

# *The Federal Minimum Wage*



## *Thinking Points, Vol. 1, No. 3*

**Prepared by the Republican House Policy Committee  
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110<sup>th</sup> Congress**



## Overture



*In readiness for transport  
To the battleground  
There's dirty work ahead of them  
And quite a bunch they are...*

*And the parting of the ways  
And the interrupted mirth  
And the shock that has to come  
Because of what you want  
Compared to what you've got*

*Meet it squarely  
And it only hurts  
When it hurts*

*Life of work  
Early in the morning....*

**“Life of Work”  
Iggy Pop**



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## America's Challenge



Since August of 2003, our American economy has added over 7 million new jobs – more than all other major industrialized nations combined; posted job gains for 39 straight months; and attained a 4.5% unemployment rate. The backbone of this economic growth is small business. Yet this critical fact and much of the our nation's economic growth has been muted by the social and economic tumult of globalization: job losses in critical sectors, such as manufacturing; stagnating wages due to competition from “low-cost” countries; and the rising costs of essential commodities and services.

This situation has left many Americans anxious about their own and their fellow citizens' standard of living; and, in turn, has led to public support for a federally mandated increase in the minimum wage. Such concerns, both understandable and, in the instance of the working poor, laudable, have through either legislation or ballot proposals resulted in state minimum wage increases. Despite such state actions, however, there remain calls for a federally mandated minimum wage increase from the current \$5.15 per hour to \$7.25 per hour over the next two years. Proponents assert such an increase will provide an additional income of approximately \$4,400 per year for a three member household; and, due to individuals having more income to spend, will stimulate national economic growth.

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Tellingly, these proponents' prognostications do not take into account the economic cost such an unfunded federal mandate will wreak upon the backbone of the American economy, small businesses and their workers. By some accounts, a federally mandated increase in the minimum wage will result in the loss of up to 1.6 million minimum wage jobs (20% of this workforce), including as many as 1 million lower wage restaurant workers. Therefore, in order to prevent the best of intentions from having the worst of impacts upon the very workers who are to be helped, a principled and balanced policy is required to ensure any mandated minimum wage increase constitutes a pro-growth economic initiative benefiting minimum wage workers, their employers and, thus, all Americans.

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## Republican Principles



Federalism instructs us how a government is best which governs least or, when it does govern, is closest to the people. Therefore, the sovereign states possess the greatest insights and retain the right to secure the health, safety and welfare of their workers, entrepreneurs, and citizens.



Sustainable economic growth stems from expansion of the private sector, not the expansion of the public sector.



The free market and fair negotiations should determine workers' wages, not an arbitrary, unfunded mandate of the federal government.



Because of the inherent dignity of labor, every worker – as an equally sovereign citizen of the United States - has the rightful expectation he or she will be governmentally defended from unjust and capricious economic exploitation.



If the federal government does necessarily establish a minimum wage, then the federal government must ensure this legislation must be equitable to both workers and entrepreneurs, in order to facilitate American economic growth.

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## Republican Policies



The sovereign states should not be pre-empted in their individual initiatives regarding minimum wage increases. Each sovereign state's citizens and duly elected legislatures and Governors better understand the benefits and detriments to themselves than does the less intimately situated federal government. Of course, proponents of a federally mandated minimum wage argue it is needed to establish a nationally uniform standard. Interestingly, however, no one asserting such uniformity has also argued to reduce state minimum wage increases above the proposed national uniform standard of \$7.25 in 2008. For example, in 2006 Michigan adopted legislation mandating its state minimum wage will be \$7.40 in 2008. In light of this, either the proponents of a federal minimum wage of \$7.25 should argue Michigan's minimum wage will be too high; raise their minimum wage proposal to \$7.40; or, most honorably, accept the states are best situated to determine their own minimum wage standards.



Ensure any federally mandated increase in workers' wages is revenue neutral for entrepreneurs – especially small businesses. Regulatory relief, tax relief, and tort reform should proportionately accompany, either singularly or in any combination, a federally mandated increase in workers' wages.



While keeping the federally mandated wage increase revenue neutral to entrepreneurs, the federal government should also seek to expand

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businesses' opportunities to enhance workers' non-salaried benefits, such as health care, through the enactment of Association Health Plans and the expansion of Health Savings Accounts.



The federal government must fully and fairly enforce the existing laws (and, where necessary, pass new laws) against employers exploiting illegal immigrant labor. Absent such enforcement, employers will vitiate the impact upon their enterprises of a federally mandated minimum wage increase by breaking the law to hire ever more illegal labor at illegal lower wages. When it is realized such an increase in illegal hiring practices will further increase illegal immigration, it becomes obvious how, absent strict enforcement, American low wage workers will face increased illegal competition and, ineluctably, decreased employment opportunities and wages. Indeed, it is reasonable to assert how the necessity for a federally mandated minimum wage increase has been precipitated by the influx and utilization by employers of illegal immigrant labor, which hinders lower-income workers' wages from naturally rising in, what otherwise would have been, an increasingly tighter and more competitive labor market.



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## Advancing American Exceptionalism



Should Congress determine the states are incapable of addressing the minimum wage issue, it is incumbent upon the federal government to ensure its pre-emptive legislation is equitable to both minimum wage workers and employers. If, the federal government does not, and instead seeks to emulate the unbalanced and inequitable economic policies of more socialized countries, as are those of Europe, we will only serve to equal their disappointing economies by eliminating lower wage jobs, in particular, and small businesses, in general. Only the passage of equitable minimum wage legislation, fair to both workers and entrepreneurs, will propitiate private sector economic growth salubrious to all Americans and ensure our nation remains the pre-eminent economy amongst the major industrialized countries and, indeed, all the world.



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