help the working poor; but in fact may hurt them and that the policy is inflationary (68) .

While minimum wage increases have been the subject of many studies as to the impact on poor families, Carlos Bonilla published a study for the Employment Policies Institute in 1992 called "Higher Wages, Greater Poverty." The basis of the study was that minimum wage was only one way of addressing the income needs of the poor as defined by the Federal Government (2). Bonilla pointed out that the way American government has solved the problem of poverty is:

- Higher levels of means-tested transfer payment- Aid to Families with Dependant Children (AFDC), food stamps, Medicaid or any of the other 70 programs targeted on the poor
- Preferential tax treatment for earnings in low-income households, This includes refundable means-tested credits, zero bracket amounts, and standard deductions
- Minimum wage and other work place legislation. (2)

Bonilla looks at how these items work together- or not so far as helping the poor out of poverty. He said:

> We find that increases in earnings, whether brought on by mandated increases in the minimum wage or by merit raises, too often result in either declines in the resources available to a household or in increases too small to be notices by even low income household and disproportionately small in comparison to the increase in employment costs. (30)

Bonilla chose California as the subject of his study because as a large and populated state, it had a very high rate of poverty benefits to poverty families (6) . He assembled numbers for income of a single mother with single child counting both minimum wage income and transfer income from the State and Federal governments.

The results are shown below:

Table 15

Economic Profile: Single Parent with One Child Working for $4.25 an Hour

Hours Worker per week	Annual Earnings	Transfer Payments	Taxes*	Total Resources
20	$4,420	$5,754	($400)	$10,574
40	$8,840	$541	($516)	$9,897

*Taxes show in parentheses as a negative amount are payments from rather than to the government.
Source: Bonilla, Carlos. Employment Policies Institute. "Higher Wages, Great Poverty.1992. 7.

The numbers clearly indicate from Dr. Bonilla's research that it does not pay a mother to work, in terms of her total resources (7). She will be better off financially if she only works 20 hours a week and remains at home for the remainder of the hours (7). Bonilla noted that most of the poverty studies indicate that single parent households with entry level positions are those which cause the most concern to legislators trying to reduce poverty (9) . Bonilla reported:

> The structure of transfer programs is such that every hour spent at an entry level job yields such little, if any, incremental reward that for these households the preferred option is either to stay out of the workforce entirely or to participate only to the point that welfare plus earnings are maximized. (9)

The relationship of an increase in minimum wage to solve the poverty problem was also analyzed by Bonilla. He pointed out: "At a minimum wage one dollar higher than the wage currently in force ($4.25), this household's resources would still be more than $400 a year lower than if the wage had been left at its pre-level 1990 level (10) . Family size is also an issue with the relationship of minimum wage to transfer benefits. To illustrate the point, Bonnilla computed that for a single parent with two children "resources will be at or below the level that would have been realized at a wage of $3.35 until wages reach $7.45 (14) . For a single

parent with three children the numbers are even more startling:

> This family will continue to see its resources fall short of what they were when the minimum wage was $3.35 until the householder can earn (either by merit or fiat) a wage of $9.30 an hour- 118 percent over the current minimum wage. (14)

Table 16

Allocation of Benefits From Changes in the Minimum Wage Single Parent Working Part Time with One Child

Change in Minimum Wage	Wages Received	Changes in Food Stamp Payments	Changes in AFDC-Federal	Changes in AFDC payments California	Federal Income Tax	S. S. Tax	CA Income Tax	Net Family Resources
3.35 to 4.25	$936	$56	($468)	($468)	($156)	$71	$0	$141
4.25 to 5.25	$1,040	$62	($520)	($520)	($174)	$80	$0	$157

Source: Bonnilla, Carlos " Higher Wages, Greater Poverty. 1992 19.

Bonnilla confirmed that increasing the minimum wage would not improve the resources of the working poor, but he indicated that reform was probably going to happen as states are stretched for income (25) . He noted: "If work cannot be made more attractive than welfare, then the only alternative is to make welfare less financially attractive than work" (27). He concluded his article by saying: "Absent a willingness to undertake a

reform that integrates the roles of work and welfare, there is no reason to expect that higher minimum wages will either help the poor or decrease their dependency" (29) .

Teens:

Teenagers 16-19 have been discussed in length in minimum wage studies. It is this group that is the subject of controversy regarding disemployment and school enrollment. A slightly different study was done by George Chressanthis and Paul Grimes in "Criminal Behavior and Youth in the Labor Market: The Case of the Pernicious Minimum Wage." Chrssanthis and Grimes reasoned that if the minimum wage rose and job opportunities fell as cited by Brown et al that there would be a collaboration between these items and violent youth crimes (1495). They examined this issue in a empirical model based on the Uniform Crime Reports index for teens 16-19 for the years 1960-1987. They said: "Economists have also recognized that unemployed and displaced young workers may seek alternatives to employment through illegitimate or criminal labor market activities" (1497) . The researchers followed the empirical model created by Hasimoto, then adjusted data to be used in the model. The variables used in the model are criminal homicide, forcible

rape, robbery, aggravated assault, burglary, larceny and motor vehicle theft. They used government statistics in total arrests of youth, total arrests of all ages in crime category, total crime for the United States by crime category, total resident population of individuals 16-19 years old in thousands, plus the variables of real minimum wage, a dummy variable for changes in capital punishment, school enrollment rate for individuals 16-19, percentage change in GNP, 16-19 population which is white, real state and local expenditures for criminal justice and time trend variable and time trend variable squared (1498) .

The results were explained as a definite relationship between the changes in real minimum wage and murder crime rate (1505). They found a lower significant rate between forcible rape and car theft and virtually no impact on other violent crimes and property crimes (1505). In describing their findings to Hasimota, the authors noted that all the figures are particularly sensitive to model and variables and that their results do not match the results of Hasimoto in regard to violent crimes and property crimes. Their model shows that expenditures for criminal justice do reduce crime over time (1495). They suggest that data inadequacies throughout make the results questionable and suggest that "there should be a re-evaluation of the impact of the minimum wage on youth crimes

and any policy implications which may be derived from prior research" (1506) .

"The Effects of the Minimum Wage on the Employment Status of Youths, an Update" by Alison Wellington was published in the Journal of Human Resources in 1989. This empirical, statistical study uses the time period of the 1980s when there was little movement in minimum wage to research the impact of minimum wage on teens 16-19 and young adults 20-24 (28) . Wellington reviewed the demographics of the make up of the minim wage employment force and reviews the theoretical and empirical models as well. She said:

> The results suggest that a 1 percent decline in the employment of teens may be an overestimate of teen employment losses- the estimates of this study indicate approximately a .060 per cent decline. In addition, I found no evidence that an increase in the minimum wage has any affect on the employment status of young adults. (45)

The various studies including several issues and varying opinions have been reviewed in this chapter. In the next chapter, the most pertinent and noteworthy studies in the author's estimation will be presented in greater detail.

Chapter Three:

Over a broadcast of NBC in January of 1938, De. Neil Carothers, Dean of the College of Business administration at Lehigh said:

> (1) Wages are not what we get in the pay envelope, but what we can buy with it.
> (2) Wages come from one source only the nation's's production
> (3) In final analysis wages are not paid by capitalists but by wage-earners themselves.
> (4) Wages adjust themselves to the value of the worker's product.
> (5) Wages can be so low in certain lines that they are socially injurious (Vital Speeches 241)

Dr. Carothers continued by indicating that American workers [in January 1938] were among the highest paid workers in the world and that wages of workers were actually paid by the production that the workers provide (241) . He was very opposed to minimum wages because he felt that constricted wages by the government would cause unemployment and would "lower the wages of all other workers by forcing them to pay unnatural prices for products " (241). He concluded by saying:

> Every decent citizen wants to see higher wages in America. But employers do not set wages. There are two roads to higher wages. One is to increase national production. The

> other is to reduce the numbers in the bottom level of the pyramid. I wish every man in America could see this simple truth. (241)

John Bates Clark expressed the heart of the issue in his Atlantic Monthly article in September 1913 when he clarified:

> The real issue, however, is whether industry can be made to yield these rates. If the demand that they be made obligatory carries with it a confidence that they will actually be paid without further ado, and that few workers or no will be discharged, the expectation is based on a vague trust in the great returns which the business is supposed to yield, and an undue confidence that these can be utilized for the purpose in view. (290)

Chapter Two in this study examined previous studies of minimum wage. In Chapter Three the most influential of these studies will be examined to continue the analysis of the minimum wage on the working class poor.

Over time, the most quoted study of all time was the study done by Brown, Gilroy and Kohen as part of the Minimum Wage study in 1981-82. As mentioned in Chapter two, this study was a comprehensive literary review of previous studies presented until that date. Constitutionality of the law was no longer was an issue by 1982; the debate centered on the costs of minimum wage such as unemployment, disemployment, value for

income distribution etc. Economists were concerned not only about the impact of the minimum wage on business as a whole but also upon the value to working poor themselves. Brown et al began their study by noting the inconsistencies of statistical methodology used by previous researchers (209) . They believed that many studies used statistics that were "not highly developed" (209) . They continued by saying: "Many of the studies present no overall importance of the minimum wage, and no indication of whether their findings are merely attributable to chance alone" (209) . Modern researchers have problems with locating prior studies since many of the studies referred to by Brown et all are not available in Federal Depositories or other libraries. Many of the studies such as Bell and Zucker were working papers created for various agencies such as the American Enterprise Institute and Employment Policies Institute and when this author checked with the agencies mentioned, the response was that the papers were no longer available in print or that the author had sole possession of the papers so they were not available. Because these studies cannot be examined, the validity of these studies subject to question in many studies prior to 1976.

Brown et al. noted a lack of consistent methods and conclusions on various research studies (209) . They also noted that government

statistics changed during the period so using statistics was very difficult (209).

The researchers begin with the premise which is often stated in the speeches of pro and anti-minimum wage - that is, what will happen to employment of the low wage workers when the government interferes with wages and sets wages at a mandated rate, rather than the free-flowing market rates? Brown et al. referred to two choices: employers may hire more workers who are actually at a higher skill level brought on by the higher wage (210) or the case of an employer who is "shocked" (by virtue of a mandated wage) into requiring more productivity from his now more-expensive workers (210).

The Brown study reflected the work of many other studies noting the difference of covered versus uncovered sections of minimum wage legislation. They noted that workers facing a new mandated minimum wage are faced with three choices:

- search for work in the uncovered sector
- remain unemployed with the hope of obtaining a job in the covered sector
- withdraw from the labor force (210)

The statement which preceded these choices said " A mandated minimum wage increase reduces employment in the covered sector " (210). Brown et al. do not provide any direct empirical evidence to support

this statement which they have provided themselves that this situation even exists at all, or even part of the time, or with part of the employment profile. The author has compiled the following table which shows the year, rate of unemployment, years of minimum wage increases and inflation rate. Inflation percentages were not available from the government until 1960.

Table 17

Comparison of Unemployment, Increases in Minimum Wage and Inflation Rate 1938-1994

Year	Unemployment	Rate of MW	Inflation %*
1938	17.20%	$0.25	
1939	14.60%	$0.30	
1940	14.60%	$0.30	
1942	4.70%	n/c	
1953`	2.90%	n/c	
1954	5.50%	n/c	
1956	**4.10%**	**$1.00**	
1957	4.30%	n/c	
1958	6.80%	n/c	
1959	5.50%	n/c	
1960	5.50%	n/c	0.09%
1961	**6.70%**	**$1.15**	**0.06%**

Continued on next page:

1962	5.50%	n/c	0.09%
1963	5.70%	n/c	0.09%
1964	5.20%	n/c	1.20%
1965	**4.50%**	**$1.25**	**1.10%**
1966	3.80%	n/c	2.60%
1967	**3.80%**	**$1.40**	**1.90%**
1968	3.60%	n/c	3.50%
1969	3.90%	n/c	4.70%
1970	3.30%	n/c	4.50%
1971	6.40%	n/c	3.60%
1972	5.60%	n/c	3.00%
1973	4.90%	n/c	7.40%
1974	**5.60%**	**$2.00**	**11.90%**
1975	**8.50%**	**$2.10**	**8.80%**
1976	**7.70%**	**$2.30**	**4.30%**
1977	7.10%	n/c	5.80%
1978	**6.10%**	**$2.65**	**7.20%**
1979	**5.80%**	**$2.90**	**11.30%**
1980	**7.10%**	**$3.10**	**12.30%**
1981	**7.60%**	**$3.35**	**8.40%**
1982	9.70%	n/c	4.10%
1983	9.60%	n/c	2.90%
1984	7.50%	n/c	3.40%
1985	7.20%	n/c	2.10%
1986	7.00%	n/c	-0.90%

Continued on next page:

1987	6.20%	n/c	3.20%
1988	5.50%	n/c	3.50%
1989	5.30%	n/c	4.70%
1990	**5.50%**	**$3.80**	**5.20%**
1991	**6.70%**	**$4.25**	**3.10%**
1992	7.40%	n/c	2.00%
1993	6.80%	n/c	1.90%
1994	6.10%	n/c	1.70%

Source: Author utilizing United States Statistical Abstract, various charts on unemployment, inflation and minimum wage. 1996.

The numbers, gathered from the United States Statistical Abstract 1995, do not include a figure for disemployment, but one might assume if a person suffers from disemployment in one year, he is likely to suffer from unemployment the next. These numbers almost indicate a minimum wage in reaction to a higher unemployment rate or higher inflation rate, rather than being the cause of either. Even in the years preceding or following the raises, with the exception of the mid 70's, minimum wage seems to have had little impact, even allowing for the time-lag as has been criticism in some minimum wage studies. The figures for 1973-1976 are very interesting. Notice the inflation rate is *higher* prior to the increase in minimum wage; the rate of inflation goes *down* in the year of the 1976 increase. The data suggests that an outside influence such as an oil embargo had considerably more impact than did the increase in minimum

wage. The same thing happened in 1977- a year prior to minimum wage increase, both unemployment and inflation were up- but the minimum wage had not changed. The following year unemployment went down, minimum wage went up and inflation dropped to 11.3%, one of the highest in years. While these numbers are not placed on a linear regression model, they tend to suggest that minimum wage does not cause unemployment, disemployment or inflation; in fact the very opposite may be true- that inflation rises or unemployment rises will cause Congress to consider increases in minimum wages. Congress does not raise minimum wages based on any index. These are national figures and state figures would vary depending on the state minimum wage.

The Brown group pointed out the importance of elasticities in the demand for labor and its impact on both the covered and uncovered sectors (211). They did not, however, present any numbers for any industry etc. to illustrate their point of elasticity. Most economists believe the more elastic the demand for labor, the more unemployment there will be (211). However, neither Brown et al or any other researchers used specific numbers of particular employed (or unemployed) categories of workers to illustrate this economic theory. The fact that many unemployed persons are not counted in the unemployed numbers

because the unemployed become discouraged and leave the employment arena is also mentioned by the researchers. (211).

The researchers also noted that economic theory did not indicate that minimum wage indicated there will be less workers in the market place simply because of minimum wage (211). They stated:

> In an expanding economy where the over-all trends in output and employment are upward, the theory predicts a rate of growth of employment opportunities that is lower when a minimum wage is introduced (or increased) than otherwise (211) .

While they do not provide any statistical evidence of this statement, it is notable because it indicates that minimum wage increases are far more complicated that simply issuing a minimum wage increase and waiting for employment to rise or fall. In their analysis of many of the studies, the researchers concluded: "that at least some of the historical increases in the Federal minimum wage rate had adverse effect on employment in low-wage sectors of the U.S. economy " (218) . They clarify this sweeping statement by noting that the disemployment has apparently taken place in agriculture but no evidence has taken place of disemployment in "hospitals, hotels and motels, eating and drinking places or private household services" (218). They noted that many of the results are

contradictory and that there are two reasons for this difference- (1) because of geographic location; and (2) because of shorter workweeks (218). The word disemployment is used as well as unemployment, meaning that a worker who had a job before minimum wage could be displaced as an employer faces the cost of minimum wage and unemployment meaning that the worker can find no job at all. It is not clear if any workers were displaced by studying the Brown study, since they provided no numbers.

The big debate since the very beginning of minimum wage legislation has been the disemployment of individuals as a result of the mandated increase. The major studies in the 90's have been David Card's studies, Neumark and Wascher studies and Katz and Krueger's study. The question which comes to mind as these studies are addressed is why are teenagers a major concern of a minimum wage study? Democratic Hot Topics: Minimum Wage gave the answer:

> In 1994 more than 4.8 million people worked for wages at or below $4.25 per hour. Of these 3.4 million were adults and 1.4 million were teenagers 16-19. This group represented 7.6 percent of all workers who were paid at an hourly rate. 1.7 Million had full time jobs. Including salaried workers and those who make between $4.25 and $5.15 raises the total number of workers affected by an increase to 11.8.million. (2)

Even though the original intent of the law was not to protect or help teenagers who were working for spending money, they make up a large segment of the minimum wage population - approximately 33%, depending on which numbers are used. The intent of the law in 1938 was to help all people who were unemployed, have a decent income to support a family and to get the American economy selling its over-produced goods. These studies, while addressing all age groups, end up narrowing the focus to teenagers who are not generally heads of households. Katz and Krueger's study on the fast food industry has some important facts such as the impact of the subminimum wage, what happens with wage disbursements and finally what happens to the price of goods as minimum wage goes up (7) .

As noted in Chapter Two, the researchers chose Texas as the target state because it is large and has many low-paid workers (7) . Curiously, they did not use in their study the largest fast food chain-McDonald Foods. Since this chain has such a large share of the market, the study is instantly in question. Secondly, they did a longitudinal study but used only two time periods December of 1990 and July/August of 1991. It would have been far more effective to use another year or more

of data since this was a year when a minimum wage change was enacted and the two time periods of winter and summer definitely do not correlate, thus changing the variable before even beginning the data processing. Neumark in his remarks would say later about this study that there is a definite time lag for minimum wage to show in effecting business which also has some credibility and that the researchers should have used actual payroll numbers instead of managers' recollection for survey purposes (5) . The survey group was poorly implemented: 167 restaurants in the first group, 330 restaurants in the second group. The first group had a response of 57% in returned, answered questionnaires, while the second group had a phone interview with 330 restaurants, not putting the first and second group interviews on the same level, since only 110 of the first group were interviewed a second time (8). If the same group would have been larger and interviewed at least two or more times, this study would have had been more creditable. Statistically, their study worked well but with too small a group and, without the industry's largest market share holder, the numbers themselves are suspect. Their results regarding the subminimum wage were very enlightening when they found that more managers did not know about or did not use the subminimum

training wage(18). Here again, these results are subject to question with the same reservations as above. In a news article appearing in U.S. News and World Report in November 1989 entitled *"A Flip of Fate on the Subminimum Wage"*, the article makes the point that McDonald's founder had wanted to have a subminimum wage but Congress did not enact the legislation until 1990. The article said:

> But the new training wage, to begin next April, is largely beside the point for McDonalds and other fast-food chains, hotels, car washes, and similar employers of entry-level workers. A tight labor market in a rising economy has pushed actual wages, even for beginning workers, higher than the minimum wage in many areas of the country (14)

The two results of Katz and Krueger that are significant were that they found little support for disemployment (18) and little change in prices (19). The first finding has brought a great deal of discussion from other such as Neumark, but the second finding of little to no increased prices has not been questioned at all. The raising of prices was in direct contradiction to a survey done by the National Restaurant Association in 1990. Bill Carlino reported in *"NRA Survey: Minimum Wage hike forcing operator to raise prices"* in Nation's Restaurant News that 56 percent of the respondents in the survey said they had already raised prices while

another 28 percent intended to raise them (55) . The survey was done in states which were currently at the $3.80 rate before the change in April 1, 1990. A Kentucky Fried Chicken franchise in Austin, Texas (one of the chains used by Katz and Krueger) said they did not intend to raise prices but instead intended to get higher productivity from the current workers since their customers would not be willing to pay the price. (56) . Perhaps there is a difference between fast food and other restaurants since the article reported that "in the most recent gauge of menu price inflation, the U.S. Labor Department's Consumer Price Index for August showed a four point eight percent increase in menu prices from the figure for the year-ago month" (56) .

David Card chose to study the effects of minimum wage increases by using regional effects in both of his studies. He noted that in the 1980s Federal minimum wage legislation fell behind and that this was the opportune time to study those states which had minimum wage legislation versus those states which did not (38) . As many of the studies do in minimum wage, he chose to use the data from the Current Population Survey. This makes the sampling large, roughly 20,000 individuals and 1.500 teenagers (39). He also used workers in the other states of Arizona,

Florida, Georgia, New Mexico and the metro area of Dallas-Fort Worth as comparisons (41). Of these, only Florida compares in population size and none of the states are as large as California. It may have been helpful to compare other states such as New York or Illinois which would have been closer in population or economic breakdown. He did use national figures of unemployment to determine if the unemployment rate dropped in California with the increase in minimum wage while nationally, the minimum wage did not rise. He compares the employment-population rate ratio and found that it gained one point one percentage points in California from 1987-1989. compared to one point five percentage points nationwide (41) .

Teenage rates of employment did show some difference in the employment-population ratios-California fell three percentages while the national average fell only one point nine percentage points (43). He attributes the figures to an oncoming 1990 recession which would have affected California teenager first (43). The issue that most researchers have with the Card survey is either length of time that the study lasted, or the use of school enrollment figures. The time frame seems adequate for such a study, although a comparison time frame of a different economic

condition would have been preferable. The school enrollment figures as Card explains them make perfect sense to the non-economist and Card's finding in his two studies is that there is no evidence to support the earlier findings of Brown et al that for each 10% increase in minimum wage, there would be a three to four percent drop in teenage unemployment. Card agrees with Brown and others that there is no evidence that minimum wage effects any adult over the age of 19 as far as disemployment is concerned (53).

To look at the school enrollment figures currently, the author found the current school enrollment tables in the 1995 U.S. Statistical Abstract. (See Table 18.)

Table 18

School Enrollment Figures and Labor Force Status: 1980 and 1995

	Population		Civilian Labor Force		Employed		Unemployed	
	1980	1995	1980	1995	1980	1995	1980	1995
16-19 year olds	15,713	16,842	4,836	4,931	6,433	7,346	807	762
20 to 24	11,126	11,272	2,618	3,370	2,404	3,178	214	192
Totals	**37,103**	**32,379**	**24,918**	**20,794**	**21,454**	**18,318**	**3,464**	**2,476**
Not enrolled	21,390	15,537	17,464	12,493	15,021	10,972	2,443	1,521

Source: Author compiled from U.S. Statistical Abstract, Chart No. 623. 398.

The figures shown in the current school enrollment chart, created by the Bureau of Labor statistics, are an interesting mix of statistics. They are based on two separate years. One year is before a minimum wage increase, the other in the middle of an increase. Using percentages, 67% of all teens were available for employment in 1980 and 64% in 1995. The unemployment rate in 1980 for 16-19 was 14% while the rate in 1995 was 12%. School enrollment shows that of a total of 37,103 teens, 21,390 were not in school in 1980 compared to 1991 when the total was 32,379 and 15,537 were not in school. The figures show that in 1980 33% of

teens were not in school but in 1995 the figure rose to 48%, thus re-enforcing Card's studies that employment and school enrollment would both go up (not down as others had believed) when minimum wage was increased. The figures are limited because of the years listed and more years would need to be involved to accurately come to a conclusion. This table has been abbreviated and does not show the sex, education level or race.

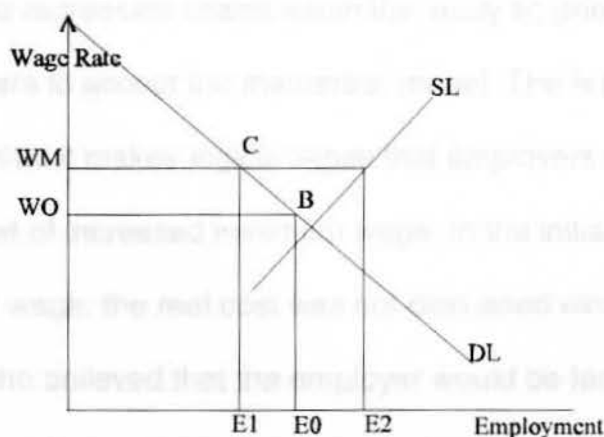
David Neumark and William Wascher did another study with panel data for the years of 1973-1989 of the effects of unemployment. Their study varies from Card and Katz and Krueger in that it uses national information, rather than on a state by state basis and it uses a much longer time period. They employed methods using averages for those states which do not match the covered versus uncovered sections of the law compared to the federal law, which seems somewhat troubling even though it is understandable. The time frame is also a difficult period with many economic changes and lack of minimum wage changes nationally. Card charges in his analysis of Neumark and Wascher that the school enrollment figures are inaccurate and for that reason the findings of Neumark and Wascher that there is evidence of teenage unemployment

as a result are inaccurate. Neumark and Wascher charge that Card did not give enough time for a time lag for the changes in minimum wage law (80).

Beth Rodgers Zangwill in her article "Minimum Wage Raise, Probably Unavoidable" summed up how most economists feel in today's world. She quotes Dale Belman, a labor economist with the Economic Policy Institute, who said: "I look at low-wage, youth-dominated industries and there's simply not strong evidence that there's a very clear relationship between minimum wage increases and decreases in employment" (53). She quotes Sar Levitan, professor of Labor relations at the George Washington University as saying: "The evidence is quite strong in my mind that the jobs lost are rather minimal" (54).

The researchers William Johnson and Edward Browning, also in the Minimum Wage Commission, report sought to prove the issue of minimum wage and income distribution. As noted in Chapter Two, they used a number of variables including elasticity percentages and minimum wage increases to indicate the movement of wealth from one decile of population to another. This very comprehensive, thorough study of distribution of income is quite impressive, with the possible exception that

it is not clear where all the numbers used to make the linear regression were derived. The following chart was created by Johnson and Browning to explain their work.



Source: Browning and Johnson "Employment and Wage Rate Relationship" 33

Eo represents employment in the absence of a minimum wage, Wo is the Wage rate without minimum wage; Unemployment is the difference between E2 and E1 and minimum wage increase is MW (33). The total output without a minimum wage for the economy then is WOABE0, when a minimum wage is introduced it changes to WOACE1and the total output decreases to WOACE1 (34) . They say: "Thus the income of the composite input owners falls by WoWmCB. In effect this area represents

the cost of the policy that is borne by the rest of the public (34). While this makes some logical sense, the researchers also admit that they did not use official government statistics to establish the numbers. There are no numbered regression charts within the study so one has to rely on the researchers to accept the theoretical model. The real value in this model is to see that it makes logical sense that employers or the public are faced with a cost of increased minimum wage. In the initial discussion of the minimum wage, the real cost was not discussed except for lobbying groups who believed that the employer would be faced with the costs. The researchers believed that the cost of minimum wage was borne in one of three ways:

> One option, but an analogy to the above model, would be to assume that this cost is borne in proportion to all other factor earnings (other than the earnings of the low-wage workers) in the economy. This option is most consistent with a model where the price level is stabilized, in which case the money incomes of other factors of production must fall by WOWMCB. A second is to assume that this cost is passed on in the form of a higher price level in which case it reduces the purchasing power of all income proportionately, including earnings of low-income labor. This approach is closest in spirit to the simple partial equilibrium analysis in which the minimum wage results in higher prices for consumers. A third option is to assume the cost is borne by capital income. This comes the closets to capturing the naive view that "business" bears the cost of the minimum wage. (34)

The researchers also created models for covered versus uncovered sectors as well. This does not constitute a major portion of their studies, however, since in their words "The uncovered sector is small and has been growing smaller in recent years" (35) . Continuing on the study of distribution of income, Browning and Johnson examined the before- tax, before- transfer income versus the after-tax, after- transfer income, since many workers in the low wage area receive additional transfers from the government as noted in Chapter Two. These numbers were clearly delineated in charts (see chapter Two), and work well to explain how transfers affect the final income of the low wage worker. They also note that the minimum wage worker may also be a part of a family where he is not the only worker and that this will put the family into a different wage decile (38) . Elasticity in the labor force was also factored in but this does not result in a large change in income distribution as other variables may (48). Browning and Jonson said: "As expected, the greater the demand elasticity, the smaller the net gain (or the larger the net loss) of each decile" (52).

Kohen and Gilroy also studied the impact of poverty and distribution of income in the 1982 Minimum Wage Commission report. As

noted in the previous chapter, their study was primarily a literary study with a follow-up of current statistical data. Like Johnson and Browning, Kohen and Gilroy also included data about transfers to the poor such as social security, AFDC etc. They said: "The families of minimum wage workers were more likely than other families to have their incomes supplemented by some form of public transfer income" (24) . Like Johnson and Browning they noted that as minimum wage goes up, there is a possibility that the transfers may go down, or the taxes will affect the total family income, thus changing the distribution of income only slightly, if at all. (25).

To verify their findings, Kohen and Gilroy used March and May CPS statistics to match the previous statistical data. They presumed that there was a minimum wage increase of 10% and that there would be no accompanying unemployment or noncompliance on the part of employers (25) . Their results showed by increasing the minimum wage 10% the results: "would reduce Social Security payments just under one percent, SSI payments by just under one half of a percent, and AFDC payments by about one percent " (25) . They concluded that minimum wage had not been a very effective way of redistributing income due to transfers and:

"There are, however, other mechanisms which would be more effective in providing income support for individuals and families, such as direct Federal government transfer payments or some variant of a negative income tax" (25). While the study done by Kohen and Gilroy has definite validity in looking at the areas of minimum wage increases and transfer payments, the study did not take into account the 50 states and all the payments made within those states as well as payments made by the Federal government. This study is a good basis for planning, more current numbers in each state as well as Federal numbers need to be presented to get an accurate picture. To look at the current distribution of poverty, the following table was obtained from the Statistical Abstract.

Table 19

Persons Below Poverty Level by State 1980-1994

State	Percent	Below	Poverty	Level	
	1980	1990	1992	1993	1994
United States	**13.00%**	**13.50%**	**14.50%**	**15.10%**	**14.50%**
Alabama	21.20%	19.20%	17.10%	17.40%	16.40%
Alaska	9.60%	11.40%	10.00%	9.10%	10.20%
Arizona	12.80%	13.70%	15.10%	15.40%	15.90%
Arkansas	21.50%	19.60%	15.80%	18.20%	17.90%
California	11.00%	13.90%	15.80%	18.20%	17.90%
Colorado	8.60%	13.70%	10.60%	9.90%	9.00%
Connecticut	8.30%	6.00%	9.40%	8.50%	10.80%
Delaware	11.80%	6.90%	7.60%	10.20%	8.30%
District of Columbia	20.90%	21.10%	20.30%	26.40%	21.20%
Florida	16.70%	14.40%	15.30%	17.80%	14.90%
Georgia	13.90%	15.80%	17.80%	13.50%	14.00%
Hawaii	8.50%	11.00%	11.00%	8.00%	8.70%
Idaho	14.70%	14.90%	15.00%	13.10%	12.00%
Illinois	12.30%	13.70%	15.30%	13.60%	12.40%
Indiana	11.80%	13.00%	11.70%	12.20%	13.70%
Iowa	10.80%	10.40%	11.30%	10.30%	10.70%

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Kansas	9.40%	10.30%	11.00%	13.10%	14.90%
Kentucky	19.30%	17.30%	19.70%	20.40%	25.70%
Louisiana	20.30%	23.60%	24.20%	26.40%	25.70%
Maine	14.60%	13.10%	13.40%	15.40%	9.40%
Maryland	9.50%	9.90.	11.60%	9.70%	10.70%
Massachusetts	9.50%	10.70%	10.00%	13.00%	14.90%
Michigan	12.90%	14.30%	13.50%	15.40%	14.10%
Minnesota	8.70.%	12.00%	12.80%	11.60%	11.70%
Mississippi	24.30%	25.70%	24.50%	24.70%	19.90%
Missouri	13.00%	13.40%	15.60%	16.10%	15.60%
Montana	13.20%	16.30%	13.70%	14.90%	11.50%
Nebraska	13.00%	10.30%	10.30%	10.30%	8.80%
Nevada	8.30%	9.80%	14.40%	9.80%	11.10%
New Hampshire	7.00%	6.30%	8.60%	9.90%	7.70%
New Jersey	9.00%	9.20%	10.00%	10.90%	9.20%
New Mexico	20.60%	20.90%	2.10%	17.40%	21.10%
New York	13.80%	14.30%	15.30%	16.40%	17.00%
North Carolina	15.00%	13.00%	15.70%	14.40%	14.20%
North Dakota	15.50%	13.70%	11.90%	11.20%	10.40%
Ohio	9.80%	11.50%	12.40%	13.00%	14.10%
Oklahoma	13.90%	15.60%	18.40%	19.90%	16.70%
Oregon	11.50%	9.20%	11.30%	13.20%	11.80%
Pennsylvania	9.80%	11.00%	11.70%	13.20%	12.50%
Rhode Island	10.70%	7.50%	12.00%	11.20%	10.30%

Continued on following page.

South Carolina	16.80%	16.20%	18.90%	18.70%	13.00%
South Dakota	18.80%	13.30%	14.80%	14.20%	14.50.
Tennessee	19.60%	16.90%	17.00%	17.40%	19.00%
Texas	15.70%	15.90%	17.80%	17.40%	19.10%
Utah	10.00%	8.20%	9.30%	10.70%	8.00%
Vermont	12.00%	10.90%	10.40%	10.00%	7.90%
Virginia	12.40%	11.10%	9.40%	9.70%	10.00%
Washington	12.70%	8.90%	11.00%	12.10%	11.70%
West Virginia	15.20%	18.10%	2.23%	22.20%	18.80%
Wisconsin	8.50%	9.30%	10.80%	12.60%	9.00%
Wyoming	10.40%	11.00%	10.30%	13.00%	9.30%

Source U.S. Statistical Abstract Chart # 735, 1996. 474

As the figures show, poverty levels vary by state, with the southeast area of the United States being the highest in poverty rate. The figures also show, in spite of both an increase in minimum wage and transfers, that the poverty level did not drop overall in the United States and only dropped slightly in some states. In most states it stayed about the same or higher.

In his article in Time Magazine entitled "A Pay Hike for the Poor", Richard Lacyo related what would happen to the working class poor with the passage of minimum wage legislation:

To a Congress hemmed in by the budget deficit, a higher

> minimum wage is appealing because it appears to bolster the take-home pay of poor workers while simultaneously allowing a reduction in Government assistance payments, which decrease as the incomes of recipients rise. Unfortunately, there is a catch; precisely because they earn just enough more to lose their government benefits, the lowest -paid workers could actually suffer a setback in their standard of living. (36)

Bob Conn reported in a Newsweek article in 1989 entitled "How toHelp the Working Poor":

> If welfare recipients sometimes seem reluctant to get a job, no wonder. In most states, it pays more to go on welfare than to work for the minimum wage- or "Chump Change", as they call it....Now a consensus is forming around a plan to put more money in the pockets of low-income working families by expanding tax credits... The EITC [Earned Income Tax Credit] first passed in 1975,provides 14 cents in tax relief for every dollar earned up to $6500 with a maximum credit of $910 per year. (26)

Dr. Carlos Bonilla's report on *Higher Wages, Greater Poverty* examined the issue again of income distribution but in his 1992 study, he addressed the issue from a state standard- California and as such, can use state specific numbers. Careful research and exact numbers made Bonilla's findings clear and concise with very little room for doubt that so long as the state and federal governments are in the transfer business, it will not pay the working class poor to work. Dr. Bonilla's work would be a good resource in planning studies in the future as the states and the

Federal government reduce their payments to working poor families. Sylvia Somervile, a Washington D.C. lobbyist wrote in"A New Study Says Minimum Wage is a Trap" about her support of Dr. Bonilla and his work in Restaurant Hospitality but she also went on to mention Service Employees International Union. She said:

> The Service Employees International union was one group that lobbied aggressively for hikes in 1990 and 1991. The union supported a higher increase than the $4.25 ceiling, claiming that even at current minimum wage levels the annual salary of $8,000 is below poverty levels...SEIU believes that a low minimum wage is a hidden subsidy to employers because it shifts the employment cost to taxpayers. (53)

In a rather curious study about income distribution, R.D. Husby wrote an article entitled "The Minimum Wage, Wage Subsidies, and Poverty which was printed in Contemporary Policy Issues in 1993. Husby recognizes the findings of Johnson and Browning, Bonilla and Kohen and Gilroy that minimum wage is "at best a blunt instrument in the fight against poverty" (30). Husby suggested an alternative to the minimum wage- a minimum wage and wage subsidies (30). The researcher noted that a wage subsidy already exists with the earned income credit (EIC) (31). The suggestion made by Husby is that an augmentation of existing wages

should be made in order to keep families from below the poverty level. (31). The study's direction was because a number of minimum wage earners are not in low income families, the way to resolve the poverty issue is to supplement the salaries of those individuals whose families are below the poverty level with whatever amount is needed to constitute at minimum standard of living as established by the government (32). The researcher indicated that the difference between what the individual employer paid versus what had to be paid to keep the family at the minimum standard of living would be picked by the government (32). This plan has potential loopholes for employers to use, and because of its limitations, has the potential of being unconstitutional. Husby says that because there is disemployment according to Brown et al, having a government subsidized wage would prevent the employer from disemploying any worker because of wage increase. Husby said:

> If the government simply paid a subsidy equal to 100 percent of the difference between the target wage and the actual wage, the employer would have a perverse incentive not to raise the wave between the minimum wage and the target (33) .

No doubt this would be true as a certain amount of unscrupulous

employers would pay the lowest wage possible, have the government pick up the tab for the rest of the salary and run the employer's competition out of business. He indicated " under the combined policy, employment would not fall and market efficiency would not decline " (35) . While a possible compromise regarding wage subsidies in some form may be possible, the author feels that this study and its conclusions by Husby are too far beyond logical to take very seriously.

Bradley Schiller did note in his study "Who are the Working Poor?" that not all low wage earners are in low wage families. As noted in Chapter Two, Schiller also noted that a low wage earner was not necessarily poor, because if someone else in his family worked, the income could be higher. In an earlier study "A Profile of the working Poor", Bruce Kelin and Phil Rones clarified who the working poor really were. They noted, as did Schiller, that many families below the poverty line do not have a full time, year round employee in them. They also noted another point which Schiller had also made. They said:

> While persons from every age, race, sex, and educational group are found among the working poor, the key variables that relate to poverty among workers are family relationship and education. Family structure largely determines the number of potential wage earners, and education is the best predictor of earnings. (4)

The following is a table from Klein and Rones which showed the educational level of poverty workers.

Table 20

Poverty Rates of Workers in the Labor force 27 weeks or more, by educational attainment, sex, and race 1987.

Educational Attainment	Men		Women	
	White	Black	White	Black
Total	4.70%	10.50%	4.80%	16.00%
Fewer than 4 years of high school	11.70%	17.40%	11.80%	26.70%
4 years of high school only	4.40%	9.60%	5.00%	17.80%
1 to 3 years of college	3.00%	7.40%	3.40%	8.50%
4 years of college or more	1.60%	3.50%	1.30%	3.20%

Source: Klein, Bruce and Philip Rones. Monthly Labor Review. October 1989. 10.

A good study would be to attempt to compare over a long time period what happens to adults who do not have higher education and do not become either more educated or more skilled in their jobs.

Chapter Four will conclude this study and will provide a summary of the thoughts and opinions of the author regarding minimum wage and its impact on the working class poor.

Chapter Four

Many changes have occurred in the United States since the Fair Labor Standards Act was passed in 1938. The law when originally passed gave workers $.25 per hour as a fair and living wage. Workers were happy to receive a pay hike, as well as shorter hours and no child labor. Since that time the law has been amended twenty five times including extending the coverage of businesses under the act as well as increasing the wages of workers. The wage originally was 54 % percent of the average wage of a worker. In his article "The Widening Trap" by Jeffrey Smith in Financial World, Smith Says:

> Americans who were earning the minimum wage found that their purchasing power dropped 38% over the past decade. But Congress did nothing. As a result, the number of citizens employed full-time but still living in poverty increased more than 40%. (6)

The following chart shows what happened to the percent of wages in concurrent dollars.

Table 21

Federal Minimum Wage Compared to Average Wage by Year

Federal Minimum Wage Compared to Average Wage

Year	Minimum Wage	Percent
1950	.75	54
1956	1.00	52
1961	1.15	50
1963	1.25	51
1967	1.40	50
1968	1.60	54
1969	n/c	51
1970	n/c	49
1971	n/c	46
1974	2.00	46
1975	2.10	45
1976	2.30	46
1977	n/c	42
1978	2.65	44
1979	2.90	45
1980	3.10	44
1981	3.35	43
1990	3.80	35
1991	4.25	38
1992	n/c	37

Source: Author Compiled from various charts in U.S. Statistical Abstract 1995.

As the chart shows, the percentage of workers minimum wages to

average wages has dropped significantly in the time period from 1968 to 1992. Workers buying power has decreased as well.

Another change has occurred and that is the occupation of the workers who are at minimum wage. Table 22 shows the employment categories of workers in 1938; Table 23 shows the employment categories of 1991. Notice the category changes, not only in the percentages, but the fact that the two charts cannot be made as one because the government has changed recording methods.

Table 22

Division of Employment Categories of Minimum Wage Workers 1938

Mineral Industries	7%
Manufacturing	60%
Transportation	20%
Communication	4%
Total	100%

Source: Interim Report of the Administrator to the President 1938. I-12. 1939.

Table 23

Table of Occupations of Minimum Wage Earners in 1991

Occupations of Minimum Wage Earners in 1991	
Managerial and Professional	3.2%
Technical, Sales and Administrative	25.5%
Service Occupations	47.8%
Precision Production, craft & Repair	2.5%
Operators, fabricators & Laborers	17.6%
Farming, forestry, & Fishing	3.4%
Total	100%

Source: Author Compiled from various charts U.S. Statistical Abstract 1995.

Some things do not change. Klein reports in "A Profile of the Working Poor" that single mothers who are heads of households with children have a very high risk of being in poverty, especially if they are uneducated mothers. He said: "Almost one-fourth of single-earner families maintained by women are poor." (3) These women work in the service industry and have jobs as maids and housekeepers. With the buying power of

minimum wage dropping but the increases cutting back their transfers, these women have a difficult time caring for their families.

Roosevelt said in an address in the winter of 1937:

> I am again expressing my hope that the Congress will enact at this session a wage and hour bill putting a floor under industrial wages and limit on working hours- to ensure a better distribution of our prosperity, a better distribution of available work, and a sounder distribution of buying power... In these great problems of government, I try not to forget what really counts at the bottom of it all, is that the men and women willing to work can have a decent job, a decent job to take care of themselves and their homes and their children adequately; that the farmer, the factory worker, the storekeeper, the gas station man, the manufacturer, the merchant- big and small- the banker who takes pride in the help that he can give to the building of his community, that all of these can be sure of a reasonable profit and safety for the earnings that they make- not today or tomorrow alone, but as far ahead as they can see. (Buhite 123)

The questions of the impact of the minimum wage on the low wage worker is a very complex issue. There are many myths and misconceptions about the minimum wage which regularly appear in the media, particularly before an increase is scheduled. In this author's opinion one of the better articles is one written by Joel Divine and James Wright in Society called

"Minimum Wage, Maximum Hokum." Divine and Wright stated that many mistruths have surfaced regarding this legislation. They noted four arguments which the legislators (and the public) believe and use to determine the value of a minimum wage to the American people. These four arguments are

- Raising the minimum wage will worsen inflationary pressures; the larger the increase, the stronger the effect.
- The competitive position of U.S. firms employing minimum wage workers will be damaged.
- Most minimum wage recipients are not primary wage earners (thus no increase is really needed)
- A hike in the minimum wage is misguided; it will only end up hurting the poor worker by hastening the loss of an already diminished number of entry-level jobs. (50)

In Chapter Four the author will attemp to understand the facts shown in the previously mentioned studies in Chapter Two and Three. The author will use the arguments of Devine and Wright to explain the true facts of minimum wage as determined by extensive research.

(1) *Raising the minimum wage will worsen inflationary pressures; the larger the increase, the stronger the effect.* The author found no

evidence in any study issued to date that showed any inflation pressure related to the timing of minimum wage increases. In fact, the author's own table (Table 17) showed that inflation is more likely to occur before a minimum wage increase than after it. It would seem logical that someone has to bear the cost of a minimum wage increase as was pointed out by Johnson and Browning. The results by Katz and Krueger as well as by the National Restaurant Association indicate that generally the cost is borne by the business owner, with eventual rises in price.

(2) The competitive position of U.S. firms employing minimum wage workers will be damaged. Since 85% of all businesses are covered under the minimum wage law, the competitors in business are all bound by the same rules. Some indicators have shown increases in productivity of workers, but no study has linked increased productivity to the minimum wage. Competition in 1997 is likely to come from a foreign country, rather than within. It may be that manufacturing no longer employs as many minimum wage persons because the jobs have gone to foreign countries some of whom do not have minimum wage, minimum hours or child labor laws. Many businesses are beyond hiring minimum wage workers. Rahul

Jacob reported in "Minimum Wage, Minimum Deal" in Fortune magazine:

> The market has already issued its own correction. Since the last raise in 1981, the number of workers paid at the minimum wage has shrunk by 50% to about 7% of all hourly employees... Fast food chains are commonly thought to be the maximum loser when the maximum goes up. But they say that they are often outpacing required minimums. McDonald's pays an average of $4.65 an hour says company spokesman Chuck Ebling: 'Contrary to what people think, McDonald's is not a minimum wage employer. In an industry as competitive as ours in finding employees, we can't afford to be.' (11)

Jeffrey Smith agreed:

> "Labor shortages have made the minimum wage almost irrelevant," says the Conference Board's Steven Maline. Eight years of an economic expansion that has favored lower-paying retail trades and entrepreneurial, small-business activity, has fueled demand for entry-level jobs. Meanwhile, the supply of potential employees has dwindled. (6)

John McLaughlin writes in "The Minimum Wage Takes a Hike" in Restaurant Business in March of 1993:

> ..There are some operators in some areas of the country where the minimum wage is not a concern. In Utah, for instance, restaurant association executive director Ron Morgan argues that 'our industry is no longer a minimum

> wage industry anyway. Our problem is getting people in the industry, which you can't do with minimum wage salaries. (60)

(3) Most minimum wage recipients are not primary wage earners. While Roosevelt did indicate in some of his talks about workers supporting a family, he also talked about the value of the individual worker. As Schiller and Klein noted, it is a fact that the majority of minimum wage workers are not poverty workers, but for those that are, minimum wage is critical. Klein said: "The working poor made up about one-third of all person 16 and over who were in poverty. These are the more than 6 million persons whose family income was below the official poverty level in 1987, even though they worked.. at least half the year. (3)

(4) A hike in the minimum wage is misguided; it will only end up hurting the poor worker by hastening the loss of an already diminished number of entry-level jobs. There is no clear evidence of loss of jobs due to minimum wage nor is there any evidence of loss of entry-level jobs in any of the research seen by this author. What hurts the working class poor is the relationship between the government transfers and minimum wage as

documented by Browning and Johnson and Bonilla. Clearly Congress needs to work with the states to determine how welfare will work and how jobs will pay since the two are in direct contradiction with each other. The Earned Income Tax Credit law also needs to be compared to minimum wage since there is little incentive for poor families to work. Many heads of households in poverty families have no job at all as was pointed out by Schiller in his study of poverty families. This makes minimum wage an irrelevant issue to those families.

Beyond these four arguments of Devine and Wright, one other issues should be noted. Education is a major factor as pointed out by many of the studies. The less education an individual has, the more likely he will be paid at minimum wage, live in poverty and stuck at minimum wage and low skills for a longer period.

The ultimate question is whether there should be a minimum wage or not at all in this 1997 society. On the negative side, minimum wage will not solve poverty, redistribute income, or give the low income worker more income if that worker is receiving government transfers. On the positive, it boosts income for minimum wage workers- the last 90 cent

raise will give working families an additional $1,800 a year (Presidential Speech 2) . It keeps salaries at a minimum level below which salaries cannot fall. Workers will not lose their jobs because of minimum wage or not be able to get jobs. Salaries will not go up in a ripple effect as some economists predicted and minimum wage has not been shown to be inflationary. Finally, it does what President Clinton said in this speech at the signing the Small Business Job Protection Act of 1996

> Beside me, or in front of me now, is the desk used by Francis Perkins--- Franklin Roosevelt's labor secretary and the very first woman ever to service in the Cabinet. She was one of our greatest labor secretaries. It was from her desk that many of America's pioneering wage, hour and workplace laws originated --- including the very first 25 cent an hour minimum wage signed into law by President Roosevelt in 1938.
>
> Secretary Perkins understood that a living wage was about more than feeding a family or shelter from a storm. A living wage makes it possible to participate in what she called the culture of the community--- to take part in the family, the community, the religious life we all cherish. Confident in our ability to provide for ourselves and for our children, secure in the knowledge that hard work does pay. A minimum wage increase.... that's a plan that's putting America on the right track. (President at signing of Small Business Job Protection Act of 1996 3)

Chairman of the Minimum Wage Commission in 1982 James G. O'Hara summed up minimum wage when he wrote in 1982:

> Clearly, it [minimum wage] is not as effective a tool for income redistribution as a negative income tax or some similar device not is it as effective in redistributing income as some of its more enthusiastic supporters might have wished. But income redistribution is not now and never has been a principal purpose of the Act...The purpose of the Fair Labor Standards Act was and is to establish a floor below which wages will not fall, a floor which is adequate to support life and a measure of human dignity. It is a laudable legislative effort to ensure a just wage in return for a day's labor. The payment of a just wage does not require a basic redistribution of the goods of this world. The payment of a just wage to all may fall short of what is needed to compensate those who in the past have not received a just wage. That the minimum wage has not brought us to the Earthly Paradise may be a disappointment, but it should not be a surprise. That is has provided a working floor below which wages would have gone in its absence and have not gone because of it, suggest that it has done what it was intended to do... (Supplemental Views of Commission members 181)

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