



**House  
Legislative  
Analysis  
Section**

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**INCREASE MINIMUM WAGE**

**House Bill 4294 (Substitute H-1)**  
**Revised First Analysis (2-14-90)**

**RECEIVED**

**MAR 05 1990**

**Sponsor: Rep. Robert Emerson**  
**Committee: Labor**

**Mich. State Law Library**

**THE APPARENT PROBLEM:**

In Michigan and at the federal level the minimum wage is currently \$3.35 per hour. Congress has enacted legislation that will raise the federal minimum wage in annual increments, from \$3.80 as of April 1, 1990, to \$4.25 as of April 1, 1991. Additionally, although states have traditionally allowed the federal government to take the lead in setting the minimum wage level, thirteen states and the District of Columbia have increased their minimum wage rates above the federal minimum of \$3.35 per hour that has prevailed for eight years. It is argued that legislation should be enacted to — at least — conform with federal changes, especially since the federal law does not affect employees in relatively small retail and service establishments.

**THE CONTENT OF THE BILL:**

The Minimum Wage Law of 1964 provided for the minimum hourly wage rate to increase annually, from a rate of \$2.30 per hour beginning January 1, 1977, to a rate of \$3.35 per hour beginning January 1, 1981. The bill would amend the law to provide for increases as follows:

beginning April 1, 1990, \$3.80 per hour  
beginning April 1, 1991, \$4.25 per hour  
beginning April 1, 1992, \$4.65 per hour  
beginning April 1, 1993, \$5.00 per hour

The bill would also delete a requirement that increases or decreases in the rate reflect increases or decreases in the cost of living.

MCL 408.384

**FISCAL IMPLICATIONS:**

Fiscal information is not available at this time. (2-7-90)

**ARGUMENTS:**

**For:**

At \$3.80 per hour, a full-time worker would make \$7,904 per year, and at \$4.25 per hour \$8,840. The projected poverty levels for a family of three for the next two years are \$10,369 and \$10,836. The purpose of minimum wage legislation is to provide workers with at least a minimum standard of living. The bill would help bring the minimum wage into line with increases in the cost of living and would tend to decrease the degree to which persons being paid minimum wage need to rely on public assistance.

**Against:**

The bill does not go far enough: the minimum wage should be increased to \$5 immediately. While the minimum wage has remained at the same level for almost ten years, inflation has eaten away at workers' purchasing power, causing many to turn to government assistance to make ends meet. According to U.S. Department of Labor and

Congressional Budget Office data, the minimum wage was equal to 104.6 percent of the poverty line for a family of three during the 1960s; and 102.6 percent of the poverty line during the 1970s. By 1989, however, the minimum wage fell to an estimated 70.5 percent of the federal poverty level. The increases proposed in the bill would only raise that percentage to 76.2 percent of the projected poverty level in 1990 and 81.5 percent in 1991; the minimum wage would have to be raised to approximately \$5.00 this year to stay at the poverty line. The Congressional Budget Office's projected poverty levels for a family of three are \$10,369 for 1990 and \$10,836 for 1991. According to the U.S. Department of Health and Human Services' poverty income guidelines, in 1989 the poverty level for a family of four was \$12,100, and in 1990 and 1991 those figures will be \$12,700 and \$13,200, respectively. A family of four receiving Aid to Dependent Children, on the other hand, will receive \$10,464 annually, and, in addition, free health care, a benefit that most who work for minimum wages do not receive.

**Against:**

The bill is unnecessary. The minimum wage was never intended to be a living wage, that is, a wage that would support a family. It was intended to help those just entering the work force, and to help students who needed part time work. In addition, the bill would decrease job opportunities by negatively affecting an employer's ability to hire and retain young, unskilled workers. The federal minimum wage law that will take effect April 1, 1990, on the other hand, permits employers to pay a "training wage" equal to 85 percent of the minimum wage to new workers for six months. Without this provision, many unskilled, inexperienced workers will be left out of the work force.

**Response:** Society has changed drastically since the first federal minimum wage law was enacted over fifty years ago. While the minimum wage may have helped students and those with entry level job skills in the past, the reality is that today many students rely on entry level jobs as a means of paying for college, and many of those with entry level job skills are women who are single parents.

**POSITIONS:**

The United Auto Workers (UAW) supports the bill. (2-7-90)

The Michigan State AFL-CIO supports the bill. (2-7-90)

The Michigan Federation of Teachers supports the bill. (2-7-90)

The Central Michigan University Campus Coalition for Fair Pay supports the bill. (2-7-90)

The Hotel Employees & Restaurant Employees Union, Local 24, supports the bill. (2-14-90)

The Department of Labor supports the first two increases in the minimum wage as provided in the bill. (2-14-90)

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**OVER**

The Michigan Merchants' Council and Associates would support the bill if it were amended to comply with federal minimum wage legislation that includes a provision for a "training wage." (2-8-90)

The Michigan Manufacturers Association would support the bill if it were amended to comply with the federal minimum wage legislation. (2-14-90)

The Michigan Lodging Association testified before the House Labor Committee in opposition to the bill. (2-7-90)

The Michigan State Chamber of Commerce opposes the bill. (2-7-90)

The Small Business Association of Michigan opposes the bill. (2-7-90)