

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON LABOR AND EMPLOYMENT RELATIONS

Call to Order: By Senator Gary C. Aklestad, on March 21, 1989, at 1:00 p.m. in room 415 of in the state Capitol.

ROLL CALL

Members Present: All members were present. Senator Tom Keating, Vice Chairman, Senator Sam Hofman, Senator J. D. Lynch, Senator Gerry Devlin, Senator Bob Pipinich, Senator Dennis Nathe, Senator Richard Manning, Senator Chet Blaylock and Senator Gary C. Aklestad, Chairman.

Members Excused: There were no members excused.

Members Absent: There were no members absent.

Staff Present: Tom Gomez, Legislative Council Analyst.

Announcements/Discussion: There were no announcements or discussion.

HEARING ON HOUSE BILL 28

Presentation and Opening Statement by Sponsor:

Representative Dan Harrington, House District No. 68, chief sponsor, stated the legislation is an act to increase the minimum hourly wage and to increase the minimum monthly wage for farm workers. Representative Harrington stated HB 28 is long over due. Some of the problems facing Montana are attributed to the \$3.35 minimum wage. The wage should be raised. The federal government's minimum wage may reach \$4.65. The legislation is currently before Congress. Representative Harrington feels Montana must also move in the direction of a higher minimum wage. The federal mandated minimum wage was first implemented in the United States in 1938 with the passage of the Fair Labor Standards Act. The proponents argued at that time the mandatory minimum wage of \$.25 per hour would cause unemployment to increase. The same story may be presented today. The cost of living will go up, and unemployment will also go up. Nationally, 6.7 million workers currently earn the minimum wage. Montana runs close to the average. Only 14%

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minimum wage workers, nation wide, are teenagers. Eighty-six percent of the minimum wage earners are eighteen years old or older. Nearly 250,000 minimum wage earners are over 65 years old. Sixty-three percent are women working in the service areas. Six hundred thousand minimum wage earners are women, who are head of households. Representative Harrington stated he does not know if any problems are going to be solved by increasing the minimum wage, but a great number of people are going to be helped. An additional six million workers receive wages between the \$3.35 minimum wage amount and \$4.00 per hour, and 6.7 million workers are employed at minimum wage or less. The group represents thirteen percent of the national work force.

Representative Harrington stated sixteen percent of Montana workers, or 60,000 people, work at or near the minimum wage. In most of the service work areas, workers do not get a forty hour work week. The reason is, if the workers work forty hours, the employee is eligible for benefits. Representative Harrington stated he believes the minimum wage earners deserve better. Three dollars and thirty-five cents is far below poverty level. The poverty level for one person is an annual income of \$5,770. The single person has to work 1,722 hours a year to escape the poverty level.

The two person household has a poverty level \$7,730. The wage earner in a two person family has to work 2,307 hours to escape the poverty level. The three person household has a poverty level of \$9,790, and the wage earner has to work 2,893 hours. The four person household has a poverty level of \$ 11,650, and the wage earner has to work 3,478 hours. Representative Harrington stated a forty hour work week is 2,080 hours per year. The cost of living is currently running at a rate of 13.3%. Representative Harrington urged passage of HB 28.

List of Testifying Proponents and What Group they Represent:

Senator J. D. Lynch, representing Butte, Anaconda, and Deer Lodge, MT.

John Ortwine, representing the Montana Catholic Conference.

Wilbur Rehmann, representing the Montana Nurses Association.

Maribelle Krebs, representing the Concerned Citizen Coalition.

Veronica Brown, Billings, MT, representing the Hotel Restaurant Workers, Local 56.

Mike Craig, Missoula, MT, representing the Associated Students of the University of Montana.

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Brenda Nordlund, Kalispell, MT, representing the Montana Women's Lobby.

Marvin Alves, Missoula, MT, representing the UFCW.

The Butte Community Union, representing themselves.

Rick Strongman, Butte, MT, representing himself.

Joseph Moore, Helena, MT, representing the Montana Rainbow Coalition.

Toni Niklas, representing the Montana Education Association.

Don Judge, Helena, Montana, representing the Montana AFL-CIO.

Jim Smith, Helena, MT, representing the Human Resource Development Council.

Ray Doolittle, Butte, MT, representing himself.

Bob Heiser, representing the UFCW.

Linda Miller, Missoula, MT, representing herself.

Doris Blazicevich, Great Falls, representing herself.

Albert Boyle, Patty Doolittle, Harvey Linet, Dick Morgan, James Cortez, and Lois M. Dusand, Butte, MT, representing themselves.

Testimony:

Senator J.D. Lynch, Senate District 34, Butte, Anaconda, and Deer Lodge, MT, stated he is happy to co-sponsor HB 28. Senator Lynch stated he hopes HB 28 does not become partisan legislation. Senator Lynch stated \$4.00 level minimum wage gain in two years is not an exorbitant amount of money for a minimum wage. Senator Lynch stated minimum wage jobs are not going to buy houses. The minimum wage people are not going to pay a lot of taxes, but HB 28 will try to keep people from welfare. Senator Lynch stated, although President Reagan used the phrase "trickle down", he would like to use the term "peculate up". Senator Lynch urged an unanimous vote on HB 28.

John Ortwine, Montana Catholic Conference, Helena, Montana, presented written testimony in favor of HB 28. (Exhibit 1)

Wilbur Rehmann, Labor Relations Director, Montana Nurses

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Association, stated the association's membership is 95% women. There is a disproportionate number of women in the minimum wage category. As a labor relations director, Mr. Rehmann stated he received a phone call last summer from nurses working in a county nursing home in Southwest Montana. The nurses wanted to know what they could do to receive better wages. The nurses were making minimum wage. These individuals are skilled professionals, working and caring for senior citizens. Mr. Rehmann stated support of HB 28, and urged the committee to pass the legislation.

Maribelle Krebs, Great Falls, MT, Concerned Citizen Coalition, stated the membership of the coalition is approximately three hundred people. The coalition supports HB 28 without amendments. The minimum wage earner cannot make a decent living. Ms Krebs, a widow, stated she could not survive on \$3.35 per hour. People on General Assistance need a better incentive to get off welfare.

Veronica Brown, Hotel Restaurant Workers, Local 56, Billings, MT, presented written testimony written by Cindy Erickson.
(Exhibit 2)

Mike Craig, Missoula, MT, Associated Students of the University of Montana, presented written Testimony in support of HB 28.
(Exhibit 3)

Brenda Nordlund, Montana Women's Lobby, stated women are the largest group of people affected by the low minimum wage. HB 28 will improve the standard of living for both single and married people. Ms Nordlund urged passage of HB 28. Ms Nordlund stated if a worker received the minimum wage in 1991 and worked twenty-nine hours, they would come close to the 1989 poverty level. Ms Nordlund presented written testimony. (Exhibit 4)

Marvin Alves, UFCW, Missoula, MT, stated the union represents approximately 1,700 workers. Five hundred and fifty of these people work in the nursing home industry. The nursing home worker starts work at a \$3.35 hourly wage. In the past, the work week was approximately 18 to 20 hours. People are supporting families, and some are widows and divorcees. People can not provide themselves with a decent living on \$3.35 per hour wage. Mr. Alves urged support of HB 28.

A member of the Butte Community Union submitted written testimony.
(Exhibit 5)

Rick Strongman, Butte, MT, stated support for HB 28. Strongman stated 9,500 single Montana parents are using food stamps to supplement their incomes because they are paid minimum wage. This group of Montana people are not given hope or any way of getting

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out of the poverty cycle. Strongman urged passage of HB 28.

Joseph Moore, Helena, MT, Legislative Coordinator, Montana Rainbow Coalition, presented written testimony. (Exhibit 6)

Toni Niklas, Montana Education Association, stated the association is in support of HB 28. Teacher aides, kitchen help, and secretaries are being paid \$3.35 an hour, the minimum wage. In light of the rising inflation and increasing cost of living, the MEA supports HB 28.

Don Judge, Montana State AFL-CIO, presented written testimony in support of HB 28. (Exhibit 7)

Jim Smith, Human Resource Development Council, Helena, MT, stated support of HB 28.

Ray Doolittle stated the minimum wage should be raised because it is morally degrading for a person to work a minimum wage job, and still has to receive food stamps to supplement the income. If the minimum wage was raised, a person, like myself, would not have to get food stamps and could have self dignity. Possibly, a person could find a better job, one that pays more than minimum wage. Mr. Doolittle urged passage of HB 28 to help give people self respect.

Bob Heiser, UFCW, stated support for HB 28.

Linda Miller, Missoula, stated she has lived on her own since she was sixteen years old, and she knows what it is like to go hungry while working three minimum wage job. She was paid the sub-minimum wage, at one time, because she was 16 years old. People are victims of circumstance.

Doris Blazicevich, Great Falls, MT, presented written testimony in favor of HB 28. (Exhibit 7A)

Albert Boyle, 25 E. Granite, Butte, MT; Patty Doolittle, 104 W. Granite, Apartment 3B, Butte, MT; Harvey Linet, Butte, MT; Dick Morgan, Butte, MT; James Cortez, Butte, MT; and Lois M. Dusand, Butte, MT, offered written support of HB 28.
(Exhibit 7B)

Senator Lynch requested Senator Aklestad to allow anyone who supported HB 28 to stand. Senator Aklestad granted the request.

List of Testifying Opponents and What Group They Represent:

Jim Tutwiler, Helena, MT, representing the Montana Chamber of Commerce.

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Roger Koopman, Bozeman, MT, representing Career Concepts.

Bob Davies, Bozeman, MT, representing the Montana Forum.

Larry McRae, Kalispell, MT, representing the Outlaw Inn.

Brian Harlin, Bozeman, MT, representing the Bozeman Chamber of Commerce.

Riely Johnson, Helena, MT, representing the National Federation of Independent Business.

Bob Morawic, Missoula, MT, representing the Missoula Chamber of Commerce.

Walt Dupea, Bigfork, MT, representing the Bigfork Legislative Support Committee.

Valerie Larson, Bozeman, MT representing the Montana Farm Bureau Federation.

Charles Brooks, Helena, MT, representing the Montana Retail Association.

John Rex, representing himself.

Kim Enkerud, representing the Montana Stockgrowers Association, Montana Cattlemen and Montana Association of State Grazing Districts.

Brian Harlum, Missoula, MT, Representing the Missoula Chamber of Commerce.

Testimony:

Jim Tutwiler, Montana Chamber of Commerce, Helena, MT, presented written testimony in opposition to HB 48.
(Exhibit 8)

Roger Koopman, Bozeman, MT, Career Concepts, submitted written testimony in opposition to HB 28. (Exhibit 9)

Bob Davies, Bozeman, Montana, Montana Forum, presented written testimony in opposition to HB 28. (Exhibit 10)

Larry McRae, Outlaw Inn, Kalispell, MT, stated opposition of HB 28. Mr. McRae stated people working within the hotel-motel industry are provided the opportunity to learn marketable skills. These people

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will qualify for higher paying positions. McRae stated it is certain that a new federal minimum wage law is going to be enacted. The legislation could raise the minimum wage to \$3.75 or \$3.85 in January of 1990; \$4.00 in 1991; and as high as \$4.65 in 1992. The federal government may also promote a training wage, which would be at a lower level. HB 28 calls for \$3.75 on July 1, 1989, six months before the federal law goes into effect. Federal law allows for tipped credit, which Montana does not recognize. Mr. McRae is concerned with the ripple effect and further federal considerations. McRae urged passage of HB 28.

Brian Harlin, Associated Students of MSU, Bozeman, MT, representing the Bozeman Chamber of Commerce, presented written testimony from Laurie Shadoan. (Exhibit 11)

Riely Johnson, Helena, MT, National Federation of Independent Business, submitted written testimony in opposition to HB 28. Johnson stated, according to the proposed legislation, Montana employers will not be allowed to take advantage of federal training wage. HB 28 states the training wage will be \$4.00, while the other states will have a \$3.35 or \$3.50 training wage. Johnson urged defeat of HB 28. (Exhibit 12)

Bob Morawic, Missoula, MT, Missoula Chamber of Commerce, urged defeat of HB 28. Morawic stated he was surprised Idaho, Wyoming and North and South Dakota did not actively lobby Montana Legislators to raise the minimum wage because if Montana raises the minimum wage, Montanans will migrate to other states. The U of M students endorse HB 28. The state receives a certain amount of work study money. If the state raises the minimum wage by 30%, the amount the state gives the work study program will be reduced by 30% per hour. The state will either have to give more money for work study, or there will be 30% less hours worked by university students. The newspaper, Corporate Enterprise Development Incorporated, a Washington D. C. based business firm, graded the states according to business climates. Montana received D's and C's in every category except for the "Concerns of Workers" category. The report stated the workers in the state were the most educated and motivated in the country. Mr. Morawic stated high technology companies from other areas should be flocking to Montana in order to take advantage of the higher than average unemployment ratios and the high (high school and college) graduations ratios, but this is not the case. The problem is due to extremely high property taxes and personal taxes, as well as Workers' Compensation problems. The Missoula Chamber of Commerce feels if the legislature raises the minimum wage before the federal government raises the minimum wage, Montana will add another nail to the Montana business coffin.

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Walt Dupea, Bigfork Legislative Support Committee, Bigfork, MT, presented written testimony in opposition to HB 28.
(Exhibit 13)

Valerie Larson, Montana Farm Bureau Federation, Bozeman, Montana, submitted written testimony in opposition to HB 28.
(Exhibit 14)

Charles Brooks, Helena, MT, Montana Retail Association, submitted written testimony in opposition to HB 28.
(Exhibit 15)

John Rex, representing himself, stood in opposition to HB 28.

Kim Enkerud, Montana Stockgrowers Association, Montana Cattlewomen, and Montana Association of State Grazing Districts, presented written testimony against HB 28.
(Exhibit 16)

Brian Harlum, Missoula, MT, Missoula Chamber of Commerce, urged defeat of HB 28.

Questions From Committee Members:

Senator Lynch asked Bob Morawic where he got the 30% figure. Senator Lynch asked Morawic if 19% is correct figure that should have been quoted. Morawic stated the 19% figure is correct.

Senator Lynch told Mr. Brooks he does not think the Chamber of Commerce represents the same people Mr. Brooks represents. When it comes to making a choice between big corporations and the main street businesses, the Chamber will choose big corporations. The chamber continues the practice. Senator Lynch asked Mr. Brooks to have the members of his organization put signs in their shops saying "We do not support raising the minimum wage." Mr. Brooks stated the Board will have to be responsible for making the decision to put up signs. Mr. Brooks stated the minimum wage is an economic reality. The testimony he presented has been documented because the Retail Merchants are a supplier of job to entry levels. As a former retailer with 15 years of experience, Mr. Brooks stated he cut these types of jobs every time the chance arose.

Senator Devlin asked Representative Harrington how he figured the Agricultural amounts presented in the bill. Representative Harrington stated the last time the minimum wage was raised in 1966, agriculture did not raise their wages. The raise actually falls behind the \$3.35 because the amount was not raised in 1966.

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Forty percent of the total is taken out in room and board.

Senator Keating asked if the nursing homes obtained most of their funding from Medicaid and OJT's. Yes. Senator Keating stated the Human Resources Subcommittee raised the wages of the "hands on minimum wage people" by 11%. The House Appropriation Committee cut the raise, which was a tax payer raise. Senator Keating wanted the public to be aware of the appropriation cut. According to a nursing home lobbyist, the two percent cut was mandated by the federal government. The issue was about nurses aides, dealing with July 1st certification and costs.

Senator Keating asked Toni Niklas who is going to pay the additional costs for the teacher's aides. Senator Keating asked if the tax payers and property owners pay for the state's education. Ms Niklas stated, actually, nobody is paying for education in the state right now. Senator Keating stated if the state raises the minimum wage, the state must raise taxes to pay for the additional school costs. Niklas agreed.

Senator Lynch asked Representative Harrington if the HB 28 was a party line vote in the House. The vote was 66 in favor of HB 28.

Senator Blaylock asked Larry McRae if he is paying more than the minimum wage at the Kalispell's Outlaw Inn. Senator Blaylock said he does not understand why the Outlaw Inn stands in opposition to HB 28. McRae stated the fear is caused by the ripple effect.

Senator Lynch asked Mr. Koopman a question about the statement Koopman made while testifying. Senator Lynch quoted Mr. Koopman's statement: "People would draw more dignity drawing welfare." Senator Lynch commented whoever thought people would gather dignity by collecting welfare. Mr. Koopman stated he has read articles that address the concept of people gather dignity by collecting welfare checks. Senator Lynch asked Mr. Koopman if he received the same impression from the testimony hear today. Mr. Koopman said no.

Senator Keating asked Riely Johnson if he has any figures concerning how many start ups and how many failures small business had in Montana in 1989. Mr. Johnson stated he currently does not have the information.

Closing by Sponsor:

Representative Harrington stated the Chamber of Congress has great opposition to any increases in minimum wage levels. One of the witnesses stated something about an ego trip the legislators go on when they come to town. Representative Harrington stated

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Legislators come to represent their constituency. People have to be represented. The free market will not take care of the situation. The free market will not solve the problems. Fair Labor Standards and the eight hour work law came about because people needed to be represented. The goals were not completed due to the benevolence of certain people. People had to have representation. Representative Harrington stated perhaps no one in the audience or on the committee can state \$3.35 is a living wage. Only 14% of the people on Minimum wage are teenagers. Representative Harrington urged passage of HB 28 for the good of Montana.

DISPOSITION OF HOUSE BILL 529

Discussion:

Tom Gomez explained the amendments were requested by the sponsor. The amendments are technical, except for amendment number five. Amendment five inserts: "and including a follow-up 6 months after the original job placement". Mr. Gomez read the bill with the proposed amendments.

Amendments and Votes:

Senator Keating moved the amendments. Senator Keating asked if the statement of intent is required. Senator Keating stated the bill has a statement of intent, but is it required. If the statement of intent has to be attached, it will take a 2/3 committee vote to attach the statement of intent to the bill. Senator Aklestad stated it will take a simple majority.

Senator Blaylock asked what does the bill do. The coordination clause is attached to practically every bill, and gives the governor the right make the legislation fit together. Ms Mohr stated the department did not have anything to do with the drafting of the bill.

Senator Lynch stated Senator Keating is correct. The statement of intent cannot accompany any bill that does not statutorily require one, unless the standing committee or the committee of the whole, or conference committee agree by 2/3 vote to attach the statement. Gomez stated the bill was drafted with a statement of intent in it. The statement of intent was not attached to it, but part of the draft that changes the legislative council rules. The bill also had a statement of intent put in it. It was put in specifically because of the private industry council, the entity that will develop the performance standards, The private industry council is not a creature of "government". The statement of intent was intended to provide a statement of the sponsor's intent, with

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legislature concurrence concerning how the private industry council will develop performance standards. The standards are required in section 7 and 8 of the bill. The bill passed out of the House with the statement of intent contained in the bill. Senator Lynch said the statement of intent can not be attached by the legislative council.

Senator Keating questioned the amendments proposed, asking if they are proper. Yes. Senator Lynch stated he felt the committee should go to the Rules Committee. Senator Aklestad stated the committee will handle the bill with the provision that the statement of intent is on the bill, as is. The bill can be amended at this time by a simple majority.

Senator Lynch asked about the amendment of page 3, line nine. The amendment does not read very well. A follow-up is mentioned twice. Gomez stated the intent is to have a follow-up six months after the follow-up, which is required in the Federal Performance Standards' thirteen week follow-up. The reason for the subsequent follow up is to determine whether or not people are being retained in employment on a long term basis. Thus, necessitating the call for a second follow-up. The provision needs to be included, and the sponsor, Boharski, requested the amendment.

Senator Aklestad asked how the follow-up pin points the individual. Will social security numbers be used. Gomez stated the follow-up will be based on whatever methods the private industry councils determines best. Senator Hofman agreed the amendment is not written well.

Recommendation and Vote:

Senator Lynch made a substitute motion to lay HB 529 on the table. Senator Lynch stated the governor has been given the authority to review legislation. The bill only adds confusion to the process. A roll call vote was taken. The motion passed. Senators Lynch, Pipinich, Nathe, Manning, and Blaylock voted YES. Senators Keating, Hofman, Devlin and Aklestad voted NO.

DISPOSITION OF HOUSE BILL 700

Amendments and Votes:

Senator Lynch moved to amend HB 700 by adding a severability clause. Senator Keating asked why the severability clause was not included in the first place. Senator Lynch stated severability protects integrity. The motion carried unanimously.

Senator Blaylock stated he was prepared to offer amendment to limit

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the bill to combat veterans, but he was present with another amendment, which leaves the act pretty much as it is. The amendment extends the present law for another ten years so those veteran who served during war time can have an extension. The amendment will not include all the people who are presently serving in the armed forces. Those, who were exempt, will stay exempt. Page 16, section 1 will be amended to read: The duration of the preference is subject to 39-32-02, and it defines a handicapped person. The main thrust of the bill is add ten more years.

Senator Keating asked if the soldiers seeing current action, such as Iran, will be covered. No.

Senator Lynch stated he would support the veteran bill without amendments. The changes in the law are not absolute. Today, the service jobs are prime jobs. The jobs are advertized, and the soldiers are able to obtain \$10,000 to \$12,000 per year towards college education. After discharge, the veteran has a full college ride, skills learned in the service, and every opportunity to gain new skills. Senator Blaylock stated the amendment is reasonable.

Senator Pipinich wondered how many body bags have been brought back to the United States. It is a staggering number. Any military person going overseas, the way the world is, takes their life in their own hands. We must support the people who are supporting us. Senator Pipinich stated he will vote for HB 28 without amendment.

Senator Aklestad asked Senator Blaylock if he would be willing to amend the bill to include Grenada veterans and others who have seen recent action. Senator Blaylock stated he would be willing to include Grenada, Lebanon, and any other pertinent area.

Senator Keating asked Mr. Strand to comment. The present law covers people who have been involved in recent action, such as Vietnam veterans and those who obtained campaign ribbons. The armed services designates areas. These areas are covered.

Mr. Antonietti stated the mayor of Miles City lost his boy a year and one half ago. Mr. Grutkowski, a young man who served his country didn't get into combat or the Persian Gulf, but lost his life on a training mission. He was one of many, and he is not covered. Those who serve and are on training missions, protective dispatch, are there to protect the United States and keep us out of war. HB 700 includes this situation.

A roll call vote was taken. Senators Hofman, Blaylock and Aklestad voted YES. Senators Keating Lynch, Devlin, Pipinich, Nathe, Manning voted NO.

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Recommendation and Vote:

Senator Lynch moved BE CONCURRED IN AS AMENDED. A roll call voted was taken. Senators Keating, Lynch, Devlin, Pipinich, Nathe, and Manning voted YES. Senators Hofman, Blaylock, and Aklestad voted NO.

DISPOSITION OF HOUSE BILL 710

Amendments and Votes:

Senator Blaylock stated the amendment moves item C to item G. The motion passed, with Senator Aklestad voting NO.

Recommendation and Vote:

Senator Manning moved BE CONCURRED IN AS AMENDED. The amendment will take the bill back to what the bill was before. (Senate bill 315 of Last Session)

Senator Manning withdrew the motion.

Senator Lynch stated Senator Blaylock effectively amended the bill. It is only right to give Senator Blaylock's amendment a fair consideration with the present law. Senator Lynch suggested someone who will be against the law should offered language on page two. Senator Lynch stated he did not want to lose the bill, and suggested the opposition should consider the suggested language. The people are concerned about the new language, and are concerned about what the individual is capable of earning. Senator Keating stated the language must come out in several area, including the title. Option C was the main problem of getting people back to work in a place that was identifiable to their skills, etc. The integrity of the bill is intact.

Senator Aklestad stated he does not want the committee to be misled. The amendment changes the bill. Senator Keating stated, in talking with the private carriers, the indication is in many cases, the private carriers do not stop at C, but even go, in some cases, into long-term retraining programs. On the job training is also common. If the temptation is to stop at C on some, particularly on the bureau and not in the private sector, then, in all fairness, it may work better to make this change and allow the other options to occur first before getting to C. In this manner, rehabilitation may be improved. In practice, the privates are doing this anyway. They are going to D and E in come cases.

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The motion passed. Senator Lynch and Aklestad voted NO.


Recommendation and Vote:

Senator Manning made the motion to BE CONCURRED IN, AS AMENDED.

The motion passed, with Senator Aklestad voted NO. Senator Blaylock will carry SB 710

ADJOURNMENT

Adjournment At: The meeting was adjourned at 2:36 p.m.



Senator Gary C. Aklestad, Chairman

GCA/mfe

Minutes.321

ROLL CALL

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: March 21, 1989

	PRESENT	ABSENT	EXCUSED
SENATOR TOM KEATING	X		
SENATOR SAM HOFMAN	X		
SENATOR J.D. LYNCH	X		
SENATOR GERRY DEVLIN	X		
SENATOR BOB PIPINICH	X		
SENATOR DENNIS NATHE	X		
SENATOR RICHARD MANNING	X		
SENATOR CHET BLAYLOCK	X		
SENATOR GARY AKLESTAD	X		

SENATE STANDING COMMITTEE REPORT

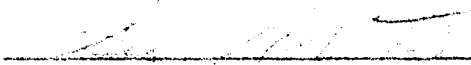
March 23, 1989

MR. PRESIDENT:

We, your committee on Labor and Employment Relations, having had under consideration HB 529 (third reading copy -- blue), respectfully report that HB 529 be concurred in.

Sponsor: Boharski (Keating)

BE CONCURRED IN

Signed: 
Gary C. Aklestad, Chairman

4/1 C 315
3/23/89
10:11
SCRHB529.323

SENATE STANDING COMMITTEE REPORT

March 23, 1989

MR. PRESIDENT:

We, your committee on Labor and Employment Relations, having had under consideration HB 700 (third reading copy -- blue), respectfully report that HB 700 be amended and as so amended be concurred in:

Sponsor: Pavlovich (Nathe)

1. Page 22.

Following: line 3

Insert: "NEW SECTION. Section 18. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications."

AND AS AMENDED BE CONCURRED IN

Signed: _____

Gary C. Aklestad, Chairman

Statement of Intent adopted.

G.C.
3/23/89
10:00 AM

SENATE STANDING COMMITTEE REPORT

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March 23, 1989

MR. PRESIDENT:

We, your committee on Labor and Employment Relations, having had under consideration HB 710 (third reading copy -- blue), respectfully report that HB 710 be amended and as so amended be not concurred in:

Sponsor: Driscoll (Aklestad)

1. Title, lines 4 through 9.
Following: the second "AN ACT" on line 4
Strike: the remainder of line 4 through "INJURY" on line 9
Insert: "TO REVISE THE PRIORITY OF REHABILITATION OPTIONS AVAILABLE TO DISABLED WORKERS UNDER THE WORKERS' COMPENSATION ACT"
2. Page 2, line 12.
Strike: "i"
3. Page 2, line 13.
Strike: "(a)"
Following: "work"
Strike: "; and"
Insert: "."
4. Page 2, lines 14 through 17.
Strike: subsection (b) in its entirety
5. Page 3, line 12.
Strike: "i"
6. Page 3, line 13.
Strike: "(a)"
Following: "work"
Insert: "."
7. Page 3, lines 14 and 15.
Strike: "; and"
8. Page 3, lines 16 through 19.
Strike: subsection (b) in its entirety
9. Page 3, lines 24 through 25.
Strike: subsection (c) in its entirety
Re-number: subsequent subsections

10. Page 4, line 5.
Strike: "or"

11. Page 4, line 6.
Strike: "."
Insert: "; or"

12. Page 4, line 7.
Following: line 6
Insert: "(g) return to a related occupation suited to the claimant's education and marketable skills."

13. Page 4, lines 11 through 15.
Strike: subsection (4) in its entirety

14. Page 5, line 9.
Strike: "39-71-1012(2)(e)"
Insert: "39-71-1012(2)(d)"

15. Page 5, line 10.
Strike: "(2)(f)"
Insert: "(2)(e)"

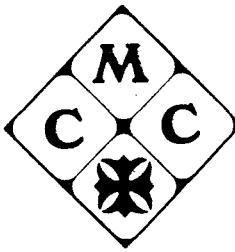
16. Page 5, line 22.
Strike: "(2)(c)"
Insert: "(2)(g)"

17. Page 6, line 7.
Strike: "39-71-1012(2)(d)"
Insert: "39-71-1012(2)(c)"
Strike: "(2)(f)"
Insert: "(2)(e)"

AND AS AMENDED BE NOT CONCURRED IN

Signed: 
Gary C. Aklestad, Chairman

4/10/13
3/17/13
O. Y. M.



Montana Catholic Conference

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 1 page 1 of 1

DATE March 21, 1989

BILL NO. HB 28

March 21, 1989

CHAIRMAN AKLESTAD AND THE SENATE LABOR COMMITTEE

I am John Ortwein, Director of the Montana Catholic Conference. The Catholic Conference serves as the liaison between the two Roman Catholic Bishops of the State in matters of public policy.

The Montana Catholic Conference supports the efforts to raise the minimum wage. Specifically we urge your support for HB 28.

Since the minimum wage was established by the Fair Labor Standards Act of 1938, it has reflected a general social and moral conviction that there should be a floor beneath which wages should not be able to fall. The original idea was to set a minimum somewhat resembling a living wage. It was thought that such a wage was slightly more than half the average wage in the private sector. As the average wage level rose, it was expected that the minimum would go up accordingly.

Such is not the case now. The present minimum wage standard of \$3.35 per hour has not changed since 1981. In that time its purchasing power has been reduced by more than 25% as a result of inflation. Currently the minimum wage is at its lowest point in history: Until 1980, the minimum wage earnings of full-time workers hovered around the poverty line for a family of three. Presently if a person works 40 hours a week at the minimum wage, he or she would earn less than \$7000, which is 79.8% of the poverty level for a family of three and 62.2% of the poverty level for a family of four.

We urge you to pass HB 28. Restore dignity to the low wage earner. Raise the minimum wage.



Dear Senators,
My name is Cindy Erickson
I work for the Radisson
at the Hotel in Billings Mont. as
a waitress. I make a dinner
minimum wage and I do
not receive more benefits than most
people being as I work in a union
job. However I work hard at
my job, but the majority of my
income is from tips. My average
check is about \$6.00 every
week. I don't feel the
survival of my family should
depend on the generosity of my
patrons. I am a single parent
with three children and I
cannot make enough in wages to
meet my families basic needs. It
is hard for me to make it with
out a union contract it must

be next to impossible for a person
who works for straight minimum
wages. I urge you, Senators, to
rectify this injustice. A person
working ~~for~~ living in a single in-
come family must still pay rent,
food, utilities, clothing and daycare

Thank you for your time.

Sincerely Yours

Cindy Erickson
940 N. 30th
Billings, MT. 59101



Associated Students
University of Montana

Room 105
University Center

Missoula, MT 59812
(406) 243-2451

Senate Labor and Employment Relations Committee

House Bill 28 - Rep. Harrington

Hearing: March 21, 1989, Room 413-4

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 3 page of 2

DATE 3-21-89

BILL NO. HB 28

Mr. chairman and members of the committee, good afternoon. For the record, my name is Mike Craig, and I represent the Associated Students of the University of Montana.

ASUM supports HB 28 because many college students work for rates at or near the minimum wage. There are approximately 3000 students employed in work study and non-work study positions on or near the UM campus. More than one half of those positions would be favorably affected from this proposal. It is estimated that the total cost to the University System would range from a three to seven percent increase in student employee wages.

There is no current method of determining how many students work in other jobs not affiliated to the University or how much they are making. We believe it is safe to say that the number of students working in the growing service sector is substantial and that most of them are working for wages at or near the present minimum wage.

University students are now faced with a new 14 percent increase in their tuition. Students know that they have to contribute more in order to help the state pay for increases in University System funding. Obviously, 14 percent is not a welcome increase, but students are prepared to pay more.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 3 page 2 of 2
DATE 3-21-59
BILL NO. HB 28

ASUM supports this proposal so that working students can partially defray those tuition increases, and thus, minimize their impact on students. Additionally, working students may be able to better meet their educational costs without having to resort to more and larger loans.

We strongly encourage your favorable consideration of House Bill 28. Mr. chairman and members of the committee, thank you.

Testimony in Support of HB 28.
Senate Labor Committee
March 21, 1988

The most compelling reason for raising the minimum wage is poverty.

FEMINIZATION AND JUVENILIZATION OF POVERTY

Poverty is closely related to sex and family structure.

In the 1970s the number of families headed by women doubled and the number of never-married mothers tripled.

Some 40% of the nation's under-eighteen population will spend at least part of their growing up in single parent families.

Because poverty is closely related to family structure, more than half of those families will be poor.

Women and children are disproportionately represented among the poor.

* 34% of female headed households have income below the poverty line, compared to 11.45% of male-headed households. A ratio of 3 to 1.

* In 1986 female headed families accounted for more than one-half of all impoverished families.

* Nationwide, at least seven million children of single parents live below the poverty line.

* In 1986, 20.5% of all children lived below the poverty line. 22.1% of all children under the age of six were poor.

MINIMUM WAGE AND POVERTY

Nationally, 6.7 million workers are paid the minimum wage of \$3.35 per hour or less, yet their annual incomes no longer keep their families above the official poverty threshold.

An additional 11.5 million workers who earn between \$3.35-\$4.50 per hour hover near poverty.

WOMEN WORK AT MINIMUM WAGE

Nationally, sixty-three percent of all minimum wage workers are women. (Thirty-one percent are teenagers.) Six hundred thousand women work at minimum wage and are heads of families.

In Montana, sixty percent of all women work at minimum wage.

The largest growth sectors in our state's economy are retail and service industries, which is where most of the minimum wage jobs are and where most women toil.

The figures for the 1987 federal poverty index are:

Household Size	Annual Income
1	\$5,770
2	\$7,730
3	\$9,690
4	\$11,650

Translated into the number of hours a person must work to achieve poverty level, at the current minimum wage of \$3.35, that means that a single person must work approximately 1,722 hours per year and heads of households supporting one to three children, would have to work 2,307, 2893 and 3,478 hours per year, respectively, to reach poverty level. And that assumes that a person can work fifty-two weeks per year.

Considering recent employment statistics in Montana, that is an improbable, if not impossible, assignment.

Sixteen percent of Montana workers, or sixty thousand people, work at or near the minimum wage of \$3.35 per hour. The current average workweek for service and retail sectors, where most minimum wage jobs are found, is 29 hours, that translates into an annual income of \$5,051. For single heads of households, the unavoidable result is poverty.

For a married couple, supporting a family via retail or service sector minimum wage jobs, they still don't earn enough to reach poverty level for a family of four. And that is using 1987 poverty index figures. Estimates of the rate of inflation in 1988 are near 4 percent, so you can calculate for yourselves what effect that has on the purchasing power of minimum wage earners.

Based on the projected 1988 poverty index, the current estimate of the hourly wage equivalent necessary to sustain a family of four is \$5.80.

We are arguing in support of liveable wages--\$3.35 per hour is not a liveable wage. When the Montana Women's Lobbyist Fund formed in 1982, increasing the minimum wage was a top priority. We spearheaded efforts in 1983 and 1985 to increase the minimum wage to \$3.35/hour. The latter effort was successful.

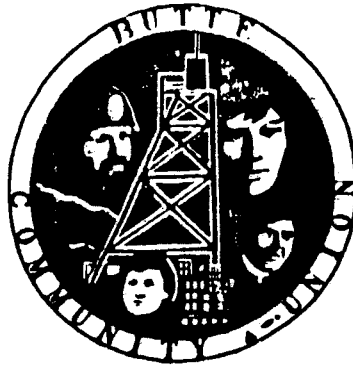
We again seek success in our endeavors before your committee.

Montana Women's Lobby supports a comprehensive agenda in this legislature to to improve the living standard of women and children in this state. Raising the minimum wage is a necessary component. The combination of an increased minimum wage, transitional childcare and medicaid assistance programs for women leaving ADFC and strengthening of child support laws and their enforcement all go hand-in hand.

To the extent that the current minimum wage is not a liveable wage, taxpayers are subsidizing business in Montana, because the State picks up the difference in assistance programs.

We urge your support of HB28.

Brenda Nordlund, Lobbyist, Montana Women's Lobby.



Butte Community Union
P.O. Box 724
(Telephone: 782-0670)
Butte, MT 59703

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 5 page 1 of 1

DATE March 21, 1989

BILL NO. HB 28

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

We support House Bill 28.

The minimum wage of 3.35 has been in effect at the Federal level since 1981. The Consumer Price Index has increased 43.6% since then. We received this from C.P.I. Information yesterday, (3-20-89). This has decreased the 6968.00 yearly wage at minimum to a purchasing power in 1989 of 3741.82. Does anyone seriously think a family of 2 or 3 can make it on that pay, let alone contribute anything to the economy?

(W.I.N.G.S.) Womens' International News Gathering Service, reported on Sunday, (3-19-89), that 70% of all minimum wage earners are Women. We have not been able to find out how many are single parents. Not raising the minimum wage condemns these women and their Children to a life of poverty. It borders on the obscene for a nation that prides itself on the accessibility of a relatively high standard of living, to allow this to continue. ~~THIS BILL WILL HELP BREAK THE CYCLE OF POVERTY.~~

It makes good business sense to pay above poverty level wages. The Crybabies who whine that raising the minimum wage will have a negative impact on the economy, (by adding to inflation and unemployment), simply ignore the evidence.

This Nation has raised it's minimum wage for those employees engaged in businesses affected by Federal Standards six times. There has not been one shred of evidence in all that time which points to significant employment and business disruption, concludes a recent study by Congress. In fact it generally has had the opposite effect.

THANK YOU

MARCH 21, 1989

TESTIMONY IN SUPPORT OF HOUSE BILL 28

We are tempted to come before this committee and to urge support for this bill on the grounds that not to do so would be mean spirited and short sighted. However, on reflecting on the testimony against this bill in the House I was struck by the opponets sincerity about what they believed to be the truth. I was also struck by the realization that these sincere people deeply believe in a myth. That myth is the belief that if you hold down wages, offer tax breaks to business, and property tax relief to business that you will see a startling growth in new businesses and along with them good paying jobs. Mr. Chairman and members of the committee, we believe this is a fairy tale. The attack on organized labor resulting in give backs and wage reductions has not created new jobs, nor has it made American corporations and businesses more competitive. It has merely resulted in lower standards of living for the middle class professionals and working people in general. We have had and heard enough of this supply side economic myth.

Mr. Chairman and members of the Committee we urge you to support House Bill 28 because an increase in the minimum wage would quite simply be good for Montana. We believe that an increase in wages causes a multiplier effect. Those whose wages increase spend more of their earnings on basic survival, and since here in Montana our per capita income is one of the lowest in the nation, that is exactly what would happen. When wage earners spend increased income on basic goods that benefits local businesses which then can compensate their employees at an increased salary or expend their work force which again increases their expenditures. These expenditures stay in Montana. The bottom line is that the more money working people have, the more Montana's economy expands. This is what all the work and trade that Montana does.

Joseph P. ...
 Montana Rainbow Coalition
 EC B. Rodney
 Helena Mt.



Box 1176, Helena, Montana

JAMES W. MURRY
EXECUTIVE SECRETARY

ZIP CODE 59624
406/442-1708

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 7 page left

DATE March 21, 1989

BILL NO. HB 28

TESTIMONY OF DON JUDGE BEFORE THE SENATE LABOR AND EMPLOYMENT RELATIONS
COMMITTEE ON HOUSE BILL 28, MARCH 21, 1989

Mr. Chairman, for the record, my name is Don Judge and I represent the Montana State AFL-CIO. I'm here today to testify in support of House Bill 28.

This bill would provide for a two step increase in our state minimum wage, \$.40 on July 1, 1989 and \$.25 on October 1, 1990, resulting in an overall total increase of \$.65 over a two year period.

This 65-cent increase in the minimum wage works out roughly to a 19.5 percent increase in the current rate of \$3.35 an hour, which took effect in 1986. Although that may look like a hefty increase, let's compare it to the inflation rate since 1986.

According to the Montana Department of Labor and Industry, inflation ran at 3.6 percent in 1987 and 4.1 percent in 1988. That's 7.7 percent. And according to the U.S. Department of Labor's recent announcements, inflation this year is running at a 12.4 percent rate. That's a total of 20.1 percent for inflation compared to a 19.5 percent increase in the minimum wage as proposed in HB 28.

What this tells you is that, if HB 28 passes, workers won't be getting an increase in their spendable income -- they'll just be getting a cost-of-living adjustment that maintains their income at 1986 levels.

Without House Bill 28, the effect of what the U.S. Department of Labor projects to be 12.4 percent inflation this year on top of increases since 1986 will be devastating. People who work at minimum wage will simply have to learn to get along on less. And that translates into less spending at the grocery store, at the clothing store, in restaurants, and all up and down Montana's main streets.

For most minimum-wage workers, about the only chance they have for an occasional pay raise is a statutory increase in minimum wage rates. People working at the minimum wage generally receive no benefits such as health care, sick leave or vacation leave. They often deal with irregular, patchwork schedules and have little, if any, hope of advancement.

Minimum-wage workers are basically the working poor. Using federal poverty guidelines, full-time minimum wage work leaves you \$2,500 below the poverty level for a family of three, and \$4,500 below it for a family of four. And since most of the jobs offered at the minimum wage are part-time, you have to hold down two jobs just to get up to the poverty level. We're not talking



about a few Montanans here and there, either: Approximately 16 percent of all Montanans earn at or near the minimum wage.

When employers pay the minimum wage, they're essentially receiving a government subsidy for their payrolls. Low-income workers can qualify, depending on their circumstances, for a wide variety of government welfare and public assistance benefits. Those are provided because their incomes are so low as to bar their access to a decent standard of living or quality of life for themselves and their families.

When employers pay the minimum wage, they are essentially shifting the cost of paying fair wages on to the local, state and federal governments, which must pick up the slack and help these people obtain at least some semblance of a decent existence. This indirect government subsidies to business is one of the most massive shifting of burdens that happens in our economy. And yet we'll often find the beneficiaries of this subsidy -- the employers -- complaining about the number of people on the welfare rolls and the burden that places on the taxpayers.

That brings me around to one final thought. I'm not sure who said this first, but I'm inclined to believe it has merit: "We don't need more taxes, we just need more taxpayers." If some employers paid better wages, there would automatically be more taxpayers. As it is, minimum wage workers generally don't pay taxes because they earn so little.

We believe that increasing the minimum wage will help low-income workers recover some of what they've lost and likely will lose to inflation, will stimulate Main Street business activity through increased consumer spending, will add wage-earners to the tax rolls and will reduce the demand on public assistance.

We urge you to oppose any attempts to alter this important piece of legislation for workers by amending the bill to include a subminimum wage, to reduce the increases, to delay the effective dates or to alter state law relating to tips. We ask you to support House Bill 28.

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 7 page 2 of 2

DATE March 21, 1989

BILL NO. HB 28

1512 9th Ave. South
Great Falls, MT 59405
March 20, 1989

Dear Senator,

I am writing to urge you to vote for a considerable raise in the state minimum wage. As a taxpayer and a concerned citizen, I am worried about the thousands of working poor.

There is no way that a wage-earner can support a family at \$3.35 an hour, even when working full-time. A single person is living at poverty level when earning the minimum wage. How much worse it must be for the head of a household.

This is the time to give workers the dignity of a living wage. Please consider their needs when voting on this bill. Thank you for listening to the appeals of your constituents.

Sincerely yours,

Doris Blazicevich

Doris Blazicevich

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 7A page 1/51

DATE 3/21/89

BILL NO. HB 28

UNTIL 1980 I WAS ACTIVELY EMPLOYED AS AN OWNER OF A BAR/RESTAURANT IN MISSOULA. PRIOR TO THAT MY PARTNERS & MYSELF OWNED & OPERATED SEVERAL BARS/RESTAURANTS IN THE DENVER, COLO. AREA.

IN ALL OF THESE PLACES, WHICH WERE COVERED UNDER UNION CONTRACTS, WE PAID OVER SCALE (UNION) & CONSIDERABLY OVER MINIMUM WAGE.

IN MISSOULA, WHILE WORKING AS A COUNSELOR FOR THE LIFE SKILLS TRAINING CENTER, FORT MISSOULA, I FOUND THAT, NOT ONLY WAS THE MINIMUM WAGE NOT ~~ENOUGH~~ ENOUGH TO SUPPORT ONE (1) PERSON, THE CLIENTS WERE NOT ABLE TO SAVE ENOUGH MONEY IN SIX (6) MONTHS TO HAVE THE ~~ENOUGH~~ TOTAL AMOUNT OF MONEY NEEDED FOR INDEPENDENT LIVING FOR A PERIOD OF TWO (2) MONTHS.

SINCE I AM A DISABLED VETERAN, I AM VERY FAMILIAR WITH C.O.L.A. RAISES IN THE PAST TEN (10) YEARS & HAVE FOUND THAT C.O.L.A. HAS NOT KEPT UP WITH INFLATION.

I HAVE ALSO FOUND THAT GIVING A PERSON LIVING WAGE ENSURES JOB PERFORMANCE, LOYALTY, & LONGEVITY. ALSO, IT DISCOURAGES THEFT, ABSENCE, EMPLOYEES & FAMILY RELATED PROBLEMS.

THANK YOU,
ALBERT BOYLE
35 E. GRANITE

MR. Chairman and members of the

Minimum wage should be raised because its hard to live off of, when inflation keeps increasing and wages don't. People usually work very hard and they deserve to have their wages raised.

my name is: Petty Doolittle,

104 W. Granite #3B

Butte, MT 59701

DATE 3/21/89

BILL NO. ~~COMMITTEE~~ HB 28

MR CHAIRMAN + MEMBERS OF THE COMMITTEE

My name is HARVEY LINET

I support House Bill 28.

AN INCREASE in The MINIMUM wage is way overdue. Single men and women have a hard time trying to make ends meet. Families trying to survive on jobs with no benefits at \$3.35 per hour cannot make ends meet.

This raise in wage is the start of allowing some chance for working people to make ends meet.

Thank You,
Harvey E. Linet

Dear Master Chairman and Comunity Members

The present bill is not good enough because it is less than the cost of living the cost of living has gone up three times more than the wage that we are reciving at the present the cost of food and rent takes all of ower hard earned income and you say give them 40% that is taken out in taxes in some states so we are still in poverty with less to spend we need a substancial raise in all aircas as far as familys and cost of living. The present bill 28 is good but we need more just to make ends meet

Thank you
Derek J. Morgan

My name is Jim [unclear]

I am for minimum wage even if
its wather down. We need to start some
point.

I think "Job" and not promt.
I am a laid off copper worker. Have
been working most of my life and pay
taxes. Now need a job ~~that~~ that pays
minimum wage more hours.

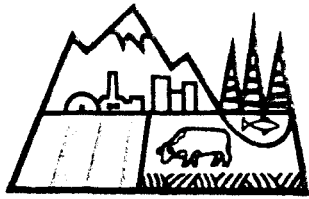
DATE 3/21/89

BILL NO. HB 28

3/21-89

to the Chair men & Committee Members
This is in regards of the minimum wage.
Ok I am one of the people that worked for \$3.35
per hour, let alone a family trying to work for
\$3.35 a hour and try to live on it.
House Bill (28) is disappointing the way the
amendment reads. So please take this under consideration
on the minimum wage, and put it to a suitable
way, where people can live a suitable
life, instead of struggling to try to live
day to day to make ends meet.

Thank you very much
for your time.
Louis M. Lussier



SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 8 page 1 of 20
DATE March 21, 1989
BILL NO. HB 28

MONTANA CHAMBER OF COMMERCE
P. O. BOX 1730 • HELENA, MONTANA 59624 • PHONE 442-2405

TESTIMONY BEFORE THE SENATE LABOR COMMITTEE
ON HOUSE BILL 28

BY THE
MONTANA CHAMBER OF COMMERCE

Mr. Chairman, members of the Committee, I am James Tutwiler of the Montana Chamber of Commerce. On behalf of the membership, businesses all across the state, the Chamber appreciates the opportunity to appear before this committee and to present testimony on proposed increases to Montana's minimum wage.

The bill before you, HB 28, originally contained an indexing provision which would have raised Montana's minimum wage by 41 percent, making it by far the highest minimum wage in the nation. In the bill's present form Montana would in 1989 exceed the federal rate by 12 percent and rank as the eighth highest minimum wage state in the nation. Next year, 1990, we would exceed the current federal rate by 19 percent and find we have the second highest minimum wage in the country.

In looking at such increases we have to ask this question. Is Montana's economy so robust as to warrant raising labor costs above those prevailing in most other sectors of the nation's economy? The answer is no. In fact, given the state of Montana's economy, any increase in the minimum wage at this

time raises serious concerns.

RIPPLE EFFECT If you raise the minimum wage, you will surely raise those wages existing above the minimum wage level. This increase, or rippling effect, occurs because historically employers are compelled to adjust up-ward the entire hourly wage scale in order to maintain traditional wage differentials between employers. This rippling effect has been well documented. As noted in a recent July 1988 University of Chicago study, a copy of which is included in the handout, raising the minimum wage to \$4.65 per hour will increase a wage of \$4.00 per hour to \$5.15 per hour. A wage of \$6.00 would increase to \$6.37. Since neither the increased minimum wage nor the accompanying "ripple" increase in other wages is the result of increased productivity and sales, the question arises as to how will Montana's employers make up the difference in their payrolls.

LOSS OF JOBS One of the means employers are forced to use in coping with increases in the minimum wage is to reduce the work force. Invariably such job reductions apply to the minimum wage earners, the majority who are younger (under 25 years), less skilled, work part time and do not maintain a family.

We don't know what the exact job loss will be in Montana if this bill under consideration is enacted. We do know the history of HR 1824, a bill recently defeated by the Congress, which would have raised the federal minimum wage to \$4.65 and ultimately to \$5.05 per hour. In addressing this bill, the Congressional Budget office, copy of report included in the handout, estimated the loss of jobs at approximately 250,000 to 500,000 or 0.2 to 0.4 percent of total employment. This projection tracks well

with another study commission by the National Chamber Foundation and conducted by RBM Research. This study concluded that an increase in the federal minimum wage as proposed in HR 1834 would by 1990 cost Montana 2595 jobs.

This analysis of the federal minimum wage clearly sends a warning. If we arbitrarily raise the state's minimum wage, we are going to reduce jobs - particularly for young people just entering the job market.

ECONOMIC GAP Montana's economy currently lags behind the nation's. As of October 88, our average hourly wage was \$8.76. The national average was \$9.45 (Bureau of Statistics, U.S. Department of Labor). Our per capita income for 1987 totaled \$12,347 vs. a national per capita income of \$15,481 for the same period (U.S. Department of Commerce). In sum, our state's economy is not operating on the same plateau as the nation's economy. Under these circumstances, it just doesn't make sense to raise our state minimum wage to approach the levels of a handful of more productive states like California whose state minimum wage exceed the federal rate.

Finally some attention should be given to what is happening to the federal minimum wage in the congress. Currently there are two minimum wage bills pending. It is significant that neither bill would raise the federal minimum wage in 1989. Moreover, the Bush administration has testified as recently as three weeks ago that it will accept no more than a .30 increase in 1990 coupled with a job training wage of 3.35 per hour for six months for all new minimum wage employment. Assuming a federal minimum wage

increase is enacted, passage of the bill before you will place our state's minimum wage out in front of the federal wage for the remainder of 1989 and for a portion of 1990. Keep in mind, too, the federal minimum wage will likely incorporate an increase from 40 to 50 percent in tip credit for wages and a training wage. Neither of these measures is included in HB 28.

In conclusion, raising the state's minimum wage will not do what proponents of the bill want it to do, raise the income of all the state's lower wage earners. Raising the minimum wage will produce an upward spiral of wages currently above the minimum level, produce a loss of jobs in the state at a time when we need to create more jobs and penalize the younger citizens of our state, the majority of whom are part time employees who need to gain work experience.

For these reasons Mr Chairman, members of the Committee, we urge you to reject an increase in Montana's minimum wage as proposed in HB 28.

SENATE LABOR & EMPLOYMENT
EXHIBIT NO. 8 page 4 of 80
DATE 3/21/89
BILL NO. HB 28

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 8 page 5 of 80

DATE 3/21/89

BILL NO. HB 28

THE RIPPLE EFFECT OF THE PROPOSED MINIMUM WAGE INCREASE

by

Ronald Krumm
and
Li-Wei Chao*

July 1988

**The authors are Assistant Professor of Political Economy and Doctoral Student, respectively, in the Committee on Public Policy Studies at the University of Chicago. This study is funded by the Minimum Wage Coalition to Save Jobs.*

The Ripple Effect of Proposed Minimum Wage Increase

EXECUTIVE SUMMARY

This study was conducted to determine the impact of an increase in the minimum wage on individuals earning more than the minimum, on the companies that employ them, and on the American economy as a whole. This study builds upon previous analysis conducted for the Minimum Wage Study Commission appointed by former President Carter.

The study confirms that any enumeration of the costs of a minimum wage increase must include far more than a simple summation of the increased wage bill for minimum wage earners and the concomitant loss of jobs for those workers. Indeed, the adverse impact of a minimum wage increase is felt by workers earning in excess of the new minimum. Known as the *ripple effect*, this cost increase occurs when workers senior to and more experienced than minimum wage workers command higher wages to maintain the prior wage differentials intended to recognize their greater value to the employer. These ripple-induced wage increases are by no means benign. Quite the contrary, since they are unaccompanied by any offsetting increase in productivity that creates the profits necessary to pay the higher wages, they can only result in employment losses in job classifications traditionally compensated at rates higher than the minimum.

The more the minimum wage increases, the greater the number of individuals whose compensation must be adjusted to maintain these wage differentials. The ripple effect, however, has the greatest impact on employees who are closest to the new wage rate. To maintain a wage differential in the face of a minimum wage increase to \$4.65 in 1991 would require that an employer increase the pay of an employee who would otherwise earn \$6.00 an hour to \$6.73. An employee who would earn \$8.00 an hour would receive \$8.35 under

this same scenario. While both of these employees would face a reduced demand for their labor services because of the *ripple*, both the percentage and dollar increases are greater for the less highly paid employee. Accordingly, it is this type of employee who will face the most difficult market for his existing job skills and abilities. At every point in time the production process involves choices between competing technologies -- man vs. machine, as well as advantages between competing locations -- domestically produced for the home and foreign market vs. foreign production for the world market. Ripple-induced increases skew these choices away from domestic employment.

Ripple effect increases occur without any corresponding increase in productivity. Nationally, the ripple effect of raising the minimum wage from \$3.35 to \$4.65 an hour would result in a cumulative rise in U.S. labor costs of 2.11 percent. Based on total wages and salaries of \$2.2933 trillion (seasonally adjusted rate, January 1988), this translates into a more than \$48 billion annual addition to the wage bill of American business. This \$48 billion dollar cost increase with no offsetting productivity increase must manifest itself in higher prices, a worsened international competitiveness, and negative impacts on labor demand and employment. Analysis of the impact of the ripple effect resulting from the 1975-1979 minimum wage increase confirms the ripple effect of minimum wage increases: a 2.3 percent ripple-generated increase in economy-wide labor costs has been documented.

Industries which employ the greatest number of young people (those under 25 years of age) would be most affected by the ripple effect of the proposed minimum wage increase to \$4.65 by 1991 -- their wage bill would increase by more than eight percent.

The results of this study are similar to those reported to the Carter Minimum Wage Study Commission in 1980-1981.

CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

March 25, 1988

1. BILL NUMBER: H.R. 1834

2. BILL TITLE:

Fair Labor Standards Amendments of 1988.

3. BILL STATUS:

As ordered reported by the House Committee on Education and Labor on March 16, 1988.

4. BILL PURPOSE:

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

5. ESTIMATED COST TO THE FEDERAL GOVERNMENT:

(By fiscal years, in millions of dollars)

	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>
Estimated Authorization Level	0	3	13	25	35	30
Estimated Outlays	0	3	13	25	35	30

Basis of Estimate

H.R. 1834 would increase the federal minimum wage in four steps between now and January 1, 1992. The new levels would be \$3.85 per hour for the year beginning January 1, 1989; \$4.25 per hour for the year beginning January 1, 1990; \$4.65 per hour for the year beginning January 1, 1991; and not less than \$5.05 per hour after December 31, 1991.

The Office of Personnel Management estimates that the wage bill for certain support personnel on U.S. military bases would increase by the amounts shown in the table above. Currently these workers are paid at hourly rates between the \$3.35 per hour minimum wage and the minimum wage rates proposed in H.R. 1834.

Increasing the minimum wage could also increase administrative and enforcement caseloads within the Wage and Hours Division of the Employment Standards Administration at the Department of Labor (DOL). While this could result in higher costs to the federal government, H.R. 1834 provides no additional appropriations for this purpose.

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Additional Provisions. Several other amendments to the Fair Labor Standards Act are included in H.R. 1834. The small business exemption would increase from the current level of \$362,500 in annual gross sales to \$500,000. The current tip credit is 40 percent of the applicable minimum wage, or \$1.34 out of \$3.35 per hour in 1988. This tip credit is the maximum amount of tips an employer can use to reduce employee wages, and still be in compliance with minimum wage laws. H.R. 1834 would increase this rate to 45 percent during the year beginning January 1, 1989 and to 50 percent after December 31, 1989. In addition, legislative branch employees (except for Members' personal staffs) would now be covered by the Fair Labor Standards Act. These amendments are estimated to have no cost effect on the unified federal budget.

Effects on the Economy.

Passage of H.R. 1834 may result in changes in macroeconomic variables, particularly in employment levels and the inflation rate. However, because of uncertainty surrounding the overall macroeconomic impact of minimum wage legislation, and uncertainty over future federal monetary policy, this estimate does not take into account federal revenue and outlay effects of these changes.

The Congressional Budget Office (CBO) estimates that the increases in the minimum wage contained in H.R. 1834 could cause the loss of approximately 250,000 to 500,000 jobs, or about 0.2 to 0.4 percent of total employment. In general, the negative impact on employment would be larger in the sectors of the economy and the groups in the labor force with low wage rates. The loss of jobs probably would be minimal in durable goods manufacturing and in metropolitan areas where labor markets are tight and jobs readily available. Among demographic groups, the loss of jobs most likely would be concentrated among youth, and especially among teenagers.

Increases in the minimum wage also could have three principal impacts on inflation. First, a "direct" effect as the average hourly earnings of workers earning less than the new minimum wage were increased to the new wage floor. Second, a broader or "ripple" effect as other wages were adjusted at least partially to retain relative wage differences. Third, a "wage-price-wage" effect, as these wage increases caused employers to raise prices, which was reflected in turn in higher wages. Thus, CBO estimates that H.R. 1834 could add about 0.2 to 0.3 percentage points to the annual inflation rate during the projection period.

These estimates are based primarily on a review of available economic studies of the impact of minimum wages. Because of estimating difficulties, the estimates should be interpreted as no more than rough orders of magnitude. These estimates do not include a consideration of the small business exemption provision in H.R. 1834.

Currently, the federal minimum wage rate is exceeded in 10 jurisdictions (Alaska, Connecticut, District of Columbia, Hawaii, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, and Vermont). Also, California is scheduled to raise its rate from the current federal minimum to \$4.25 per

hour in July 1988, and Connecticut's rate will rise from \$3.75 an hour to \$4.25 an hour in October 1988. Therefore, H.R. 1834 could have less of a macroeconomic impact than if all states were at the current federal minimum wage rate.

6. ESTIMATED COST TO STATE AND LOCAL GOVERNMENT:

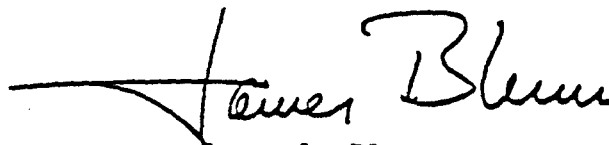
To the extent that state and local governments have workers who are paid at the current minimum wage or between the current minimum wage and the higher rates prescribed in H.R. 1834, state and local government wage costs could increase with passage of H.R. 1834. There is no data available that allows CBO to estimate the magnitude of these costs. However, there are 10 states which have set minimum wage levels above the federally mandated \$3.35 per hour. In these states, the new federal minimum wage rates could have less of an effect than in states in which the minimum wage is at the current federal level.

7. ESTIMATE COMPARISON: None.

8. PREVIOUS CBO ESTIMATE: None.

9. ESTIMATE PREPARED BY: Michael Pogue (226-2820)
George Iden (226-2759)

10. ESTIMATE APPROVED BY:



James L. Blum
Assistant Director
for Budget Analysis

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**THE PROPOSED MINIMUM WAGE INCREASE:
ASSOCIATED JOB LOSS
BY STATE, REGION AND INDUSTRY**

Richard B. McKenzie

Curtis L. Simon

**RBM Research, Inc.
Clemson, S.C.**

**For
The National Chamber Foundation**

This study and its publication are being funded by the Minimum Wage Coalition To Save Jobs, The Vernon K. Kriebel Foundation, and The Arkansas State Chamber of Commerce.

July 1987

THE PROPOSED MINIMUM WAGE INCREASE:

ASSOCIATED JOB LOSS

BY STATE, REGION AND INDUSTRY

Executive Summary

This year Congress may worsen the country's competitiveness problem by reducing its capacity to produce low-wage jobs. The legislative vehicles: a substantial increase in the federal minimum wage through passage of "The Minimum Wage Restoration Act of 1987" (S. 837) and similar legislation in the House (H.R. 1834). This study projects job losses by state, region, and industry and for teenagers for 1990 and 1995, assuming the proposed legislation is passed.

If an increased minimum wage is legislated:

- o Most states will lose tens of thousands of jobs by 1995, with a high of more than 220,000 jobs in California. Other states experiencing major job losses will be New York, Texas, Florida and Illinois.
- o Most job losses will occur among teenage workers. We estimate that by 1995 teenage job losses in the country will be 1.3 million. The ten states with the highest projected job losses for teenagers are California, Texas, New York, Illinois, Ohio, Pennsylvania, Florida, Michigan, New Jersey, and North Carolina.
- o Many of the job losses will be in the services sector (narrowly defined) and retail trade (including restaurants). By 1995 the country will lose more than 700,000 retail jobs, and more than 400,000 service jobs. The projected retail job loss by state in 1995 is expected to range from a high of over 80,000 in California to a low of below 1,800 for Vermont. California will also be the greatest loser of service jobs, nearly 45,000 by 1995. All states can expect to lose a significant number of jobs in other major industries, including agriculture, wholesale trade, construction, and transportation (to name just four industries not examined in detail in this study).
- o Although wages in the manufacturing sector are above the national average, manufacturing employment will also be affected by the proposed minimum wage increase. Low-wage manufacturing workers (those who earn less than the average textile wage) will have approximately 105,000 fewer job opportunities in 1995. More than half of this loss will occur in ten states: California, New York, Texas, North Carolina, Pennsylvania, Florida, Tennessee, Georgia, Alabama, and Virginia. The South will experience the greatest loss of low-wage manufacturing jobs.

We believe all of our estimates of state job losses are conservative, because the majority of job losses will occur among low-wage earners who will be priced out of the market by the proposed legislation. In addition, a great many more jobs will be lost among workers who earn more than the minimum wage and who happen to work for firms whose sales fall because of price increases forced by the mandated minimum wage hike.

There is little debate among economists that an increase in the minimum wage will reduce employment opportunities; that the bigger the increase, the bigger the employment reduction; and that adverse employment effects will be felt most severely by the youngest, most inexperienced, and most disadvantaged workers in the country. Our study supports that view.

Our empirical results are straightforward: the adverse effects of the proposed minimum wage increase are substantial, and the message is even stronger when the adverse effects are computed on a state-by-state, regional, industrial and age basis.

Conclusions and Findings (if minimum wage legislation passes)

By 1990:

- o There will be a total job loss of over 750,000.
- o Fifty-six percent of the total jobs lost will be teenage jobs: teenagers will suffer disproportionately, since they comprise only 6 percent of the working population.
- o Over one-third of the total job loss in 1990 will be in the retail trade sector, such as department stores, discount stores, groceries and small retailers.
- o Over 80,000 jobs will be lost in the service sector, including hotels, restaurants and nursing homes.
- o Total output in the U.S. economy will be reduced by \$28 billion (in 1982 dollars).
- o Federal spending on unemployment benefits will be nearly one billion dollars higher.
- o The South will experience a larger share of total job loss in all categories of our study.

By 1995:

- o There will be about 1.9 million fewer jobs compared to what employment would have been.
- o Job losses will be borne disproportionately by teenagers; job losses affecting teenagers will be 1.3 million -- about two-thirds of the total.
- o 700,000 fewer retailing jobs will be created.

- o There will be 400,000 fewer jobs in service establishments -- such as restaurants, nursing homes and hotels.
- o Total U.S. economic output will be \$70 billion (1982 dollars) less than would otherwise be the case.
- o The South will experience a disproportionate share of total job loss, almost 34 percent of all lost jobs and over 41 percent of low-wage manufacturing jobs lost as a direct result of the mandated increase.

The basis for this National Chamber Foundation-sponsored study is a simulation of the U.S. economy, using the Washington University Macroeconomic Model and existing research evidence, that measures what will happen to the economy if legislation to increase the minimum wage is passed and studies the demographic and sectoral impact of the proposed minimum wage increase.

This study quantifies the job loss by state, region of the country, demographic group, and industry. By disaggregating the data in this way, policy makers will have a better understanding of the impact raising the minimum wage will have.

This study, along with its publication, is being funded by the Minimum Wage Coalition to Save Jobs, The Vernon K. Kriebel Foundation, and The Arkansas State Chamber of Commerce,

Testimony of Roger E. Koopman
Senate Labor Committee
March 21, 1989
H.B. 28

Mr. Chairman:

For over nine years now, I have been operating the largest private employment agency in western Montana -- Career Concepts of Bozeman. In 1982, I added Personnel Leasing, a temporary help service that employs up to 250 people annually. During these years, I have made it my business to understand the dynamics of the local job market, and the factors that contribute most to genuine job creation.

My observations can be summed up as follows. The more that employers and employees are able to function as free agents, capable of negotiating whatever employment contracts they deem to be to their mutual benefit and consent, the more that employment opportunity at all levels is maximized. On the other hand, the more that the employer and employee are prohibited from contracting freely by the intrusion of political force into their relationship, the more that mutual benefit goes out the window, and job opportunity with it. The limitless creativity and flexibility of the free market is replaced by rigid rules and standards that impose someone else's will on everyone else's employment. The vitality of the economy is sapped away, and the jobs that would have been will never be.

I can think of no single measure that does more mischief to an otherwise growing economy and expanding job market than a minimum wage law. Minimum wage statutes defy all logic and violate every basic law of economics. They are predicated on the dual assumption that (1) employers were put on earth to exploit workers, and (2) that wages will only rise through government coercion. But in fact, the only time that "exploitation" exists on either side of an employment relationship is when government intervention distorts that relationship. Furthermore, real wages will invariably increase faster when allowed to reflect true market conditions of labor productivity, supply and demand than when they are set artificially by legislative fiat.

The Bozeman job market is a good example. When the \$3.35 per hour minimum was first imposed in 1981, the majority of the

jobs our agency handled were at or near that level. The typical office job, for example, paid \$600 a month; \$750 was exceptional. Today, the average office job pays \$850 per month, and salaries of \$1200 or more are not uncommon. These increases came naturally and rationally, through the marketplace, without any change in the minimum wage.

Minimum wage advocates would quickly point out that there are still people working for \$3.35 an hour today, which, adjusted for inflation, is a lower real wage than the 1981 minimum. I agree. But therein lies the lesson: in almost every case, these marginal workers who are employed at \$3.35 an hour in 1989, would have been unemployed workers in 1981. Who are we to say they are wrong in working at this wage -- that they are better off unemployed than employed?

Indeed, an argument can be made that the \$3.35 per hour job is more important to our economy and to Montana's work force than the position paying \$10 or \$20 an hour. This is precisely because the \$3.35 an hour job represents growth and opportunity that extends down to those people who, more than anything, need a chance to get their foot on the first rung of that economic ladder -- at whatever wage they are economically worth. The importance is not the beginning wage, but the beginning.

Some will say that \$3.35 an hour is not a "dignified" wage, that people would find more dignity drawing welfare or unemployment benefits. These folks have a right to their opinions, of course. But do they have a right to bind their opinions of what is a "valuable" job or a "dignified" wage on others who are out of work or who would be thrown out of work by an increase in the minimum wage? In a free society, is it not appropriate to say that each worker has a right to decide for himself?

(minimum wage article attached)

The Minimum Wage— Good Intentions, Bad Results

by Roger Koopman

Ideas have consequences, Richard Weaver once wrote. They pace the course of human history—both good ideas and bad. And while intentions may be honorable, the passing of time has proven that, in the long term, you can't get good results from bad ideas.

The minimum wage is a classic example of a good intention and a bad idea. The idea behind minimum wage legislation is that government, by simple decree, can increase the earning power of all marginal workers. Implicit in this idea is the notion that employment is an exploitive relationship and that business owners will never voluntarily raise the wages of their workers. Businesses, we are told, must be coerced into paying workers what they deserve, and only politicians know what this is.

Not only does this line of thinking run contrary to the most basic economic principles of a free society, but it is also patently illogical. If government could raise the real wages of millions of Americans by merely passing a law announcing that fact, then why stop at \$3.35 per hour, or \$4.65, or even \$10? Isn't \$500 per hour more compassionate than \$50? Absurd, you say, and I would agree. But the "logic" is perfectly consistent with the *idea* of a minimum wage, once you have accepted the premise that political decrees can raise wages.

What does make wages rise? It is most certainly *not* government edicts that simply rearrange and redistribute existing wealth. Wages rise in response to the creation of new wealth through greater productivity. The more that a society produces per capita, the more there is to distribute through the marketplace in the form

of higher wages, better benefits, and lower prices.

The "bigger economic pie" concept is not complicated in the least, and yet it is a principle that seems to elude us time and again in matters of public policy. We know instinctively that government cannot create or produce anything. It regulates, confiscates, and consumes, all at the expense of the private economy. And yet we still believe that government can wave its magic wand with laws like the minimum wage, and we all will be better off.

Politicians engage in this deception to buy political favor from special interest groups. We keep falling for these political deceptions because our focus is on short-term personal gains rather than on the long-term consequences to the entire nation. We see the apparent benefit of having our own wages increased. But we don't consider the nameless victims of the minimum wage hike who will lose their jobs because the government has priced them out of the labor market. (It is precisely because minimum wage laws eliminate low-skilled workers from competing in the job market that organized labor lobbies Congress for massive minimum wage hikes.)

Commenting on the minimum wage, economist Henry Hazlitt put it succinctly:

You cannot make a man worth a given amount by making it illegal for anyone to offer him less. You merely deprive him of the right to earn the amount that his abilities and situation would permit him to earn, while you deprive the community even of the moderate services that he is capable of rendering. In brief, for a low wage you substitute unemployment. You do harm all around, with no comparable compensation.¹

The net loss to society that results from this sweeping act of "wrongful discharge" is staggering. Those losses include: (1) The loss of employment to the individual himself, (2) the shrinking of the economic pie by the loss of his productive contribution, (3) the financial loss to society in supporting him in his idleness (unemployment compensation, welfare, etc.), (4) the financial loss in funding useless job training programs and other government efforts to get him re-employed, and (5) the net loss to society in having consumer prices driven up to cover the higher labor costs, and the loss of market share to foreign competition that may occur.

The cruel irony of the minimum wage is that it harms most the very segments of our society that it is intended to help—the unskilled poor and the inexperienced young. The evidence to support this is overwhelming, and it is the black community that is the hardest hit. In the 1950s, black teenage unemployment was roughly that of white teens. Following years of steady increases in both the level and coverage of the Federal minimum wage, over 40 per cent of the nation's black teenagers are now unemployed.

Just look at all the jobs that have been abolished by the minimum wage—good and worthwhile jobs for those who are taking their first step on the economic ladder. Movie ushers, gas station attendants, caddies, fruit pickers, dishwashers, fast food help, and a wide variety of other entry-level job opportunities have been either cut back or eliminated because the minimum wage has rendered them unaffordable. How tragic this is, when you consider the true value of these low-level jobs to young and unskilled workers.

Reflecting on his early years in a Philadelphia slum, black economist Walter Williams observed:

None of these jobs paid much, but then I wasn't worth much. But the real value of early work experiences is much more important than the little change a kid can earn. You learn how to keep a job. You learn how to be prompt, respect and obey superiors, and develop good work habits and attitudes that can pay off in the future. Additionally, there is the self-respect and pride that comes from being financially semi-independent.²

If a young person is willing to wash cars for \$2.50 an hour to gain work experience and self-esteem, is it the right of Congress to tell him he can't do it? Is it, in fact, the right of any politician to make these kinds of economic choices for a free people?

Commenting again on the minimum wage, Williams makes this critical observation:

It is important to note that most people acquire work skills by working at "subnormal wages" which amounts to the same thing as paying to learn. For example, inexperienced doctors (interns), during their training, work at wages which are a tiny fraction of that of trained doctors. College students forego considerable amounts of money in the form of tuition and foregone income so that they may develop marketable skills. It is ironic, if not tragic, that low skilled youths from poor families are denied an opportunity to get a start in life. This is exactly what happens when a high minimum wage forbids low skilled workers to pay for job training in the form of a lower beginning wage.³

In a free society, people must have the right to offer their services in the marketplace for whatever price they choose, whether they are workers serving employers or businesses serving consumers. It is by this process that productivity, wage rates, and prosperity are maximized. Government has no more business objecting to a low wage rate for a menial job than it has objecting to a business that offers its services or products for a low price. Government intervention in these matters distorts economic decision-making, misallocates scarce resources, and destroys personal liberty.

If we are to remain a free people, we need to start trusting freedom, and jealously guard our right to make our own choices about our own lives. Repealing the minimum wage law would be an excellent place to start. □

1. Henry Hazlitt, *Economics in One Lesson* (New York: Arlington House Publishers, 1979), p. 135.

2. Walter Williams, "Wage Laws Keep Teens Jobless," *Colorado Springs Gazette Telegraph*, May 16, 1986 (syndicated column).

3. Walter Williams, "Government Sanctioned Restraints that Reduce Economic Opportunities for Minorities," *Policy Review*, No. 2 (1977), p. 11. (Quoted in *Poverty and Wealth: The Christian Debate Over Capitalism*, by Ronald H. Nash, [Westchester, Illinois: Crossway Books, 1986], p. 122.)

TESTIMONY ON PROPOSED MINIMUM WAGE INCREASE
Davies, Bozeman, Mt.

Thank you for this opportunity to share with you my views on the proposed minimum wage law.

The basic concept of a minimum wage law rests upon several basic premises. I would like to enumerate these premises and show that each of them is false. In the case of most of these premises, simply stating them is sufficient to show they are without merit, which is why they are usually not stated at all.

PREMISE NUMBER ONE: A minimum wage is something that can be established by law, without regard to market conditions. If this premise is true, why do we set the figure so low? Why not a minimum wage of ten, twenty or even fifty dollars per hour? Then everyone could have a high standard of living. We might even pass a law that would guarantee that a certain price be paid for products and services provided by small businesses so the owners of such businesses could also enjoy a government mandated minimum standard of living as well. Come to think of it, we already do this as well in certain instances. But, isn't it obvious that the minimum wage, which by definition outlaws jobs worth less than the minimum wage, increases unemployment? Of course, some low paid jobs are necessary enough that employers will be forced to pay the higher wage. But those that are not simply disappear. It should be noted that low paying jobs can compete with higher paying jobs. Is this really why the minimum wage is supported by organized labor, whose members almost universally make more than the minimum?

PREMISE NUMBER TWO: Minimum wage laws are necessary because business owners are evil and greedy and will not pay a proper wage to their employees. They must therefore be forced to do so by law. This view is common today since, for the most part, an anti-business attitude is promoted in school, the media and even in entertainment. Polls of college students, for example, have consistently showed that students believed average business profits were on the order of ten times the actual figure. In point of fact, the market will establish wages just as with any other commodity. In other words, a business will pay exactly what it has to in order to get the help it needs. Therefore, the obvious solution to the problem of low wages is to improve the business climate so the competition for the available labor forces the wages up. This has actually been happening in Bozeman in recent years.

Another fact that puts the lie to this anti-business premise is that many workers, particularly those with more advanced skills, make far more than the minimum wage. This is because there is

greater demand for their skills and the employer more in order to purchase their services.

PREMISE NUMBER THREE: The economy is viewed as being static. That is, our law makers tend to deal with it as it is today and fail to see the long range effects both of market forces and of their laws. So, it is assumed that a low paid worker will always be a low paid worker. That is, he will never learn enough on the job to become more valuable to his employer, or to another employer, if his present one doesn't raise his wages. This, of course, is patently false. But for this learning process to occur at all, the employer must be able to afford to hire a person in the first place. That is, the worker must be worth what he is paid. If he is not worth the minimum wage, the job is never filled.

The static view also causes one to assume that the number of jobs remains the same. This short sighted view causes politicians to then conclude that in order to right perceived wrongs, they must take positive action. They then do not consider the alternative of improving the business climate so that more jobs are created.

PREMISE NUMBER FOUR: The economy must be managed in minute detail by the politicians. I suppose this tendency of our legislators is simply a result of the ego we all have. It becomes dangerous, however, when it is exercised by those in a position to do great damage using the force of government. I submit that the free market is far better able to determine the intricate balance in the literally millions of individual relationships in our economy than a whole army of politicians or bureaucrats could. This statement was at one time in our history considered to be axiomatic. However, in recent years, we have become infatuated with the idea that the government will take care of us. It isn't working. It should be clear that it can not work by simply looking at the nations of the world which have embraced this idea to an even greater extent than we have. These are the economic basket cases of the world, many of which are looking for ways to raid our treasury.

The minimum wage is anti-business. It distorts the free market. It is looked upon by business people as being coercive, which it certainly is. It becomes just one more factor which may cause a business person to look elsewhere to do business. If wages in a particular area are low, and are allowed by law to be low, this is an obvious advantage to a business, and is an incentive to locate or expand in that area. This eventually causes greater competition for the available labor and forces the wages up. This free market solution is obviously the best solution since it comes as the result of economic growth instead of artificial forcing resulting in business stagnation. A high minimum wage

with no job on which to apply it is of no value and is even a detriment to the very people the minimum wage is supposed to be helping. Thus, the minimum wage law is also anti-labor. This is true even though so called "pro labor" groups and legislators are misled into supporting such laws. All they need to see the fallacy of the law is to look at the obvious long term consequences.

In conclusion, I urge you to vote against this bill and in addition, work to reinstate the free market system that has built our great economy. To continue to institute damaging political controls of this sort distorts the economy, creates new problems, and gives the politicians the excuse to come up with still more "solutions" employing more force which cause further distortion. This must eventually result in a totally controlled and stagnant economy. Then, power hungry politicians have the excuse to use still more force to maintain any productivity and order at all. The lesson of history is clear on this matter. Why can we not learn it? Why must it be rediscovered over and over through the massive pain and suffering that always results. Our economy is running on the momentum we built up during the time we were free. It won't last forever. We must inject a fresh supply of what built it in the first place -- freedom.



March 21, 1989

Labor and Employment Relations Committee
Senator Gary Aklestad- Chairman

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DATE 3/21/89
BILL NO. HB 28

Chairman and members of the committee:

The following is testimony prepared by Laurie Shadoan, representing the Bozeman Chamber of Commerce, to be presented by Brian Harlen. The testimony was prepared as opposition to House Bill 28 addressing the minimum wage issue.

The federal government is currently debating minimum wage bills. Debate will vary widely due to the economies differing drastically. Labor Secretary Dole has insisted that the maximum wage increase that the President will sign is for a \$.30 raise on January 1, 1990, with two additional \$.30 raises, one in 1991, the other to follow in 1992. Secretary Dole also suggests allowing employers to pay new workers \$3.35 an hour for the first six months employment.

Only 12 of 50 states currently have a state minimum wage higher than the current Federal Fair Labor Standards Act. Four of those twelve states have either a lower wage for minors or a special training wage. Of those same 12 states the per capita income for 1987 for Montana compared to those states is between \$1,607 and \$8,919 less for Montanans.

Small businesses make up 99% of all private employers in Montana. Less than 1% of private employers in Montana have more than 100 employees. Of these business in Montana 66.2% are retail, service or wholesale trade employers. Employers hit hardest by a minimum wage increase.



States with minimum wage laws higher than the current Federal Fair Labor Standards Act

SENATE LABOR & EMPLOYMENT

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 BILL NO. HB 28

California	\$4.25	\$17,821
Connecticut	\$4.25	\$21,266
Rhode Island	\$4.00	\$15,555
Alaska	\$3.85	\$18,230
Hawaii	\$3.85	\$15,679
Minnesota	\$3.85	\$15,927
Washington	\$3.85	\$15,599
Massachusetts	\$3.75	\$19,142
Maine	\$3.75	\$13,954
Pennsylvania	\$3.70	\$15,212
New Hampshire	\$3.65	\$17,529
Vermont	\$3.65	\$14,302
Montana	\$3.75*	\$12,347

*Proposed minimum wage increase in HB 28.

Source: Survey of "Current Business", August 1988 publication, page 30.

I suggest that putting Montana out ahead of the Federal minimum wage is foolish. Opponents like to make an argument for the low income population. If you are truly trying to help the low income people, then I suggest that Montana look at implementing an Earned Income Tax Credit. Eligible workers could apply for the refund at tax time or receive credit in their paycheck by asking employers to set up a "negative withholding" system for payroll taxes, patterned after the federal government.

This minimum wage issue means jobs. Montana needs to continue in a state of recovery. For these reasons, The Bozeman Chamber opposes a minimum wage increase. I urge you to defeat HB 28. Thank you for your consideration.

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Part III.
0400-0599

Reports and Analysis
Employment, Wages, and Contributions, ES-202

Section 0422
April 1987

Field Position	Data Element	Field Length	Data Specifications For detailed records	For ownership total recor
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16 (17) -1	SIZE OF UNIT CODE	1	<p><u>Required.</u> On first quarter reports, must contain a valid numeric size code (0-9). On second, third and fourth quarter reports, all records must be coded size "0."</p>	<u>Must be blank or zero.</u>
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The employment of all reporting units included in a given record must be within the same size interval based on March employment. Size intervals are listed below with corresponding size codes:

<u>March Employment</u>	<u>Size Code</u>
0	0
1- 4	1
5- 9	2
10- 19	3
20- 49	4
50- 99	5
100-249	6
250-499	7
500-999	8
1,000 and over	9

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SIZE CLASS ES-202 LISTING
 YRQ 831

	UNITS	1ST-MU	2ND-MU	3RD-MU	TMG
***** TOTAL FOR SIZE CLASS 0	3675	2,511	1,259	0	4,300,765.71
***** TOTAL FOR SIZE CLASS 1	11484	24,737	24,588	24,469	79,944,147.94
***** TOTAL FOR SIZE CLASS 2	4230	26,642	26,271	27,617	90,540,355.69
***** TOTAL FOR SIZE CLASS 3	2423	31,556	31,772	32,621	115,356,475.30
***** TOTAL FOR SIZE CLASS 4	1346	38,606	36,940	39,940	149,435,063.34
***** TOTAL FOR SIZE CLASS 5	384	25,545	25,667	26,167	94,897,112.61
***** TOTAL FOR SIZE CLASS 6	195	22,732	22,495	22,687	101,752,757.23
***** TOTAL FOR SIZE CLASS 7	29	9,425	9,381	9,425	49,981,753.56
***** TOTAL FOR SIZE CLASS 8	14	9,441	9,505	9,602	56,141,536.49
***** TOTAL FOR SIZE CLASS 9	4	4,009	4,043	4,680	22,721,591.56
* OWNERSHIP TOTAL FOR 50	24144	195,914	195,121	197,708	765,079,107.59
** GRAND TOTAL	26080	258,910	258,483	261,520	1,052,031,327.52

SENATE LABOR & EMPLOYMENT
 EXHIBIT NO. 11 pay 5 of 7
 DATE 3/21/89
 BILL NO. 4628

COVERED EMPLOYMENT AND WAGES IN MONTANA BY
STANDARD INDUSTRIAL CLASSIFICATION FOR 1987

EXHIBIT NO. 11 page 6 of 6
DATE 3-21-89

BILL NO. HB 28
AVERAGE AVERAGE

YELLOWSTONE	111	SIC CODE	ESTABLISHMENTS	AVERAGE ANNUAL EMPLOYMENT	ANNUAL WAGES PAID	AVERAGE ANNUAL WAGE	AVERAGE UI TAX RATE
TOTAL ALL INDUSTRIES			3,833	44,659	792,819,431	17,753	2.01
PRIVATE (OWNERSHIP 5)			3,753	37,606	646,878,375	17,201	2.49
AGRI, FOR, FISH			66	377	4,569,986	12,122	2.70
AGRI PROD CROP		01	3	43	422,921	9,835	1.98
AGRI PRO LIVESTK		02	11	126	1,439,675	11,425	2.14
AGRI SERVICES		07	52	207	2,707,389	13,079	3.15
MINING			61	440	13,625,022	30,966	4.35
BITUM COAL & LIG MIN		12	3	27	1,057,970	39,184	2.69
OIL & GAS EXTRACTION		13	55	252	7,612,461	30,208	4.02
MINING & QRY NONMETL		14	3	160	4,954,591	30,966	5.06
CONSTRUCTION			354	1,501	32,963,030	21,961	3.87
GENERAL BUILDING		15	97	416	9,156,635	22,011	3.67
HEAVY CONSTRUCTION		16	29	167	4,004,971	23,981	4.62
SPECIAL TRADE		17	227	918	19,801,422	21,570	3.81
MANUFACTURING			146	3,005	68,297,367	22,728	2.73
FOOD PRODUCTS		20	17	975	21,171,831	21,714	2.69
TEXTILES		22 D					
APPAREL		23 D					
LUMBER		24	13	88	1,601,002	18,193	4.04
FURNITURE		25	5	31	527,749	17,024	2.07
PAPER		26 D					
PRINTING-PUBLISH		27	35	620	10,357,373	16,705	2.05
CHEMICALS		28	7	102	2,833,040	27,774	2.25
PETRO-COAL		29	4	488	17,228,612	35,304	2.59
RUBBER-MISC PLAST		30	5	23	285,050	12,393	3.81
LEATHER		31 D					
STONE-CLAY-GLASS		32	14	163	3,633,139	22,289	4.24
FABRICATED METAL		34	11	198	4,065,215	20,531	3.00
NON ELECT MACH		35	13	102	1,969,340	19,307	2.85
TRANSPORT EQUIP		37	5	84	1,954,278	23,265	2.87
INSTRUMENTS		38 D					
MISC MFG		39	7	105	2,280,203	21,716	2.39
TRANS. COMM. & PU			205	3,032	71,175,569	23,475	2.43
LOCAL-URBAN TRANS		41	10	145	1,479,898	10,206	3.01
TRUCKING-WAREHOUSE		42	121	1,345	32,293,455	24,010	2.51
AIR TRANS		45	13	234	5,028,644	21,489	2.20
PIPELINES(EX NAT GAS)		46 D					
TRANSPORT SERV		47	20	98	1,300,246	13,267	2.18
COMMUNICATION		48	21	720	16,470,664	22,875	2.39
ELECT-GAS-SAN-SER		49	16	425	12,243,309	28,807	2.33
WHOLESALE TRADE			500	4,413	99,160,803	22,470	2.40
DURABLE GOODS		50	328	2,866	62,059,931	21,653	2.42
NONDURABLE		51	172	1,546	37,100,871	23,997	2.37
RETAIL TRADE			769	10,739	109,152,968	10,164	2.28

COVERED EMPLOYMENT AND WAGES IN MONTANA BY
STANDARD INDUSTRIAL CLASSIFICATION FOR 1987EXHIBIT NO. 11 page 7 of 7
DATE 3-21-89

YELLOWSTONE	111	SIC CODE	ESTAB- LISH- MENTS	AVERAGE ANNUAL EMPLOYMENT	ANNUAL WAGES PAID	BIENNIAL AVERAGE AVERAGE <u>HB 28</u>	
						ANNUAL WAGE	UI TAX RATE
BLDG MAT-GARDEN		52	41	412	6,808,494	16,525	2.58
GEN MERCH		53	17	1,669	16,572,529	9,929	1.88
FOOD STORES		54	58	1,390	16,894,836	12,154	2.27
AUTO DIRS-SVC ST		55	96	1,315	22,496,004	17,107	2.46
APPAREL & ACCESS		56	66	518	4,438,445	8,568	2.32
FURN & HOME FUR		57	80	462	6,361,362	13,769	2.42
EATING & DRINKING		58	246	3,956	23,867,179	6,033	2.35
MISC RETAIL		59	162	1,012	11,714,115	11,575	2.21
FIN., INS., R.E			363	2,511	50,626,431	20,162	2.02
BANKING		60	16	901	17,887,204	19,852	1.78
CREDIT AGENCIES		61	42	322	6,539,947	20,310	1.97
SEC-COMM-BRKS-SV		62	34	169	7,860,953	46,514	1.97
INSURANCE CARR		63	23	172	3,927,128	22,832	2.24
INS AGENTS-BRKS		64	93	265	4,673,669	17,636	2.08
REAL ESTATE		65	134	581	8,002,337	13,773	2.40
COMBINATIONS		66	5	28	275,439	9,837	1.61
HOLDING & INVESTMENTS		67	15	69	1,459,750	21,155	2.37
SERVICES			1,284	11,578	197,267,235	17,038	2.31
HOTELS & LODGING		70	38	982	7,796,307	7,939	2.53
PERSONAL SERVICE		72	106	640	5,823,320	9,098	2.04
BUSINESS SERVICE		73	257	1,815	22,310,017	12,292	2.37
AUTO-REPAIR SERVICE		75	99	433	6,282,731	14,509	2.50
MISC REPAIR SERVICE		76	75	274	4,481,905	16,357	2.67
MOTION PICTURES		78	4	73	339,418	4,649	1.72
AMUS & REC SERVICES		79	47	407	4,287,478	10,534	2.70
HEALTH SERVICES		80	249	4,200	97,390,735	23,188	2.01
LEGAL SERVICES		81	89	464	14,559,148	31,377	2.21
EDUCATIONAL SERV		82	14	234	3,113,219	13,304	2.15
SOCIAL SERVICES		83	64	769	8,685,987	11,295	2.62
MUSEUMS, ZOOS ETC		84	3	17	143,343	8,431	2.03
MEMBERSHIP ORG		86	74	394	3,589,202	9,109	2.62
PRIVATE HOUSEHOLD		88	35	63	473,454	7,515	2.58
MISC SERVICES		89	126	806	17,990,963	22,321	2.33
NON-CLASSIFIABLE		99 D					
GOVERNMENT			80	7,053	145,941,056	20,692	.27
STATE			17	1,077	20,374,281	18,917	.27
LOCAL			24	4,238	76,583,916	18,070	.27
FEDERAL			38	1,737	48,982,859	28,199	.00

"D" IN TABLES INDICATES DISCLOSURE SUPPRESSION.

NFIB Montana

National Federation of
Independent Business

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 12 page 1 of 1

DATE 3/21/89

BILL NO. HB 28

Reiley Johnson

IMPORTANT VOTE FOR SMALL BUSINESS!

HB-28...the minimum wage bill...will be coming up for a vote shortly, and NFIB/Montana has surveyed its 6,000 small and independent business members on this issue. They give a resounding "NO" vote to increasing the minimum wage. First, it is inflationary at a time when we could be looking at an inflationary sales tax. Secondly, they feel the market is a better judge of wages. And, third, it is obvious that the Federal government will be setting it's own minimum wage this year and by setting a state level you could force up the eventual Federal minimum wage to even higher inflation.

The attached clipping gives another good reason for voting against HB-28. It appears a training wage will be included in the new Federal law. HB-28 doesn't allow for this important feature. What happens if our state minimum wage is higher than the Federal training wage? Will Montana's business owners be forced to pay the state minimum wage...and be denied the Federal training wage?

VOTE "NO" ON HB-28!

Sub-minimum wage advances

WASHINGTON (AP) — Sen. Edward M. Kennedy, chairman of the Senate Labor and Human Resources Committee, said Tuesday he would accept some type of sub-minimum wage for newly hired workers along the lines the Bush administration is proposing. The comment appeared to boost chances for a hike in the \$3.35 hourly minimum wage.



Kennedy

Kennedy, a Massachusetts Democrat, said any sub-minimum wage provision should be accompanied by provisions for training and education for the affected workers. "The concept of an educational component to the minimum wage, coupled with real training, is not unappealing," Kennedy said in his qualified acceptance of the proposal.

Kennedy's committee is scheduled to meet Wednesday to draft legislation calling for the first increase in the minimum wage in eight years. Sen. Orrin Hatch, the ranking Republican on the committee and a longtime opponent of the minimum wage in any form, said he too will support an increase if Democrats agree to a training wage.

State Office
534 N. East Chance Gulch # 202
Helena, MT 59601
(406) 443-3797



The Guardian of
Small Business

Walt Dupea

8585 Hwy. 35 - Bigfork, Montana 59911
406-837-5753

March 8, 1989

Ref. HB28

Honorable *Senator Dennis G. Nathe* ;

There are several reasons Government should not be in the Wage Setting Business.

1. Government cannot know and deal with the problems of each individual business.
2. When a person is hired and is in the learning process he costs the business money for a period of time, depending on the person and how fast they learn.

If we are told what to pay in many cases a person can't be hired because of costs. This hurts the young people who are coming into the labor force.

3. There is an inflationary spiral because a business person must raise prices or go out of business. Then the spiral begins again--cost of doing business is always passed onto the customer.
4. The private enterprise way is further eroded whenever Government interferes in business.

Please vote against HB 28, for these reasons.

Sincerely,

Walt Dupea
Walt Dupea



MONTANA FARM BUREAU FEDERATION

502 South 19th • Bozeman, Montana 59715
Phone: (406) 587-3153

SENATE LABOR & EMPLOYMENT

EXHIBIT NO. 14 page 1 of 1

DATE 3/21/89

BILL NO. HB 28

BILL # HB 28 ; TESTIMONY BY: Valerie Larson

DATE March 21, 1989 ; SUPPORT _____ ; OPPOSE oppose

Mr. Chairman, members of the Committee, for the record, my name is Valerie Larson, representing over 3600 Farm Bureau members from all across Montana.

Mr. Chairman, Farm Bureau has gone on record in opposition to House Bill 28 because it poses a serious threat to the agricultural community. Farm Bureau endorses fair and adequate wages. Indeed, most of our producers pay in excess of the proposed minimum wage in order to assure competent and trustworthy employees.

Agriculture producers have a great deal at stake in their operations. To be locked into a minimum wage situation, when we often deal with the young and untrained, will not only affect our business, but will also handicap those individuals who are looking for part-time and seasonal employment. The nature of our industry allows us to employ the untrained in certain areas, which benefits both employees and employer. If our industry is subjected to minimum wage, it will literally preclude the employment of those seasonal workers.

Mr. Chairman, Farm Bureau urges a DO NOT PASS on House Bill 28.

Thank you for your attention.

SIGNED: _____

Valerie Larson



Executive Office
P.O. Box 440
34 West Sixth
Helena, MT 59624
Phone (406) 442-3388

SENATE LABOR & EMPLOYMENT

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DATE 3/21/89

BILL NO. 3/21/89

TESTIMONY

March 21, 1989
1:00 P.M.

HB 28

Mr. Chairman and Members of the Committee:

For the record, I am Charles Brooks, representing the Montana Retail Association. I am here today in STRONG OPPOSITION to HB 28.

The Montana Retail Association represents approximately 1,000 retail stores throughout the state of Montana.

The proposed increase in the state minimum wage will adversely impact employment in our state, by raising the absolute and relative cost of hiring and retaining low-wage workers.

Should HB 28 pass the adverse options retailers face are these:

Reduction in services

Layoffs

Reduction in the number of full time employees

Under employment - reduced hours worked per employee

Reduction in voluntary fringe benefits

Consumer price increases

Given the competitive factors in this field - price increases cannot entirely off-set this increase in total labor cost. Labor cost is the largest line item of expense in a retailers operating statement.

The "Ripple Effect" of a minimum wage increase will impact all levels of wages. It has been my experience as a long

time former retailer in this state, with an increase in minimum wage that all other levels will expect a comparative rise in their wages.

As a major employer of lower-wage workers, we submit to you the following facts for your consideration:

Minimum Wage and the Poverty Myth

The overwhelming majority of minimum wage workers are young and inexperienced but not poor. According to the Bureau of Labor Statistics:

* Nearly two-thirds of minimum wage workers are between the ages of 16 and 24 - many teenagers working at their first job.

* Nearly two-thirds of minimum wage workers are working as part-time employees.

* Sixty-eight percent of minimum wage workers are single, sixty percent have never been married.

Nationally 70% of the recipients of minimum wages come from families with income more than 200% above the poverty level.

This type of legislation will adversely effect those with few skills, poor education, our young people who are earning income to assist in their education; and entry level employment opportunities will be reduced. Similarly we are concerned that passing a minimum wage greater than the federal level would send the wrong message to business enterprises that are considering Montana for new ventures. We see this proposed legislation having a negative impact on economic development in our state.

We urge you to give HB 28 a "do not pass" recommendation.

Will minimum wage help the worker?

Sunday, July 10, 1988

Great Falls Tribune 3C

By JOHN CUNIFF
NEW YORK (AP) — Almost any day of the week you may find instances of where politics and economics clash, but none with more noise than when minimum-wage legislation is the subject.

So high are the political decibels that some economists claim judgment is skewed. According to some politicians, so cold is the economic logic that it is bereft of human dimensions.

But whether the perspective is mainly political or economic might be far less important than another aspect of minimum-wage proposals — that they might not help those they are intended to help.

That is the contention of economist William Dunkelberg, who has studied, consulted and lectured intensively on the subject. "The minimum wage is earned primarily by secondary earners from above-median income families," he states. Low-income workers, says Dun-

kelberg, account for only a bit more than 10 percent of all workers earning the minimum wage. And in retailing, a major employer of lower-wage workers, 70 percent of recipients are from families with incomes more than 200 percent above the threshold poverty level.

Citing statistics such as these, Dunkelberg states unequivocally that minimum-wage legislation "cannot effectively redistribute income to 'the poor.'" Most beneficiaries, he says, are people we aren't trying to help.

"Trying to help the less-advantaged is an admirable goal and one that we all probably support," says the professor, formerly of Stanford and Purdue universities and now dean of the graduate business school at Temple University.

He continues: "Let's do it efficiently, not with the shot-gun approach of a minimum wage that is destined to miss its target nine out of 10 times while imposing sub-

stantial economic costs on us all."

In fact, he continues, a system already exists that could do even better for the poor. He explains:

"States alone devote an amount to public welfare programs that, if distributed directly to the poorest 10 percent of all families in the United States, would yield more than \$12,000 per family a year."

Dunkelberg points out that benefits of that level would be much higher than congressional proposals to raise the minimum wage from \$3.35 an hour in three annual steps to between \$4.25 and \$4.55 in 1991.

Already many workers employed in what used to be minimum-wage jobs earn far more than that in areas of New England and California, a consequence of thriving economies marked by unusually low unemployment.

Dunkelberg opposes minimum-wage legislation for other reasons too, among them:

- Most workers earn the minimum wage for only short periods of their lives, advancing to higher-paying jobs as their skills improve.
 - What he perceives to be a threat to the hiring capabilities of very small businesses, where many unskilled workers obtain their first job experience.
 - His belief that raising the minimum wage would add to inflation, albeit by only a fractional amount.
 - His contention that the increases proposed would add to unemployment — again, however, by only a tiny amount.
- But, he concludes, those tiny percentages are meaningful. They add up.
- "The adverse employment effects don't bother most of us — just those with few skills, poor educations, unlucky draws in the genetic lottery and young people."
- He asks: Aren't these the people we hope to help?

SENATE LABOR & EMPLOYMENT

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2.

BILL NO. HB 28

at a time when the nation's economic goals include job creation, reduction in the incidence of poverty, and a more equitable income distribution. It is my conclusion that enactment of the proposed minimum wage bill would undermine attaining these economic goals. Furthermore, raising the minimum wage would fail to achieve the purported goal of minimum wage legislation, namely, maintaining a minimum standard of living for workers while not substantially curtailing employment or earning power.

3. These conclusions rest, in part, on a body of economic literature pertaining to the minimum wage that has developed over the last four decades. The preponderance of evidence found in the economic literature supports the contention that minimum wage legislation reduces employment. My conclusions also rest on our own research, which was commissioned by the Retail Industry Task Force on the Minimum Wage and focuses particularly on employment in the retail industry, excluding eating and drinking establishments.
4. Enactment of the proposed bill would put people out of work, a result that runs counter to the purported goal of minimum wage legislation. During the first year following enactment of the bill, 337,000 people will lose their jobs; 92,000 of them will be from the retail industry. If the 1990 minimum wage of \$4.65 were enacted, 882,000 people would lose their jobs, 364,000 from the retail industry.

TESTIMONY OF JOHN R. GLENNIE

before the

COMMITTEE ON LABOR AND HUMAN RESOURCES
OF THE UNITED STATES SENATE

1. My name is John R. Glennie. I am a Vice President of Robert R. Nathan Associates, Inc., an international economic and management consulting firm founded in 1946 and based in Washington, D.C. In addition to my seven years with this firm, I have served as a member of the full-time faculty at the School of Business Administration at George Washington University. I was for eight years an Adjunct Professor of Law at Georgetown University Law Center. I have been involved in labor market issues previously in the context of strategic planning for manpower programs and as an expert economist in tort litigation. I have an undergraduate degree from Denison University, an MBA from Indiana University, and a doctorate from George Washington University. I am here with a colleague from the firm, Mr. Robert Damuth. I am pleased to have this opportunity to appear today before the Committee to comment on the proposed minimum wage legislation.

2. Whether the United States Congress today should legislate minimum wage increases and, if so, the level at which the minimum wage should be set is a complex economic and political issue. The debate over the minimum wage comes

SENATE LABOR & EMPLOYMENT

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These losses in jobs are the direct impacts on employment of the proposed minimum wage increases. Additional losses will occur as increases in the minimum wage exert pressure to elevate other wages above the level of the new minimum wage. This ripple effect occurs as higher wage workers request and receive wage increases that maintain previous wage differentials.

Many advocates of a higher minimum wage note that employment grew during the last period of minimum wage increases (1978-81) and conclude that no adverse impacts occurred. This conclusion is incorrect. Approximately 250,000 jobs in retailing were lost between 1978 and 1981. The impact of the minimum wage increases was realized as a slower rate of job creation. This is supported by the fact that the number of jobs in retailing has grown faster since 1981, when the minimum wage was unchanged, than between 1978 and 1981. These job losses plus those we can expect if the proposed legislation is enacted are summarized in Exhibit 1.

5. Raising the minimum wage would do virtually nothing to alleviate poverty. Direct wage gains, which would be insignificant, would accrue mostly to middle income families, not the poor. As illustrated in Exhibit 2, 70 percent of low wage (less than \$4.65 per hour) retail workers are from families whose incomes are at least twice as great as the poverty level. Twenty percent come from families whose annual incomes exceed \$50,000. Only 10 percent come from families with incomes below the poverty level.

SENATE LABOR & EMPLOYMENT

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4.

The family status of low wage workers explains why so few are from impoverished families. In 80 percent of the cases, the low wage earner in retailing is not the sole breadwinner in the family. Most low wage workers are women, teenagers, and young adults whose earnings merely supplement family income.

6. Any increase in the minimum wage has to be paid for by someone. Those who pay include, first and foremost, those who lose their jobs. The disemployed retail worker's average annual loss in total compensation is \$4,725, which includes \$3,500 in direct wages. The cost burden of minimum wage legislation is highly regressive -- the poor bear the heaviest burden. The disemployed retail worker from a family at or below the poverty threshold loses total compensation worth at least half of family income. In contrast, the disemployed retail worker from a family far removed from poverty -- 70 percent of low wage retail workers -- loses compensation worth, at most, only one-fourth of family income.
7. Workers and consumers will also pay the price of a higher minimum wage. Workers who remain employed will likely see reductions in fringe and other non-wage benefits, including training opportunities, as total personnel costs are brought back into line with sales revenues. Work hours will be reduced. Consumers -- the employed, underemployed, and unemployed -- will pay more for certain products, as some retailers raise prices to recover costs. Consumers will also pay in terms of reductions in customer service, product availability, and product and price information. All of these actions

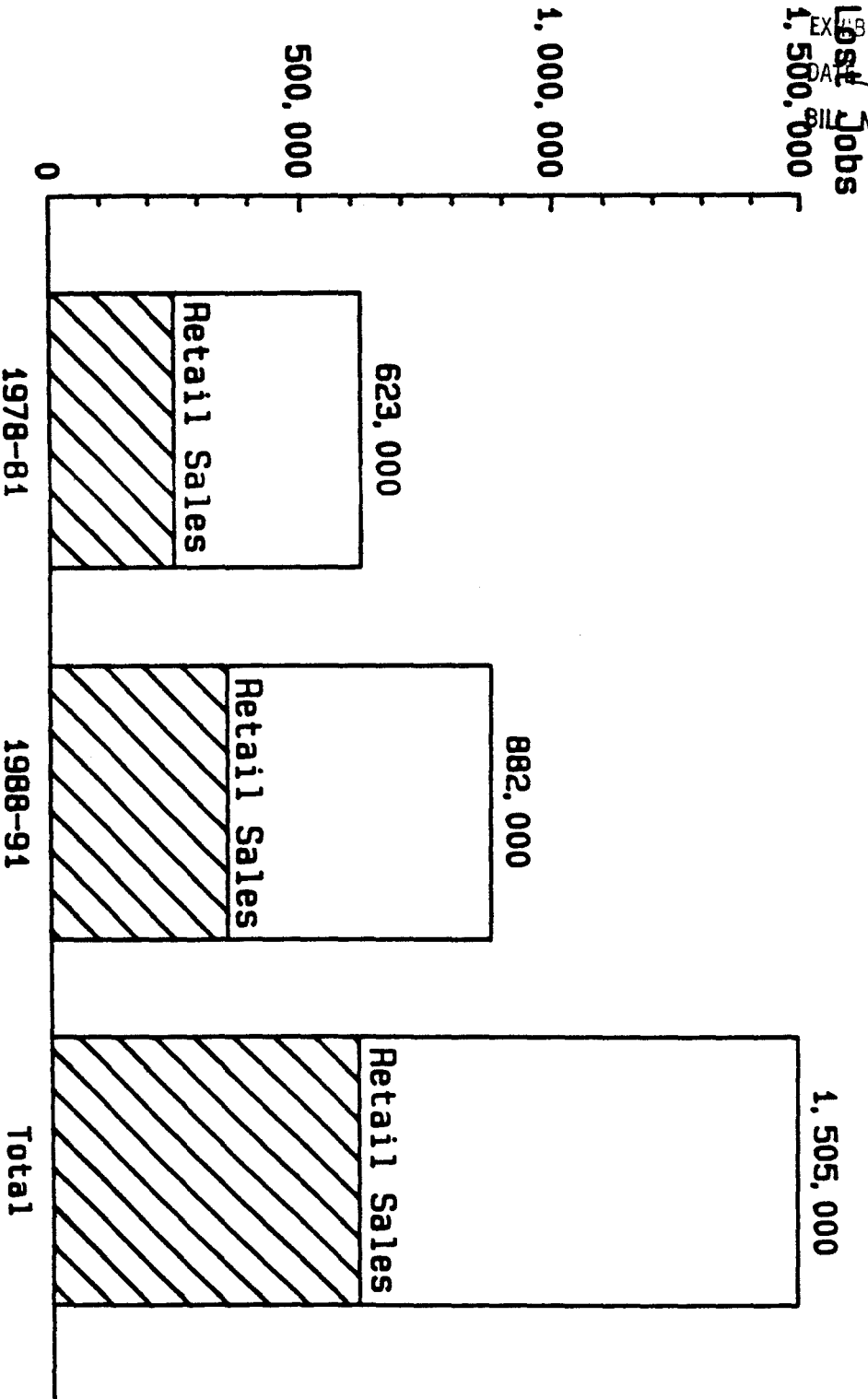
SENATE LABOR & EMPLOYMENT

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occur to offset the higher costs of a higher minimum wage. The result is a reduction in the already modest direct wage gain (\$425 per year) of the minimum wage worker who remains employed. Furthermore, the gain is reduced again by payment of income taxes.

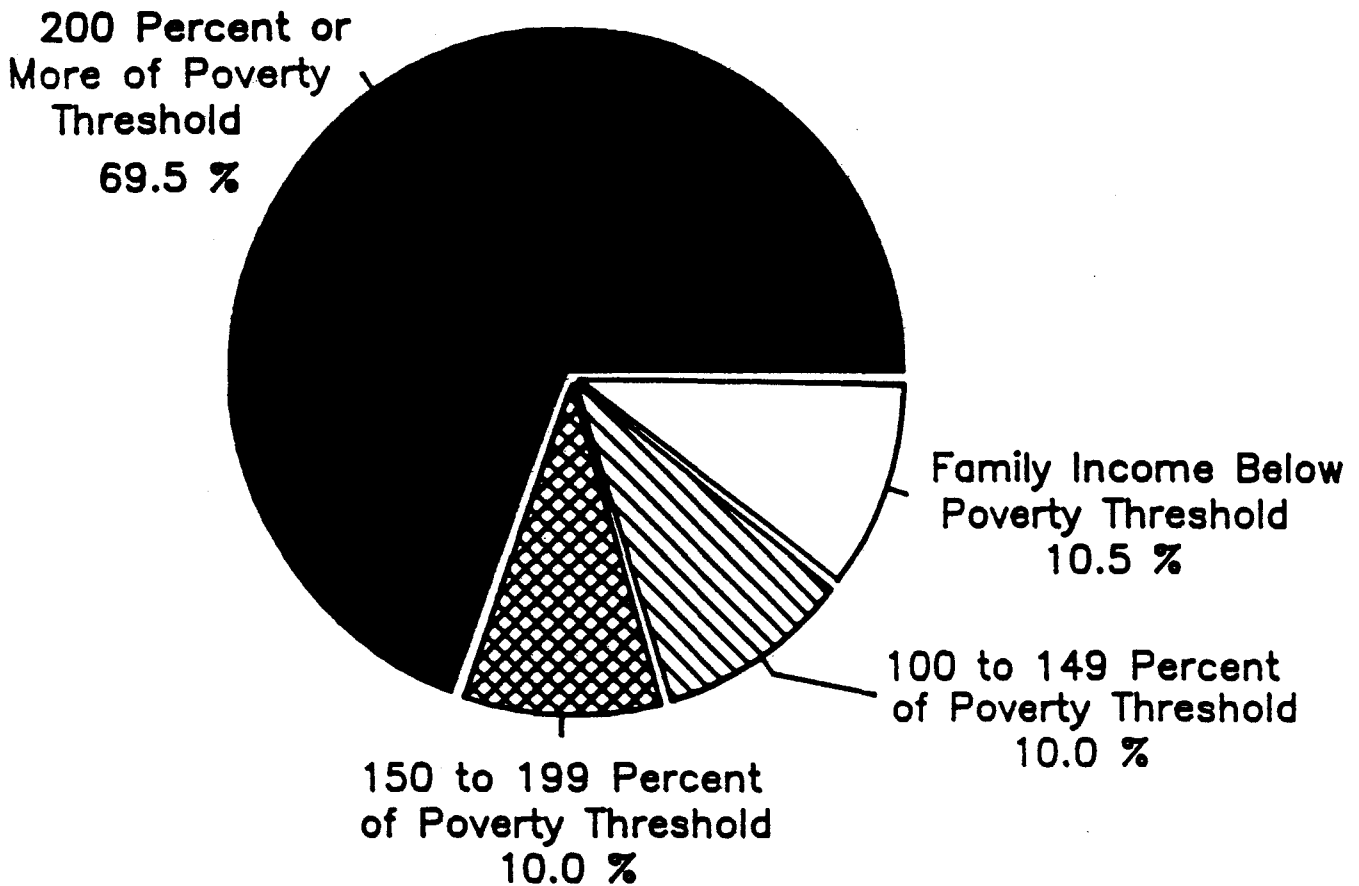
8. A higher minimum wage has a greater adverse impact on employment in the retail industry than in other industries. Furthermore, indexing future minimum wage increases will be especially debilitating. Productivity growth determines wage growth, and productivity growth in retailing lags behind other industries. As Exhibit 3 illustrates, labor in retail trade in 1985 produced only about \$11.00 of output per hour. In contrast, labor in manufacturing produced \$19.00 per hour; in communications, labor produced \$33.50 per hour. Productivity in retailing between 1981 and 1985 grew 1.9 percent. Three other industries had greater gains, ranging from 3.2 to 4.1 percent; four industries experienced productivity declines. These differences leave the retail industry and those who work in it especially vulnerable to the adverse impacts of across the board increases in the minimum wage.
9. In conclusion, legislating minimum wage increases is an inappropriate and ineffective means of eliminating labor conditions detrimental to the maintenance of the minimum standard of living necessary for the health, efficiency, and general well-being of workers. Minimum wage increases create disemployment, accrue mostly to middle income families and, when applied across the board, discriminate against industries with low labor productivity. These results are not compatible with our nation's current economic goals.

Exhibit 1. Job Losses from Increasing the Minimum Wage, 1978-81 and 1988-91



Source: RRNA.

Exhibit 2. Distribution of Low Wage Retail Sales Workers by the Ratio of Family Income to the Poverty Threshold



Note: The 1985 Poverty threshold income for a family of four was \$10,989. Low wage retail sales workers are those who earn less than \$4.65 per hour.

Source: RRNA, from March 1986 CPS data.

SENATE LABOR & EMPLOYMENT

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10. Thank you for this opportunity to express my opinion. I have with me a copy of the Executive Summary of a report we are preparing about the impact of higher minimum wages, which I request be included in the record. Our full report is also available to the Committee.

March 9, 1989

DATE 3/21/89BILL NO. HB 28

To: Senate Labor Committee

From: Montana Stockgrowers Association, Montana Cattlemen, and Montana Association of State Grazing Districts

Subject: House Bill 28 - Increasing the minimum wage

Mr. Chairman, members of the committee:

My name is Kim Enkerud. I am representing the Montana Stockgrowers, Montana Cattlemen, and Montana Association of State Grazing Districts. These organizations represent about 4000 ranch families, many of whom hire help to run their ranches.

We have no problem with paying a person who is a valued employee the minimum monthly wage. In fact, in most cases our help is paid an amount over the minimum wage. In the February 28, 1989 Montana crop and livestock reporter, an article on farm wages is printed. During the January 1989 survey, farm operators paid their hired workers an average wage of \$5.51 per hour. Workers paid on an hourly basis earned \$5.14 per hour. In addition to wages, benefits such as housing and meals were provided to 53% of the hired workers.

Our concern with this bill is as follows. In many situations, young and untrained people are employed when seasonal and part-time help is needed. The nature of our industry causes us to employ this type of worker during certain times, which benefit both the employer and the employee. To be tied into paying a minimum wage, could possibly lead to many of these people not being hired by our members. As the part time employee gains more experience and is hired over and over again, their wages are often adjusted upward. We do not feel a person should be guaranteed a wage unless he or she is qualified for it. The hiring of young people and temporary workers will be affected with this bill.

We urge the committee to not concur House Bill 28.

Thank you.

COMMITTEE ON HB 28

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One	
			Support	Oppo
Walt Dupes	Self	HB 28		X
Bob Davies	SELF	HB 28		X
Roger Koopman	Career Concepts Personnel Training	HB 28		X
Charles Brooks	MT. Ret. / Assoc	HB 28		X
JAMES TUTWILK	MT CHAMBER COM	HB 28		X
Marjorie Krebs	Concerned Citizen		X	
Riley Johnson	NFEB			X
Margaret Richardson	Montana Intkeepers	HB 28		X
Bonnie Tippy	Montana Intkeepers	HB 28		X
Jim S. Bortz	Self	HB 28	X	
Debbie Russell	Self	HB 28	X	
William Edd	Self	HB 28	X	
Patty Doolittle	Self	HB 28	X	
Ray Doolittle	Self	HB 28	X	
Virginia Jellison	MLIC	HB 28	X	
Ioni Niklas	MEA	HB 28	X	
John L. Ortman	Ant Catholic Cong	HB 28	X	
Sarah Crotty	Concerned Citizens	HB 28		
Nancy Mueller	Concerned Citizens	HB 28		
Richard Spring	Self	HB 28	X	
Kim Enkerud	MT Stockmen, State Graz. Dist	HB 28		X
LAURIE SHADOAN	BOZEMAN CHAMBER			X
Mike Craig	Associated Students of the Univ of MT	HB 28	X	
Joseph Moore	Mt. Rainbow Coalition	HB 28	X	
Larry McRae	Delland in Kalispell	HB 28		X
D. J. Row	H.E.R.E LOCAL 56	HB 28	X	

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3-21-89 BILL NO: HB 529 TIME: _____

Substitute Motion by Lynch to table HB 529

VOTE:	YES	NO
SENATOR TOM KEATING		X
SENATOR SAM HOFMAN		X
SENATOR J.D. LYNCH	X	
SENATOR GERRY DEVLIN		X
SENATOR BOB PIPINICH	X	
SENATOR DENNIS NATHE	X	
SENATOR RICHARD MANNING	X	
SENATOR CHET BLAYLOCK	X	
SENATOR GARY AKLESTAD		X

The Motion Passed

5

4

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: April 24, 1989 BILL NO: HB 700 TIME: _____

HB 700, as amended

VOTE:	YES	NO
SENATOR TOM KEATING		X
SENATOR SAM HOFMAN	X	
SENATOR J.D. LYNCH		X
SENATOR GERRY DEVLIN		X
SENATOR BOB PIPINICH		X
SENATOR DENNIS NATHE		X
SENATOR RICHARD MANNING		X
SENATOR CHET BLAYLOCK	X	
SENATOR GARY AKLESTAD	X	

Majority Fails

3

6

ROLL CALL VOTE

LABOR COMMITTEE

51st LEGISLATIVE SESSION

DATE: 3/21/89 BILL NO: HB 700 TIME: _____

BE Concurred In as amended

VOTE:	YES	NO
SENATOR TOM KEATING	X	
SENATOR SAM HOFMAN		X
SENATOR J.D. LYNCH	X	
SENATOR GERRY DEVLIN	X	
SENATOR BOB PIPINICH	X	
SENATOR DENNIS NATHE	X	
SENATOR RICHARD MANNING	X	
SENATOR CHET BLAYLOCK		X
SENATOR GARY AKLESTAD		X

Motion Passes

6

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