Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

Telephone: (517) 373-5383
Fax: (517) 373-1986

BILL ANALYSIS

Senate Bill 250 (as reported without amendment)
Sponsor: Senator Margaret O'Brien
Committee: Commerce

Date Completed: 7-13-15

RATIONALE

Some people have expressed concern that the number of youths entering the labor force has been declining, and believe that adjustments to the minimum wage paid to youths could reverse or slow this trend. The Workforce Opportunity Wage Act establishes a minimum hourly wage (referred to as the general minimum hourly wage) for employees in Michigan. The Act makes various exceptions to this wage, namely for employees receiving gratuities, employees under 18 years of age, and employees under age 20 who are in training (who may be paid a youth training wage for up to 90 days). Apparently, however, relatively few employers are willing to hire those under 18 years old, and few youths apply for a job until they are at least 18 because of extracurricular activities and school. To address this situation, some believe that the youth training wage should be raised, and the wage for employees under 18 should be revised and extended to 18- and 19-year-old workers.

CONTENT

The bill would amend the Workforce Opportunity Wage Act to increase the training hourly wage and specify that individuals under 20 years old could be paid 85% of the general minimum wage or the Federal minimum wage, whichever was greater.

Under the Act, the minimum hourly wage currently is $8.15 and will increase to $8.50 on January 1, 2016, $8.90 on January 1, 2017, and $9.25 on January 1, 2018. Each subsequent January, beginning in 2019, the State Treasurer must adjust the general minimum hourly wage according to the percentage change in the Consumer Price Index.

As discussed above, the Act provides for various exceptions to the general minimum hourly wage. Under one of the exceptions, an employer may pay a new employee who is less than 20 years of age a training hourly wage of $4.25 for the first 90 days of employment. The bill would increase the wage to $6.25.

The Act also provides that the minimum hourly wage for an employee less than 18 years of age is 85% of the general minimum wage (except as allowed for the training hourly wage). The bill instead specifies that the minimum hourly wage for an employee who was less than 20 years of age would be 85% of the general minimum wage or the Federal minimum wage, whichever was greater. (The current Federal minimum wage is $7.25. Assuming no further increases in the general minimum hourly wage under the Act, the Federal minimum wage will be higher than 85% of that wage until January 1, 2017.)

The bill would take effect 90 days after its enactment.

MCL 408.414b

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

As fewer minors begin working before they are 18 years old, fewer employers are hiring individuals under 18. This may be detrimental to minors' future employment prospects because it is on their first job that youths learn from their mistakes, as well as learn responsibility, time and money management, and other useful skills. The youth minimum wage reflects the compromise of paying a teenager for his or her work while accepting the risk and reduced productivity that hiring an inexperienced person can involve. In addition, the youth minimum wage provides an incentive for employers to hire youths for their first job. Because those first jobs are being taken later in a young person's life, the age limit for the youth minimum wage should be raised. By doing so, the bill would recognize that many do not begin work until they are 18 or older, as well as preserve the incentive for employers to give those individuals a job.

In addition, the current youth training wage is $4.25 per hour for the first 90 days of employment. By increasing this wage to $6.25, the bill would bring it closer to the minimum wage required by the Act.

Opposing Argument

A person reaches the age of majority at 18 years and is recognized by society as an adult. An 18-year-old individual is able to enlist in the military, bind himself or herself to contracts, and vote. He or she also should be paid at least the standard minimum wage, as any adult would be. While some might take their first part-time job to earn spending money, others do so to pay necessary living expenses. Not everyone under 20 has access to some other source of financial support. A reduction in the minimum wage for 18- and 19-year-olds would hinder college-age students attempting to put themselves through school at a time when college tuition and costs increase nearly every year. Whether they are in college or not, 18- and 19-year-olds who must support themselves face the same costs of living as everyone else. If an employer has concerns about hiring an inexperienced person to an entry-level position, the employer can pay the youth training wage to anyone under 20 for up to 90 days.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have an indeterminate fiscal impact on State and local government. The bill would require employers to pay employees under the age of 20 at least $6.25 per hour for the first 90 days of employment, and the greater of 85% of the regular minimum wage or the Federal minimum wage thereafter. These changes would represent a net increase in the minimum wage for employees under age 20 during their first 90 days of employment, and a decrease in the minimum wage for employees aged 18 or 19. From a fiscal standpoint, these two changes would produce opposed effects; increasing the so-called "training wage" from $4.25 per hour to $6.25 per hour would tend to increase payroll costs, and increasing the age range for which an employee may be paid 85% of the regular minimum wage would tend to decrease payroll costs. There are currently no available data that would be of use in estimating which of these two factors would be more significant in terms of the net fiscal impact of the bill.

Fiscal Analyst: Josh Sefton