

LEGISLATION PROPOSING AN INCREASE IN THE MINIMUM WAGE

SENATE BUSINESS & INDUSTRY

EXHIBIT NO. 10

DATE 1/25/05

CALL NO. SB 78

Effective 7/1/05 - \$6.50

7/1/06 - \$7.25

7/1/07 - \$8.00 -- adjusted January 1st of each subsequent year for cost of living increases. COLA.

Coverage Non-agricultural operations with two or more employees, excluding immediate family members.

Purpose

- **To Promote Family Values by Fighting Poverty**
- **To Strengthen Montana's Economy**
- **To Reduce Government Subsidies**

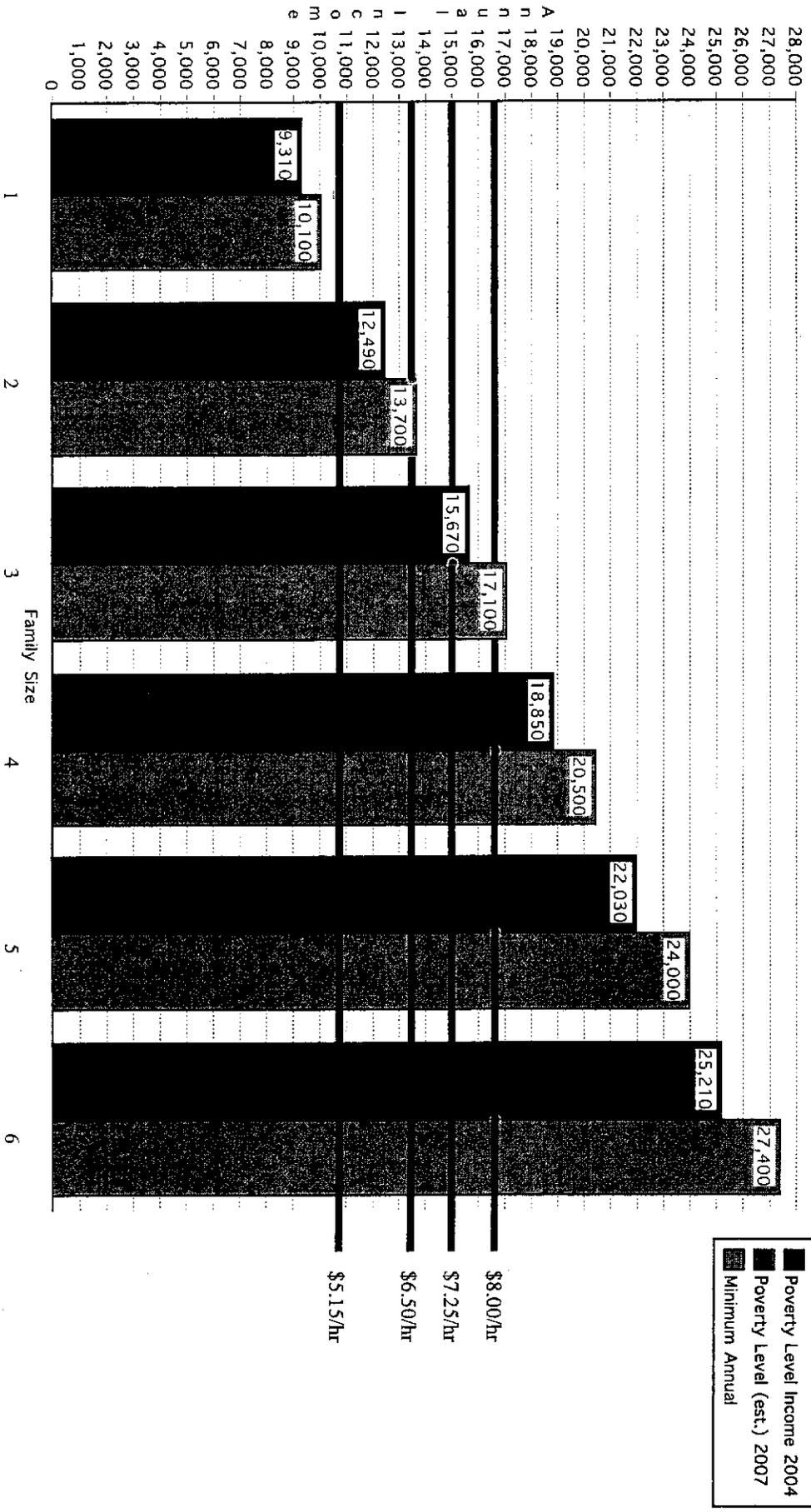
Rationale While the proposed increase in the minimum wage is substantial, it can only be understood and justified against the *modest* impact it will have on working families living under the "official" U. S. poverty levels. The attached chart illustrates that under the current \$5.15/hr. minimum wage (\$10,712/yr.) every working family with two members or more depending on a minimum wage earner is living under the official definition of poverty.

Although the proposed legislation will succeed only in raising working families of two persons above this bench mark, it will have a significant impact on fighting poverty by improving the economic security of all working poor families while strengthening Montana's economy from the bottom up and reducing the cost to taxpayers of providing necessary social services support .

Attachments

- Chart illustrating minimum wage relationship to poverty rates and family size
- Minimum wage increase as a promotion of family values by fighting poverty
- Minimum wage increase as an economic stimulus
- Minimum wage increase as a tool to reduce government subsidies

Family Size	Poverty Level Income 2004	Poverty Level (est.) 2007	Minimum Annual	Hourly Wage
1	9,310	10,100	10712	5.15
2	12,490	13,700	13520	6.5
3	15,670	17,100	15080	7.25
4	18,850	20,500	16640	8
5	22,030	24,000	16640	8
6	25,210	27,400	16640	8



- **Promote Family Values by Fighting Poverty**

No business which depends for existence on paying less than living wages to its workers has any right to continue in this country. By living wages I mean more than a bare subsistence level -- I mean the wages of a decent living.

-- Franklin Roosevelt (urging Congress to pass minimum wage legislation)

When minimum wage legislation was passed in 1938, it was in response to the widely shared American value that **people working at full time jobs should be able to provide themselves and their families with the basic necessities of life.** Although the minimum wage has never fully achieved this standard, in 1968 it reached a high of over \$8.50/hr. in 2005 dollars, adjusted for inflation.

The Federal Minimum Wage was last raised from \$4.25 to \$5.15/hr. in 1997. Since then it has lost 20% of its value to inflation. According to the U. S. Bureau of Labor Statistics (2003) the current minimum wage provides a family of two with income 16% below the "official" poverty level; a family of three with income 46% below the poverty level; and a family of four with income 76% below the poverty level -- this in spite of the fact that the "official U. S. poverty level" more nearly meets Roosevelt's definition of "bare subsistence" than "a decent living."

It is common knowledge that Montana is one of the poorest states in the nation. Based on material from the U. S. Bureau of Census, 2000, the Urban Institute found that the poverty rate for Montana **working** families exceeded the U. S. average by 15% or greater in every category measured. Note: All families had at least one person employed and all sources of families' income were included:

- 10% of Montana *working* families live in poverty;
- 9.7% of the families of *working* married couples with children live in poverty;
- 34.1% of the families of *working* single women with children live in poverty;
- and
- 20.1% (one in five) Montana children of *all* families live in poverty.

In conclusion, the significant rise in the minimum wage proposed by this legislation represents an important step toward the *family value* of fighting poverty by increasing economic security for hundreds of hard working, poverty-stricken Montana families.

● **Strengthen Montana's Economy**

Most available evidence suggests that increasing the minimum wage provides significant assistance for the working poor. A survey by the Economic Policy Institute found that the 1996-'97 two-stage Federal increase from \$4.25 to \$5.15/hr.:

- Benefited 8.9% of all people with jobs;
- These workers were mostly female (58%) and adult (71%);
- Nearly half (46%) worked full time (40 hour weeks), while another 33% worked between 20 and 34 hours per week; and
- 57% of the gains went to the poorest 40% of working families.

(NOTE: These are national percentages. It is almost certain that in Montana, one of the lowest income states in the nation, the percentages were higher.)

The working poor, who benefited most from the increase, tend to spend all of their income for the basic necessities of life. Thus most of the additional revenue generated by a minimum wage increase is circulated within the local community. This is of particular importance to a state like Montana, with high growth in employment in the low-paying service industry -- a trend which can be expected to continue as employment in tourist-related businesses increases in importance.

Critics of the minimum wage predict that increases will result in the loss of jobs and may even jeopardize businesses that depend on a low wage work force. Polen and Luce (*The Living Wage*, The New Press, New York, 1998) have examined available studies of employment in states that raise the minimum wage relative to its lower minimum wage in an adjacent state as well as the impact of federal minimum wage increases and have found no evidence of such phenomena. This may be due to the fact that within similar sectors no business has a competitive advantage over another. Polen and Luce found that in some regions studies, when a state raised the minimum wage higher than its neighbor, local employment increased slightly in the state with a higher minimum wage (p. 41), although the increases were too slight to credit to changes in the minimum wage.

In conclusion, raising the income of the working poor through a significant increase in the minimum wage represents an important strategy for stimulating local community economic growth without threatening job loss or placing economic stress on existing businesses.

● **Reduce Taxpayer Subsidies**

The working poor survive through assistance from a broad range of government social services and private charitable programs. These include:

Government

Medicaid

Earned Income Tax Credit

Food Stamps

Housing assistance: public housing, Section 8...

Women Infant & Children Program (WIC): maternal, pre-natal, pediatric care

Children's Health Insurance Program (CHIP)

School Nutrition Program

Low Income Energy Assistance Program (LIEAP)

Supplementary Aid To Families with Dependent Children

Private

Food Banks

Soup Kitchens

Shelters

Community Medical Clinics

Emergency Assistance from Salvation Army and other Religious Organizations

While low wage working families are the direct recipients of these programs, the businesses that employ workers at below poverty level wages are, in effect, being subsidized by taxpayers and private contributors.

Some opponents of increasing the minimum wage argue that an increase will result in loss of jobs, force businesses to close, and/or discourage potential employers from locating in Montana. Studies of the impact of previous minimum wage increases refute these fears. We find it ironic that the Montana Chamber of Commerce, a champion of free enterprise, strongly opposes minimum wage increases, in effect fighting to retain massive taxpayer subsidies for low-wage private businesses.

We believe:

- Higher wages will attract/retain a high quality work force in Montana.
- If an employer must rely on taxpayer subsidies for their sub-poverty level employees in order to be profitable, we should not want them in Montana.

In conclusion, the significant increase in the minimum wage proposed by this legislation will reduce the cost of government social programs paid for by Montana taxpayers that subsidize employers paying sub-poverty level wages.