

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1454

2007 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1454

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1454

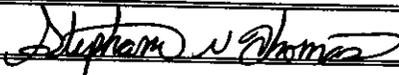
House Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: January 24, 2007

Recorder Job Number: 1797

Committee Clerk Signature



Minutes:

Chair Keiser opened the hearing on HB 1454.

Rep. Mark Owens, District 18: The US Congress is currently investigating minimum wage now, and may or may not act, we do not know. Minimum wage is something we have, and I'll admit that minimum wage is not necessarily good for small business, and 80% of the jobs across the US are from small business, and in discussions with the labor commissioner, it's about 4,000 in the state that currently fall into the minimum wage. Everyone else is currently earning above the current minimum wage. I'm most concerned about the rural areas, and keeping and maintaining those businesses and infrastructures there, so they don't leave the rural areas, or lose their business completely, so in the long run we have nothing but the entire infrastructure of the state being supported by the major cities. In section 1 it divides minimum wages into two periods. The first period is for everybody, and the second period is limited to 19 and older. I've done that deliberately, because all the income for the high school students are disposable, and while I recognize we may need an increase there, I don't believe it has to go up to the total amount. I had a discussion with the Labor Commissioner this morning, and on line 12, including the second or, and all of line 13 will need to be amended out as that is in violation of current statute. Paragraph 2 was specifically put in the bill to allow the Labor

Commissioner to take into consideration extenuating circumstances across the state dealing with extremely small businesses. In section 3, while I have been informed since we put in this section, the folks I talked to are not aware of any collective bargaining that has a circuit breaker or trigger associated with the minimum wage in their collective bargaining unit agreements.

Rep. Kasper: On your second part beginning with line 15, employees working in small communities and for employees of small businesses, do we allow the Commissioner the discretion to determine what communities qualify, and what small businesses qualify, because of the way the language is?

Rep. Owens: Small businesses are defined in the Century Code in a number of places already. I have not put any language in here facing community size, because small businesses may be in a large community.

Rep. Keiser: So, both conditions must be met?

Rep. Owens: Yes, the small businesses are really the majority there, but as I said earlier, I'm most interested in Bismarck, Fargo, Grand forks, Minot, the large population centers. These four cities are going to pay all the taxes and maintain the entire infrastructure out there across the state.

Rep. Keiser: What if I'm an employer in a small community, but I'm a large employer. Do I then have to meet the minimum wage?

Rep. Owens: The minimum wage from the federal government is for small businesses, 25 or less than 25 employees.

Rep. Keiser: Do you want this rule to apply to every business in a small community, or only the small businesses in a small community?

Rep. Owens: Yes, I'm interested in helping the small communities, so I'm more interested in helping any businesses in a small community.

Rep. Amerman: A couple of questions about your 19 year old target date to go to \$7.00 in 2009. Why 19, because we might have several employees for you. We may have individuals in the National Guard who have been deployed and come home and are still only 18. I'm not so sure why you target that age.

Rep. Owens: I selected the age nineteen based on graduation from high school, but you are absolutely right. What I was trying to do is recognize the fact that there are a number of students out there working and most of those are already earning above the minimum wage. I just wanted to make sure nobody was earning less than that once this went in, but it's all disposable income, they have no expenses.

Rep. Amerman: On the third part of the bill, if we put this into statute and this remains, basically the state would be telling two parties what they may or may not want to put into their own private contract.

Rep. Owens: Yes, I fully agree with paragraph 3 personally, because I don't see how you can have a collective bargaining. There's no agreement or discussion about what you should put in your contract if you have circuit breakers or triggers that automatically go into affect. What is there to collective bargain anymore?

Rep. Amerman: They get put into collective bargaining, because the parties agree to it. That is one of the concerns of mine.

Rep. Owen: Since I discovered one error in the bill already, the representative may have discovered another one, I'm not sure.

Rep. Thorpe: The minimum wage that they are running through Congress right now, I don't see that there's anything in here that would measure up to that, and I think federal takes precedence, does it not?

Rep. Owen: It does, but I believe again there are some minute differences when you get to extremely small organization.

John Risch, United Transportation Union: I'm in favor of the 1st half of the bill up to line 12. This bill is actually more positive than the federal minimum wage initially, because in Aug. of this year if this went into affect, it would raise the minimum wage to \$6.15 an hour, and the federal only raises it to \$5.85 an hour. The 2nd increase on this bill raises it to \$7.00 an hour, and that doesn't take affect until Jan. 2009. The other problem that I have with the bill is that neither this bill nor the federal legislation is indexed for inflation, and that's what we really need. I suggest the bill be a period after line 12, after the word employed, and scratch the rest of the bill. It would be much better. Section 2, it talks about the authority of the Labor Commissioner. The labor Commissioner has quite broad authorities now, and the problem about single parents I think is problematic. The part about the labor agreements at the end and labor agreements are somehow connected to minimum wage, where there is some out there. I've never been able to find one. I've called the International AFLCIO, I've called to various service employees unions and asked them if there were any labor agreements that they knew of that train some sort of triggering mechanisms, and never have I been able to find one. I think the reason that gets brought up is just to try to discredit organized labor. The Governor in the state of the state address set a goal for raising incomes in ND. I think raising the minimum wage is the first step to try and get there.

Rep. Ruby: I know unions negotiated and bargained for wages that are generally much higher than minimum wage. Why then is it so important that if the minimum wage get raised when

none of their members are making that? Or, maybe it's not in agreement that it triggers, but is the collective bargaining's in this?

John: It's the sincere effort on our part just to see wages in general increase. I suspect you could say it was a bit self serving, in that if union workers have to compete against very low wage nonunion workers, we're at a competitive disadvantage in higher wages for everybody. I don't know if there is any collective bargaining agreement that has anything to do with minimum wage. I've never seen it.

Rep. Keiser: Is there any legal basis on which you could have exclusion for anything in a collective bargaining agreement?

John: The only thing I can think of is the provision for right to work. I don't know of anything where the state can come in and say no, you can't negotiate.

Dave Kemnitz, AFLCIO: We are not imposed to an increase in minimum wage. We oppose this bill in its present form, because age discrimination and private sector freedoms of contract are affected, we believe.

See handouts A and B.

Nancy Sand, NGDA: This bill does provide for increase of the minimum wage; however we have some concerns with it. We wonder about the affective date of Jan. 1, 2008, when most legislation is affective on Aug. 1. We also believe the minimum wage should be the same regardless of whether the person is 19, or year younger. We have a problem with the small communities and small business restriction here, and unfortunately we have a problem with the collective bargaining agreement. We would object to any kind of restrictions on any group of employees, and their employers who would wish to agree to such language.

Loren Owe: Opposed to HB 1454. The statement in number 2 relates to small communities, and the concern of rising costs for small businesses. The comment that was made that most

of the young workers have a disposable income well, if we pay a young worker a higher wage, and they have a disposable income, that money is going to be spent a lot in the community even faster. We'd like to support a small community, and if they retain the younger worker in that workforce for that small community. Now, I can guarantee you that a young worker finds out that they get a lower wage than minimum wage, that small worker will probably still work there, but they're going to leave quicker, and not all of the workers in a small community are young workers, and that's because all of the young workers have left.

Rep. Thorpe: Do you represent a smaller community in this state? Have you had an opportunity to visit different businesses in this rural community that we always seem to be worried that we're going to force them out of business with raising minimum wage. Aren't they paying less money than they are in the more urban areas in the same type of business?

Loren: From my experience the wages are about the same. You want to increase the minimum wage for the workers in a small community, but let's look at a small community. What's the price of gas and groceries in a small community, it's higher.

Alana Seaberg, Student: I live and go to high school in Bismarck, and I'm 15 right now and I do have a job. My income is not just disposable income, it does affect me. I know how much college is right now, and I am saving to go to college, and my employment that would be disposable to you is actually being saved penny by penny, because my parents require me to pay for my own things, so I am saving money right now. I would ask you to vote no on this bill, or eliminate that provision of only applying it to 19 or older.

Lisa Fairmendeavors, Commissioner of Labor: My position is neutral. Employers who have 2 or more employees, and do at least \$500,000 of business are all covered by the Fair Labor Standard Act. The only time it would make a difference on the state level is if the state actually went above the federal minimum wage. The 4,000 people make minimum wage, or less in the

state of ND. That doesn't necessarily mean that the Fair Labor Standard Act doesn't apply to them. That may mean that they are workers who work under sub minimum wage licenses through both the federal Department of Labor, and the state Department of Labor.

Rep. Kasper: Could you clarify again the definition of 2 employees and the \$500,000?

Lisa: Employees should work for certain businesses or organizations that are covered by the Fair Labor Standard Act and these enterprises must have at least 2 employees that have an annual dollar volume of sale or business of at least \$500,000.

Rep. Ruby: What you're saying is a bill like this would only raise about 2500 people off of the federal minimum wage.

Lisa: I can't tell you the number of people that have been changed, because I don't believe there's any entity in the state of ND that knows what entities are not covered by the Fair Labor Standards Act.

Rep. Keiser: If I have a company with 1 person, I don't have to worry about it, and if my sales are greater than \$500,000 I don't have to worry about it?

Lisa: You'd have to have 2 employees and have that is my understanding of how that reads.

Rep. Keiser: If I do business just in the state of ND, and I have 2, 3, or more employees, is it less than or greater than \$500,000?

Lisa: It's at least \$500,000.

Rep. Keiser: So, if I have 2 employees and it would be \$300,000, I'm not covered under the law?

Lisa: That's correct under the Fair Labors Standard Act, and then the state law, which covers all employees, would come in.

See handout C.

Hearing closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1454**

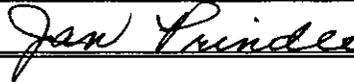
House Industry, Business and Labor

Check here for Conference Committee

Hearing Date: **30 January 2007**

Recorder Job Number: **2241**

Committee Clerk Signature



Minutes:

Chairman Kaiser opened discussion of HB 1454. I saw so many problems with this bill. It was discriminatory with age in it. We should amend that out. We should do a lot of things with this bill. We have no definition of "small" communities, a lot of open language, etc. What this amendment does is makes it the very same as the bill that's in the Senate. That bill, in effect, says that at the effective date of this act the wage is at least \$5.85, effective 12 months after that the wage is at least \$6.55 and 24 months thereafter is at least \$7.25. This is all contingent upon the feds passing their minimum wage law. This ties ND to the federal government in their minimum wage. It would eliminate the discrepancy we now we have for those employees in our state who get left behind when the rate goes up and the state doesn't adjust. It will have a fiscal note and most of the impact won't be in the current biennium. From a policy standpoint we need to address those 4000 people. This is a hog house amendment. In terms of policy, all we are doing is tying ourselves to the federal.

Representative Ruby: I move to adopt the amendment.

Representative Clark: I second.

Representative Thorpe: Isn't the federal mandated to all states?

Chairman Kaiser: Except for that small group we have always lost. I can't tell you why they exempted from the federal but up to now they have been. This really helps them.

Representative Zaiser: I'm going to support the bill because we need to get there. I really regret that we don't have the COLA. I heard the criticism but I don't think that's valid. We have COLAs in everything. Why shouldn't the people at the bottom ever get a raise? We need to increase the minimum wage.

Representative Amerman: In the original bill we were talking about small businesses and small communities. Is that what #2 is addressing--"the commissioner can adopt rules."

Chairman Kaiser: That's right. If there are special circumstances out there where a community came forward and said we would like to be able to offer something less than this, the commissioner could hold a hearing, go through the process, and adopt a rule. They can always pay more.

Representative Dietrich: In line 2, does the collective bargaining stay in.

Chairman Kaiser: Whatever was in stays in. This just deals with increasing the minimum wage for the state of ND.

A roll call vote was taken: Yes: 13, No: 0, Absent: 1 (Dosch)

The amendment was adopted.

Representative Ruby: I am going to oppose this bill. **I move Do Not Pass as Amended.**

Representative Boe: **I second.**

Representative Amerman: What authority does the commissioner have now? Can he lower it for different industries?

Representative Kasper: Yes, he can.

Representative Zaiser: The commissioner does have a fair amount of latitude but has to be careful about discrimination, etc.

A roll call vote was taken: Yes: 6, No: 7, Absent: 1 (Dosch)

The motion failed.

Representative Dietrich: **I move a Do Pass as Amended and Rerefer to Appropriations.**

Page 3

House Industry, Business and Labor

Bill/Resolution No **HB 1454**

Hearing Date: **30 Jan 07**

Representative Gruchalla: 1 second.

A roll call vote was taken: Yes: 8, No: 5, Absent: 1 (Dosch)

The Do Pass motion prevailed.

Representative Dietrich will carry the bill.

FISCAL NOTE

Requested by Legislative Council

02/01/2007

Amendment to: HB 1454

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Expenditures | \$0 | \$0 | \$89,464 | \$426,181 | \$194,296 | \$1,576,818 |
| Appropriations | \$0 | \$0 | \$89,464 | \$15,128 | \$194,296 | \$61,581 |

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Very similar to SB 2122. The effective dates may slide, depending on the feds, or may be a couple months different in 2008 and 2009. The differences would be small and the sliding implementation date, which depends on a federal minimum wage change, is impossible to consider in the fiscal note.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Statewide change, including higher education.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Statewide change.

| | | | |
|----------------------|-----------|-----------------------|------------------------|
| Name: | Ken Purdy | Agency: | HR Management Services |
| Phone Number: | 328-4739 | Date Prepared: | 02/01/2007 |

FISCAL NOTE

Requested by Legislative Council

01/16/2007

Bill/Resolution No.: HB 1454

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

| | 2005-2007 Biennium | | 2007-2009 Biennium | | 2009-2011 Biennium | |
|-----------------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | \$32,157 | \$276,016 | \$84,238 | \$614,250 |
| Appropriations | | | | | | |

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

| 2005-2007 Biennium | | | 2007-2009 Biennium | | | 2009-2011 Biennium | | |
|--------------------|--------|------------------|--------------------|--------|------------------|--------------------|--------|------------------|
| Counties | Cities | School Districts | Counties | Cities | School Districts | Counties | Cities | School Districts |
| | | | | | | | | |

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Minimum wage increase to \$6.00 on 8/1/2007 and to \$7.00 on 1/1/2009.
Based on employee pay and hours worked in 2006. Includes ND University System.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Minimum wage increase to \$6.00 on 8/1/2007 and to \$7.00 on 1/1/2009.
Based on employee pay and hours worked in 2006. Includes ND University System.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

| | | | |
|----------------------|-----------|-----------------------|------------------------|
| Name: | Ken Purdy | Agency: | HR Management Services |
| Phone Number: | 328-4739 | Date Prepared: | 01/19/2007 |

Date: 1-30-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 7454

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Adopt Amendment

Motion Made By Rep Ruby Seconded By Rep Clark

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Keiser | X | | Rep. Amerman | X | |
| Vice Chairman Johnson | X | | Rep. Boe | X | |
| Rep. Clark | X | | Rep. Gruchalla | X | |
| Rep. Dietrich | X | | Rep. Thorpe | X | |
| Rep. Dosch | | | Rep. Zaiser | X | |
| Rep. Kasper | X | | | | |
| Rep. Nottestad | X | | | | |
| Rep. Ruby | X | | | | |
| Rep. Vigesaa | X | | | | |
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Total Yes 13 No 0

Absent 1

Floor Assignment Rep Ruby

If the vote is on an amendment, briefly indicate intent:

Date: 1-30-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1454

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass, AS Amended

Motion Made By Rep. Ruby Seconded By Rep. Boe

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Keiser | | X | Rep. Amerman | X | |
| Vice Chairman Johnson | X | | Rep. Boe | X | |
| Rep. Clark | | X | Rep. Gruchalla | X | |
| Rep. Dietrich | | X | Rep. Thorpe | X | |
| Rep. Dosch | | | Rep. Zaiser | | X |
| Rep. Kasper | | X | | | |
| Rep. Nottestad | | X | | | |
| Rep. Ruby | X | | | | |
| Rep. Vigasaa | | X | | | |
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Total Yes 6 No 7

Absent 1

Floor Assignment Rep. Ruby Dietrich

If the vote is on an amendment, briefly indicate intent:

Date: 1-30-07
Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1454

House Industry Business & Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO Pass, AS Amended / Referred to Approp

Motion Made By Rep. Dietrich Seconded By Rep. Gruchalla

| Representatives | Yes | No | Representatives | Yes | No |
|-----------------------|-----|----|-----------------|-----|----|
| Chairman Keiser | X | | Rep. Amerman | | X |
| Vice Chairman Johnson | | X | Rep. Boe | | X |
| Rep. Clark | X | | Rep. Gruchalla | X | |
| Rep. Dietrich | X | | Rep. Thorpe | | X |
| Rep. Dosch | | | Rep. Zaiser | X | |
| Rep. Kasper | X | | | | |
| Rep. Nottestad | X | | | | |
| Rep. Ruby | | X | | | |
| Rep. Vigesaa | X | | | | |
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Total Yes 8 No 5

Absent 1

Floor Assignment Rep. ~~Ruby~~ Dietrich

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1454, as engrossed: Industry, Business and Labor Committee (Rep. Kelsner, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (8 YEAS, 5 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1454 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "and", replace "an" with "a contingent", and after "date" insert "; and to declare an emergency"

Page 1, line 7, remove "- Collective bargaining agreements"

Page 1, line 9, replace "a" with ":

- a. Effective on the effective date of this Act, a wage of at least five dollars and eighty-five cents per hour;
 - b. Effective twelve months after the effective date of this Act, a wage of at least six dollars and fifty-five cents per hour; and
 - c. Effective twenty-four months after the effective date of this Act, a wage of at least seven dollars and twenty-five cents per hour.
2. This section does not limit the authority of the commissioner to adopt rules establishing a state minimum wage rate that differs from the rates established under subsection 1.

SECTION 2. CONTINGENT EFFECTIVE DATE. This Act becomes effective on the date in 2007 identified by the chairman of the legislative council in a certification filed by the legislative council with the secretary of state as the effective date of the increase in the federal minimum wage under the federal Fair Labor Standards Act of 1938.

SECTION 3. EMERGENCY. This Act is declared to be an emergency measure."

Page 1, remove lines 10 through 20

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1454

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1454

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 6, 2007

Recorder Job Number: 2957

Committee Clerk Signature

Ally N. Savel / Jan Prindle

Minutes:

Rep. George Keiser, District 47, introduced the bill. The IBL Committee had two bills addressing minimum wage. One of the bill had a COLA in it and the other had several unconstitutional features in it so we sent one bill out with a do not pass and have amended the second bill. HB 1454 currently has exactly the same construction as the Senate bill sponsored by Senator Stenehjem and Rep. Berg on the Senate side. What this bill does is on the effective date a wage of at least \$5.85 per hour, effective 12 months after the effective date of this act a wage of \$6.55 per hour, effective 24 months after the effective date a wage of at least \$7.25 per hour. We then defined what the contingent effective date is. That is a significant part of this bill. This bill is tied directly to the action to be taken by the federal government. It will tie ND's minimum wage to the federal minimum wage. We last changed the State of ND's minimum wage rate in 1997. This will have an impact on 4000 employees in ND. All of the employees in the state are covered under the federal minimum wage with the exception of this small group of 4000 employees. Those are some part-time workers and some people with limited capacity that are employed in our state.

This bill does have a fiscal not associated with it. The expenditure for 2007-09 biennium from the GF is \$89.0 and from other funds is \$426.0. The discrepancy there is that many of those are federally funded programs that will make the adjustment when we make the

adjustment. For the 2009-11 biennium are before you. The members of the IBL Committee discussed this at length and believe it is appropriate to tie it to the federal increase that is occurring, to not have a COLA in the legislation, and to absorb the fiscal impact that is associated to the bill.

Rep. Ekstrom: Subsection 2 talks about the “commissioner may provide for minimum wage of less than the state’s minimum wage.” That seems to be discretionary language. Could you describe where that came from?

Rep. Keiser: The current law, even with the state minimum wage and the federal minimum wage, does allow the commissioner to impose a rate different than the state minimum wage. They have to hold a hearing and they have to have a basis for that decision. We believe this flexibility is critical to this bill especially for some rural communities. We felt it very important to leave that power for the Labor Commissioner in the bill.

Rep. Nelson: Is that the provision that food services uses as far as tip credits? How does this bill relate to servers in that industry?

Rep. Keiser: The feds and the state have a tip credit which is an entirely different subsection of the legislation. The changes that will be incorporated within our bill are not going to be any different than they currently are because this is just on the minimum wage for non-tip, non-commissioned people. Four years ago we had a bill to eliminate that section of the state law and we had to move the hearing because of all the waiters and waitresses that showed up asking for it not to be changed.

Rep. Glassheim: Does this tie to federal changes in the future? Or have you just adopted what you think the federal changes will be for now?

Rep. Keiser: It ties to the current federal law that has been proposed and those changes are time bound and will go into effect if the federal laws go into effect—that’s the contingent effective date.

Rep. Aarsvold: I'm wondering in the fiscal note there is special note made of the university system?

Rep. Keiser: That is primarily for part time employees that the university hires. I'm assuming some students that are work study, etc., would be positively impacted by this legislation.

Chm. Svedjan: A question for LC. If this bill were to pass and we're looking at an appropriation of \$89.0 plus another \$15.0 in other funds, how is that tied in to the respective budgets that are impacted by this?

LC: Right now there isn't an appropriation out there for that. The fiscal note is implying that there would need to be an appropriation for that additional expenditure amount or they would have to find that within their existing budget.

Chm. Svedjan: Did everybody hear that? There is not a specific appropriation so without there being appropriation to the various budgets that impacted by this, the agencies or institutions would need to find that difference in their existing budgets.

Rep. Monson: I move Do Pass.

Rep. Kreidt: I second.

A roll call vote was taken: Yes: 22, No: 1, Absent: 1, (Kempenich)

Rep. Dietrich will carry the bill.

Date: 2-6-07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HS4

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass

Motion Made By Monson Seconded By Kreidt

| Representatives | Yes | No | Representatives | Yes | No |
|--------------------------|-----|----|--------------------------|-----|----|
| Chairman Svedjan | ✓ | | | | |
| Vice Chairman Kempenich | ✓ | | | | |
| Representative Wald | ✓ | | Representative Aarsvold | ✓ | |
| Representative Monson | ✓ | | Representative Gulleson | ✓ | |
| Representative Hawken | ✓ | | | | |
| Representative Klein | ✓ | | | | |
| Representative Martinson | ✓ | | | | |
| Representative Carlson | ✓ | | Representative Glassheim | ✓ | |
| Representative Carlisle | ✓ | | Representative Kroeber | ✓ | |
| Representative Skarphol | ✓ | | Representative Williams | ✓ | |
| Representative Thoreson | ✓ | | | | |
| Representative Pollert | ✓ | | Representative Ekstrom | ✓ | |
| Representative Bellew | | ✓ | Representative Kerzman | ✓ | |
| Representative Kreidt | ✓ | | Representative Metcalf | ✓ | |
| Representative Nelson | ✓ | | | | |
| Representative Wieland | ✓ | | | | |

Total (Yes) 22 No 1

Absent 1

Floor Assignment District

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 8:25 a.m.

Module No: HR-25-2462
Carrier: Dietrich
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1454, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends DO PASS (22 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING).
Engrossed HB 1454 was placed on the Eleventh order on the calendar.

2007 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1454

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1454

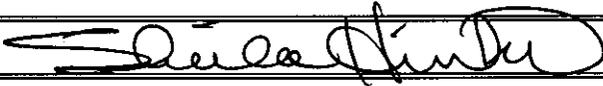
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **February 12, 2007**

Recorder Job Number: **3341**

Committee Clerk Signature



Min wage collective bargaining:

Bill Shalhoob: Rep. ND Chamber of Commerce – In Favor

Raises the minimum wage in ND from \$5.85 in 12 mos. To \$6.55 and in 2 years \$7.25. Doesn't affect tip credit and agricultural overtime credits. There are 4,000 workers below minimum wage, this raise would affect 21,000 employees who are between \$5.15 and \$7.25 hr. Want to raise all workers to be at the same level at the same date and same time in ND.

S Andrist: Am I right in that this bill provides all the protections of the federal bill? Does it provide less of a mandate than the Fed bill would?

B Shalhoob: this provides the same mandate as Federal

S Andrist: They are unique to ND law now?

B Shalhoob: Yes

S Heitkamp: If it's right to raise the minimum wage, why should we wait until the Fed gov. does it? Why not now?

B Shalhoob: We've never supported the minimum wage bill before. This is the place in a particular time because the Fed wage is out there together and we can tie the two together.

S Heitkamp: This bill is dependent on the Fed. Government. It doesn't do anything until the Fed does what it does and basically, it just says, "hurrah" if the Fed government does something, right?

B Shalhoob: Yes

S Klein: What makes up the 4,000?

B Shalhoob: Suspect most of them would be training wage, tipped employees who get tip credit.

S Klein: We provide 2/3 of the minimum, how do we get there?

B Shalhoob: Tip credit is a long-standing Federal law. It is 50% of the wage. If the min. is \$6, an employer who has a tipped employee is allowed to take a tip credit up to 50% or \$3.00, and not pay the employee that. They **MUST SHOW** that they are making the extra \$3 or make up to \$6.00. The tip credit was a ND decision to raise from 33% to 50%. Employers must follow the higher of any standard of State or Federal standards.

S Klein: How do you get 4,000. where do your numbers come from?

B Shalhoob: The Labor Commissioner

S Klein: Could the 4,000 be at the tipped level?

B Shalhoob: Tipped employees usually are some of the highest paid employees.

S Heitkamp: Do only some of us tip chambermaids?

B Shalhoob: Chambermaids are seldom tipped, they are not allowed tip credit. [example at how it works] They must declare 8% gross sales as tipped income on W2 forms.

S Heitkamp: We focus on barmaids or servers. There are other jobs in this industry that **DO NOT** get tipped.

B Shalhoob: I don't think chambermaids get tip credit.

S Heitkamp: They're not making a lot of money and they're not getting tipped. I don't want to see this as looking for a solution to a problem that doesn't exist. There are those who are making under this requirement that don't get tip money.

B Shalhoob: Those under \$7.25 are 20,000, under \$5.15 is 4,000 people.

S Potter: this bill doesn't do much when the Federal law goes up, it only covers those industries with 2 employees and doing ½ million in payroll.

B Shalhoob: The requirements in Federal law, in addition one of the other requirements in Federal law, if you are engaged in interstate commerce, you must follow the federal guidelines. We don't know how many are covered in ND.

S Wanzek: You talk of 4,000 or 21,000 people covered, how many total workers in the state, what is the correlation?

B Shalhoob: 320,000 people employed

S Klein: Statistics show, 20,000 people. How many are heads of household?

B Shalhoob: Labor Commission would have that information

Representative Owens - In Favor

The bill you have has changed a slight bit, the direction is clear, to raise the minimum wage in ND. 80% across the nation and jobs in ND are small business, and minimum wage does put a strain on small business; it doesn't change just "one hour", that one dollar is only one dollar. It's been almost 10 years since \$5.15 min. wage was stated. We have heard that people select different places to live because of the minimum wage and location.

The point is you don't believe you can have economic development if one of the key components revolve around the work force. You don't want to have a work force battle and need to have the federal and ND keep the work force.

S Potter: Why are we raising only if the Feds do? MN is slightly higher, why do we not raise it without federal regulation?

Rep Owens: Key is to get bill effective through the legislature. It keeps coming up, and not successfully done it regardless of rates or where the level was. I believe that something is going to happen.

S Hacker: Weren't there 2 minimum age bills in the House?

Rep Owens: Yes there was.

S Hacker: What was the other one?

Rep Owens: The other one was for an immediate overnight raise to \$7.25, and was linked to CPI, need time to budget-in the human resources budget. We were concerned it wouldn't grow fast enough. Watched inflation & interest rates. Saw the bill, didn't calculate to get to \$7.25.

S Hacker: This mandated increase did not pass the House?

Rep Owens: No

S Klein: The bill was defeated, You mentioned it had a direct cost immediately, some say it won't have any cost if raising the minimum wage, your comments on that?

Rep Owens: Don't tell my CFO that. In business you have other costs with the cost of health insurance, workers compensation that is piled on top, It's not just the cost of salary that the worker gets, it's all the associated taxes and benefits that are applied to it.

S Klein: Does this get passed on to the consumers?

Rep Owens: Yes

S Wanzek: You mentioned that businesses don't want to get to where they are competing for labor, in my opinion, that is the best way to raise the value of skilled labor is when we have businesses that can grow and they are in demand. [example of brother] Applied for a job at

M&H gas just to sell gas and cigarettes, there were 200 and some applicants for minimum wage job, now I would guess there is a shortage because of economic growth.

Rep Owens: We want to attract more labor. Turnover is expensive, You see people trained and then they leave because they get a better job elsewhere. Many do not look at the cost of living differences.

S Wanzek: So we are hoping to attract labor?

Rep Owens: I think this will attract more workers in US, they want to avoid rapid turnovers. We need to bring more people into the state because of wages.

S Potter: We are talking about increasing the wage along with benefits of workers comp, social security, an additional 9-10%.. You tagging any other benefits to the wages that would make it go up higher than that?

Rep Owens: Yes, 401 K is directly related, benefits are different in different organizations. If no benefits and not required, it depends on the type of industry you're in. WSI it will depend on the organization history and the number of factors and variables.

John Risch – Transportation Workers - In Favor

Stand in support, mirrors the federal level, we would encourage the committee to go beyond the bill, 1337 would have raised it to \$7.25 in August of this year. The federal bill is weak, it raises it to \$7.25 in 2009. It's is only 2007 now. We want this bill passed for state coverage. There are a lot more exempt with the federal level. We have broader coverage in ND bill. Some businesses will raise it only when required by law.

S Wanzek: Are there any members in your union affect by this?

J Risch: No

S Klein: With GM workers being laid off, they outgrew their ability to pay.

Don Morrison – Director of ND People .org - *In Favor*

Bring attention to a few things. Part of the discussion there are people in favor of a minimum wage, and it is the role of our community to have workers treated with decency and respect and have a decent return and reward for their work. Some don't believe this will happen without action. The language is important. The bill in current form will make SURE ND isn't at the bottom of the national list. I would suggest an amendment to the dates to raise the wages in ND, irrespective of what the national government does, and take a look at developing a good cost of living increase as well.

Dave Kemnitz – Pres. AFLCIO - *In Favor*

TESTIMONY # 1

"If you work, you shouldn't be poor." Goes over testimony. You have to start somewhere.

This raise will make adjustments in business.

S Klein: We hear about the numbers in the group, we've heard 20,000, now 28%, are those the 16-20 year olds?

D Kemnitz: See the last table # 1, based on ethnic, race, etc. by industry. The chart is nationwide. In ND, 10% possibly will be affected.

S Klein: If talking that percentage, does the bottom end include workers after school, or are they the heads of households? What is the total workforce?

D Kemnitz: In my mind's eye, that is a problem. We see a variety of situations.

S Klein: Is this youth doing dishes after school at \$6.50 and they can get better jobs working part time after school doing dishes somewhere else.

S Hacker: When you pulled this data off the website, were you able to select categories for the national data of table # 1?

D Kemnitz: I tried to pull as close to relation. At www.epi.org they have a wise selection of charts to pull from.

S Hacker: I'm trying to get a sample of a minimum wage or tipped employees, also interested in individuals that went into retirement; is there a chart of people OVER 65 at minimum wage?

D Kemnitz: There are farmers working at Walmart, the jobs aren't on the farm, they work at Walmart to make ends meet.

S Potter: Table 1, the way I read it, 53% of the people affected with raise in minimum wage are parents. Either single or married, but parents. The age....

S Hacker: [stops him] I would correct you and say that 25% are single

S Potter: The question of "age",, of those affected, 70% of them are over 20. 21% are 16 – 19 and the other 79% are over 20.

D Kemnitz: Yes

S Klein: The economic policy institute are...? Who is that?

D Kemnitz: A non-profit organization.

S Klein: We could have different numbers if you looked at different organizations.

S Wanzek: Could it possibly be affected due to geographic location? My son, at UND he said if I don't pay him at least \$9 an hour on the farm, he's got a better deal. I hear about the youth are doing find and finding jobs, is it because of location. Are their good opportunities.

D Kemnitz: Some are tied to land, ages 13-18, wages of area are tied to the area. Trying to make it better, with the less population, we would have "egg money", and any of those menial jobs to supplement allowance.

OPPOSITION

Bill Boetcher – National Independent Business – In Opposition

Small business owners will be affected. We view it that wages should be market-driven and not decided by the government. Things are going well and businesses will be affected by this. The businesses that are going to be affected by this are employers who own restaurants in rural communities, mom-n-pop operations, small businesses. If we raise \$5.15 to \$7.25 over 2 years it will put them in a difficult position, or they need to charge more, make less money, or go out of business. It will affect small businesses in rural areas. Competition is a good thing for labor. Young people will have trouble getting jobs because employers can't afford to hire people at entry-level positions at \$7.25 hour.

S Potter: I understand your objections, don't agree. If the federal government passes this, you feel that ND should not have a raise?

B Boetcher: If the Federal government determines that the minimum wage should rise in the entire U.S. why is ND becoming involved? We're saying we will mirror what the Federal government is doing and improve those delegations that it has chosen to exempt, they're done that for a reason. It behooves ND to follow in their lead.

S Klein: You talked about the smaller communities, is it more difficult, small businesses can't spread it out as far? They need to do the job, why should it affect small business more adversely?

B Boetcher: Smaller businesses have a smaller customer base and cut it a little closer.

S Klein: We have lived in smaller communities when they squawk when the Sunday buffet goes from \$7 to \$7.25 and yet we come to ND and buy a hamburger on the menu for less than \$8.00, there is a difference here there are a lot more people to pick from in Bismarck and look at the restaurants and can't get in on Sunday morning, not the same way in the small communities.

B Boetcher: No, it's not, I think our members feel, on their vote – 76%-82% are not in favor of a minimum wage increase. Small companies must eat the cost, they don't have the room for that, or raise their prices or go out of businesses. None of those things are good for the small communities.

S Wanzek: Labor, maybe geographical, how can this affect a business as well as how will it affect labor because in our area, I pay \$10 an hour entry level.

B Boetcher: I believe the marketplace works, causing competition.

S Wanzek: I grew up in Jamestown and competition is more effective, plus with the young people, many young people are going to look at being entrepreneurs, sometimes when you invest in business, you get no pay for 2-3 years without any pay and it's in the interest to get those businesses off the ground. It's a long time, but in our community, I don't see opportunity and businesses have to pay higher wages.

B Boetcher: For a bill that mirrors federal bill, except that it eliminates the exceptions, there doesn't seem to be much urgency in this bill.

Lisa Fair McEvers – Labor Commissioner – In Opposition

I have not reviewed that particular reference. I can address the federal Dept. of Labor or the 4000 who they are, I can answer some of those questions.

S Wanzek: How many total workers in ND?

L McEvers: Don't know that and the state public labor does not track that. Job Service ND would be the appropriate place to get that information. It is available. 4000 workers on the 2005 statistics are at below minimum wage. 1,000 earn the minimum and 3,000 are below minimum – why? If we follow state and federal law, there are a number of exemptions for paying minimum wage. Non profit organizations, golf course caddies, youth offenders,

offenders in jail, can have sub-minimum wage. 1,465 workers now who are earning sub-minimum wage based on them having disabilities.

S Potter: Read "this section...."

This is unfettered authority you have, anything else in code that limits you from \$9 or \$4 or whatever you want it to be?

L McEvers: I have that authority to set the minimum wage by statute. I was asked about the authority of commissioner, the reason we want to keep some authority with the commissioner would be important in that Congress might repeal a law, or could act in the interim of the legislature meeting and want to have the opportunity to raise the wage without having to wait.

S Potter: I understand the reason, you have unlimited authority to set the minimum wage without the approval of anyone else? No one else has to approve that?

L McEvers: I think my boss would have to approve that. I am required to hold hearings and get input across the state, businesses and wouldn't do it on a spur of the moment to check it, but we would hold hearings to hear from businesses and employees and ask what wages are being paid. It's been approximately 10 years since a survey with the Dept. of Labor.

Traditionally the state wage has followed the federal wage in the last 40 years. We are not technically tied to it, it is a tradition.

S Andrist: Safe to say that bills like this are window dressing. If the Federal government raises the minimum wage to \$7.25, and we defeated this bill, we'd still have the \$7.25 min. wage, isn't that true?

L McEvers: High probability of that, can't disagree with your assessment. There might be some "lag time."

CLOSE

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1454 B**

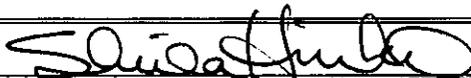
Senate Industry, Business and Labor Committee

Check here for Conference Committee

Hearing Date: **February 12, 2007**

Recorder Job Number: **3401 1:11m**

Committee Clerk Signature



Minimum wage collective bargaining:

S Klein: This is the same bill as we got at 2370.

S Heitkamp: I make a motion we amend out sections 2 & 3 of the bill.

S Potter: I'll second that.

Roll call to amend out "2&3" – Fails 2-4 (nays Klein, Hacker, Andrist, Wanzek)

Motion for Do Pass S Wanzek

2nd – S Hacker

S Andrist: I really don't believe in the concept of it, because I'm a market-oriented guy, but you had both the most liberal people in ND and the most conservative people testifying for the bill, so it's difficult.

S Heitkamp: How are you going to treat these bills? Are you going to kill the Senate version and pass the House version?

S Klein: That would be what is EXACTLY what was going to happen.

Roll Call for Do Pass on HB 1454 – 6 – 0 – 1 Passed

Carrier: Hacker

REPORT OF STANDING COMMITTEE (410)
February 12, 2007 4:18 p.m.

Module No: SR-29-2957
Carrier: Hacker
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1454, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1454 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1454

1-24-07 House I, B & L

HB 1454

minimum wage

Statement -

We oppose this bill in its present form. Age discrimination & private sector freedoms of contract are added.

| Name | Affiliation | Representor |
|-------------------|------------------------|-------------|
| Dee Kemnitz | NDAFL-CIO | Self |
| Joe Gorn | IAM | Self |
| RANDY ZANDER | Plumbers & Pipefitters | Self |
| Milt Carlson | IAM | Self |
| Bruce Sanders | IAM | Self |
| Joe Kallen | IAM | Self |
| HERB FORBOL | IAM | Self |
| Stacey J. Bendish | Boiler makers | Self |
| Gone Schepp | IAM | Self |
| Kevin BARTA | IAM | Self |
| Richard Coleman | IAM | Self |
| Barb Altman | CWA | Self |
| Tony St. Muel | BOEM/NAUCL | Self |
| KEVIN MURCH | IAM | Self |
| Russ Wittkop | IAM | Self |
| Jamy [unclear] | IAM | Self |
| Dean [unclear] | IAM | Self |
| Elwan [unclear] | IAM | Self |
| Quinn [unclear] | Yemistat's | 638 |
| Lee [unclear] | IAM | Self |
| Ryan [unclear] | Boiler makers | Self |
| Dick [unclear] | UPEIU | Self |
| Scott Ripplinger | BUA | Self |

| Name | Union | Representation |
|------------------|--|----------------|
| x Joe Boyd | CWA-retiree | Self |
| Jammit & Lentz | Machinist | Self |
| Barbara Materson | Machinist | self |
| Donna Starns | Machinist | Self |
| Pen Melhart | Machinist | Self |
| Vincent Hunt | IUOE Local 49 | # 445 |
| Tim Forrest | LABORERS 563 | # 205 # 273 |
| RENEE PFENNING | IBEW 1593 - ND BLDG & CONST TRADES COUNCIL | |
| Jim Murray | OPMIA Local 623 | SELF |
| George Arneson | IUOE Local 49 | Self |
| Jeremy Bauer | United Steelworkers # 566 | Self |
| Richard Heidrich | United Steelworkers # 566 | Self |
| Arnold Zins | United Steelworkers # 566 | # 343 |
| Kevin Auermann | IBEW 1593 | Self |
| Paul Fleckner | USW 566 | Self |
| Alvin J Brandt | USW 560 Retiree | # 521 |
| John H. H. H. | CWA | Self |
| Mark Dyle | CWA - 7301 | Self |
| Henry H. H. | NDIE | Self |
| Henry Schoenweid | United Trans. Union | Self |
| Barbara May | FAM | Self |
| Ron Huff | BLET | BLET |



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Fact Sheet #14: Coverage Under the Fair Labor Standards Act (FLSA)

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This fact sheet provides general information concerning coverage under the FLSA.

The FLSA is the Federal law which sets minimum wage, overtime, recordkeeping, and child labor standards.

[Basi](#)

The minimum wage is \$5.15 an hour effective 9/1/97. With only some exceptions, overtime ("time and one-half") must be paid for work over forty hours a week. Child labor regulations prohibit persons younger than eighteen years old from working in certain jobs and additionally sets rules concerning the hours and times employees under sixteen years of age may work.

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More than 130 million American workers are protected (or "covered") by the FLSA, which is enforced by the Wage and Hour Division of the U.S. Department of Labor.

There are two ways in which an employee can be covered by the law: "enterprise coverage" and "individual coverage."

Enterprise Coverage

Employees who work for certain businesses or organizations (or "enterprises") are covered by the FLSA. These enterprises, which must have at least two employees, are:

- (1) those that have an annual dollar volume of sales or business done of at least \$500,000
- (2) hospitals, businesses providing medical or nursing care for residents, schools and preschools, and government agencies

Individual Coverage

Even when there is no enterprise coverage, employees are protected by the FLSA if their work regularly involves them in commerce between States ("interstate commerce"). The FLSA covers individual workers who are "engaged in commerce or in the production of goods for commerce."

Examples of employees who are involved in interstate commerce include those who: produce goods (such as a worker assembling components in a factory or a secretary typing letters in an office) that will be sent out of state, regularly make telephone calls to persons located in other States, handle records of interstate transactions, travel to other States on their jobs, and do janitorial work in buildings where goods are produced for shipment outside the State.

Also, domestic service workers (such as housekeepers, full-time babysitters, and cooks) are normally covered by the law.

Where to Obtain Additional Information

This publication is for general information and is not to be considered in the same light as official statements of position contained in the regulations.

For additional information, visit our Wage-Hour website:

<http://www.wagehour.dol.gov> and/or call our Wage-Hour toll-free information and helpline, available 8am to 5pm in your time zone, 1-866-4USWAGE (1-866-487-9243).

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Economic Policy Institute

Economic Snapshots

A weekly presentation of downloadable charts and short analyses designed to graphically illustrate important economic issues. Updated every Wednesday. [See [Snapshots Archive](#).]

Snapshot for March 22, 2006.

If you work, then you shouldn't be poor

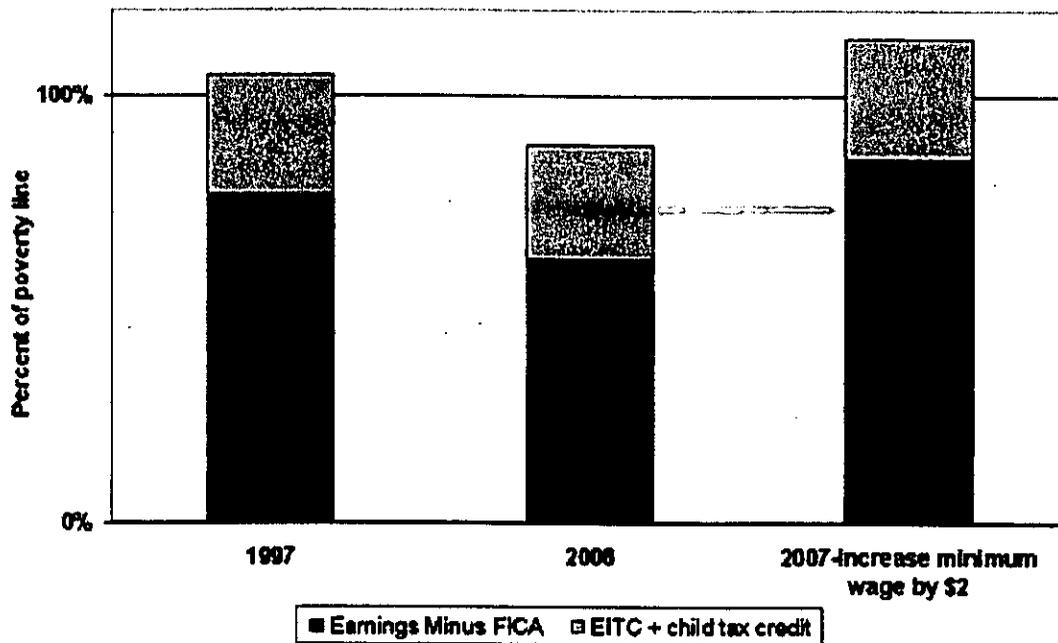
Guided by the sentiment that if you work you shouldn't be poor, lawmakers in the 1990s made improvements in two policies that, taken together, ensured that full-time, year-round work would provide an income at or above the poverty line. Raising the minimum wage from \$4.25 to \$5.15 in 1996-97 directly improved the wages of 9% of the workforce—almost 10 million workers—and indirectly raised the wages of millions more low-wage workers. Improvements in the Earned Income Tax Credit (EITC) and a new refundable Child Tax Credit also rewarded work and supplemented wages. After the minimum wage increase, the combination of full-time, year-round work and the above-mentioned federal tax credits resulted in a net income for a parent with two children equal to 105% of the poverty line in 1997.

Although there is broad agreement that, for a family to pay for the basic essentials, it actually requires an income level of around twice the poverty line (higher in some areas), improving the minimum wage and EITC still meant important progress for a substantial number of struggling families.

Nine years later, however, the system has broken down. The minimum wage has not kept pace with inflation and thus has lost 20% of its previous purchasing power. To exacerbate the problem, the EITC levels are linked to inflation, so for the last two years a person can work full-time, year-round at the minimum wage but still not be eligible for the maximum EITC. The combination of an out-of-date minimum wage and the existing federal tax credits mean that this same parent of two now only earns 89% of the poverty line.

#1

Minimum wage workers and the poverty threshold



Source: Author's analysis

A minimum wage increase from \$5.15 to \$7.25 would return the value of full-time work to just above its 1997 level and renew the nation's commitment to working families.

This week's *Snapshot* was written by EPI economist Jeff Chapman.

Check out the archive for past *Economic Snapshots*.

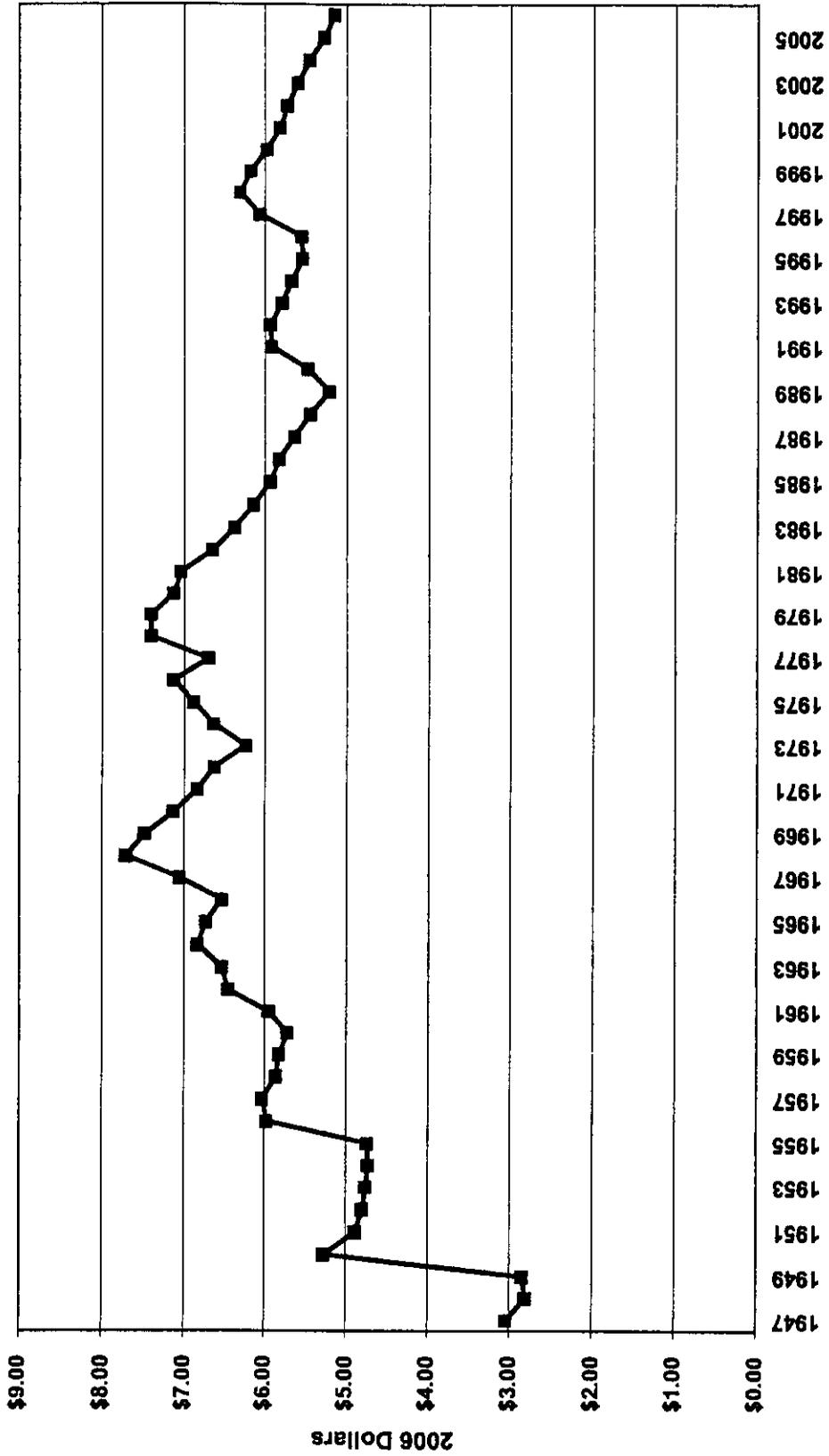
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#1

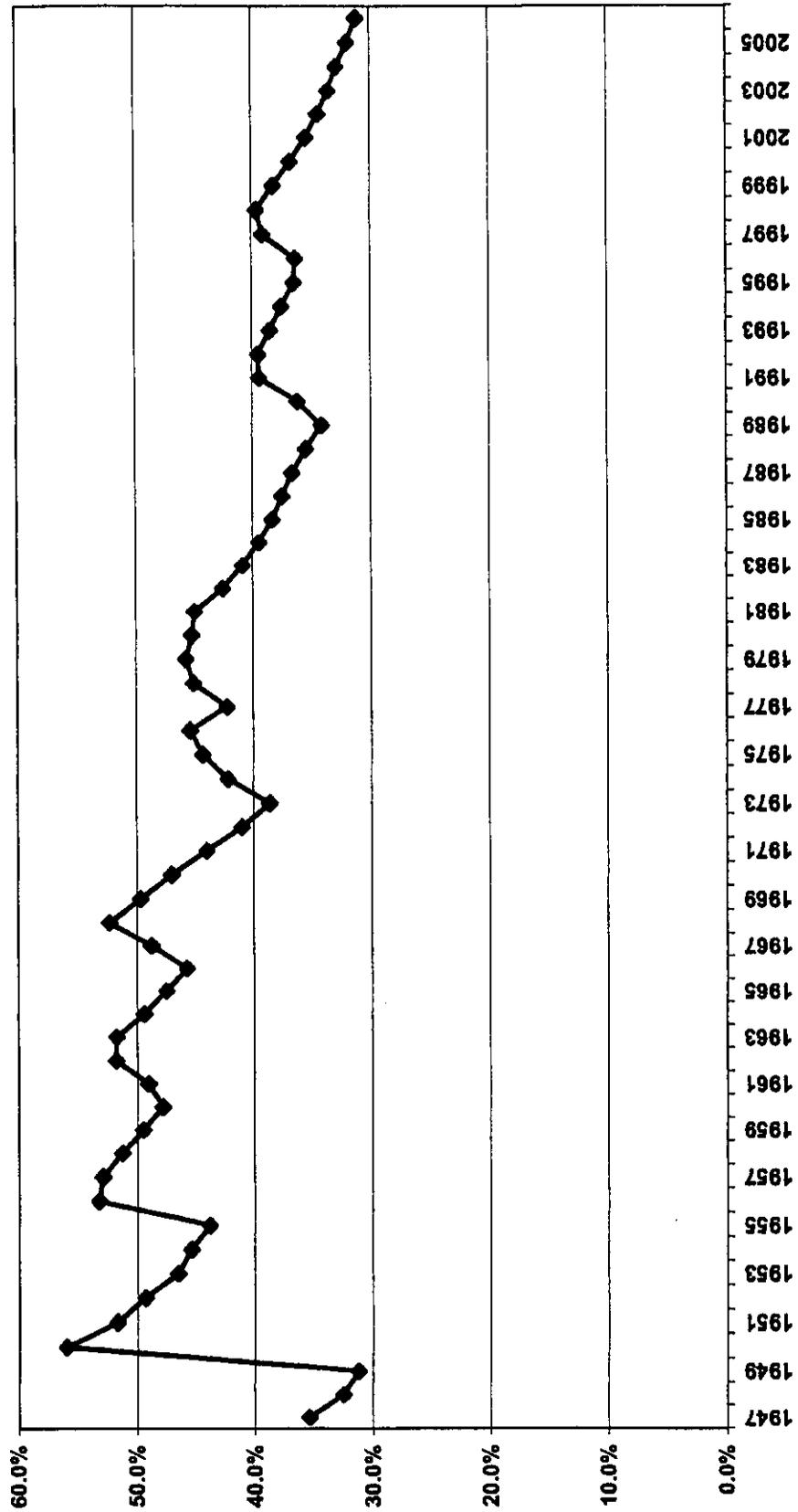
Figure 1: Real value of the minimum wage, 1950-2006*



*through May 2006

#)
1454

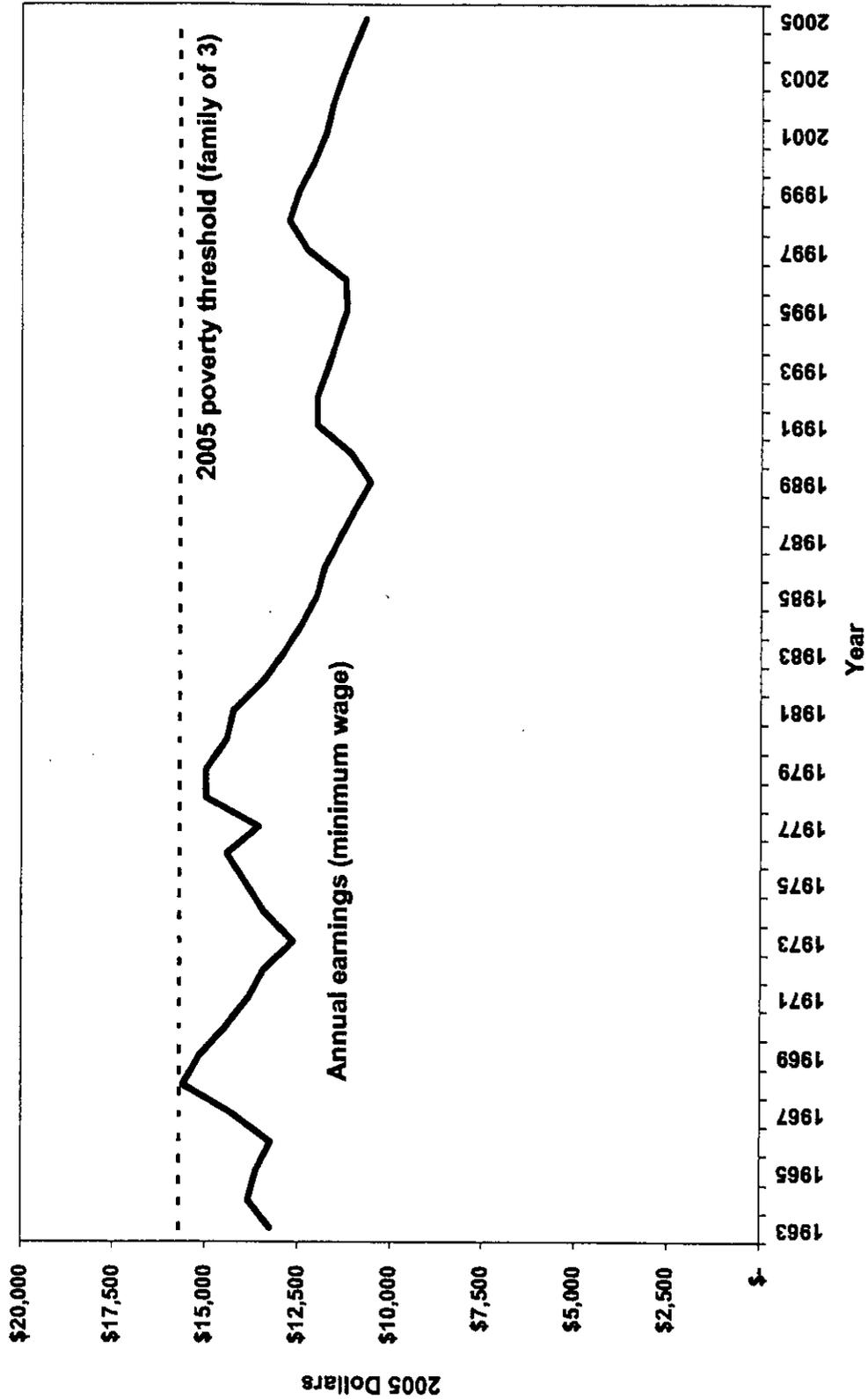
Figure 2: The minimum wage relative to
the average wage, 1950-2006*



* Through May 2006

1454

**Figure 4: Annual minimum wage earnings in
2005 dollars and the poverty level for family of three**



#1
1454

Table 3

Total workers affected by a federal minimum wage increase to \$7.25 by state**

| | | | | |
|---------------------------|-------|------------|---------------------------|-----------------|
| UNITED STATES | 9.8% | 12,972,000 | | |
| NORTHEAST | | | SOUTH | |
| <i>New England</i> | | | <i>South Atlantic</i> | |
| Maine | * | * | Delaware | * * |
| New Hampshire | 2.9% | 19,000 | Maryland | 4.4% 117,000 |
| Vermont | * | * | District of Columbia | * * |
| Massachusetts | * | * | Virginia | 12.6% 449,000 |
| Rhode Island | * | * | West Virginia | 18.8% 133,000 |
| Connecticut | * | * | North Carolina | 16.1% 611,000 |
| | | | South Carolina | 18.3% 325,000 |
| <i>Middle Atlantic</i> | | | Georgia | 13.2% 526,000 |
| New York | 8.1% | 661,000 | Florida | 6.6% 540,000 |
| New Jersey | 6.2% | 252,000 | | |
| Pennsylvania | 14.5% | 808,000 | <i>East South Central</i> | |
| MIDWEST | | | Kentucky | 16.5% 295,000 |
| <i>East North Central</i> | | | Tennessee | 14.4% 350,000 |
| Ohio | 15.5% | 793,000 | Alabama | 17.5% 350,000 |
| Indiana | 12.3% | 354,000 | Mississippi | 18.5% 202,000 |
| Illinois | 1.9% | 108,000 | | |
| Michigan | 12.7% | 540,000 | <i>West South Central</i> | |
| Wisconsin | 11.2% | 295,000 | Arkansas | 18.3% 221,000 |
| | | | Louisiana | 19.0% 366,000 |
| <i>West North Central</i> | | | Oklahoma | 16.6% 245,000 |
| Minnesota | 5.3% | 135,000 | Texas | 17.5% 1,771,000 |
| Iowa | 18.4% | 264,000 | WEST | |
| Missouri | 15.5% | 405,000 | <i>Mountain</i> | |
| North Dakota X | 16.4% | 48,000 | Montana | 16.7% 68,000 |
| South Dakota | 18.1% | 65,000 | Idaho | 16.7% 106,000 |
| Nebraska | 16.0% | 136,000 | Wyoming | 15.9% 39,000 |
| Kansas | 19.1% | 240,000 | Colorado | 9.6% 211,000 |
| | | | New Mexico | 17.6% 146,000 |
| | | | Arizona | 14.9% 385,000 |
| | | | Utah | 16.4% 178,000 |
| | | | Nevada | 12.6% 146,000 |
| | | | <i>Pacific</i> | |
| | | | Washington | * * |
| | | | Oregon | * * |
| | | | California | * * |
| | | | Alaska | * * |
| | | | Hawaii | * * |

* Insufficient sample size to estimate. In these cases, higher state minimum wages lessen the impact of a federal increase.

** Includes both directly and indirectly affected workers.

Source: EPI analysis of 2005 Current Population Survey data

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Table 3A

Workers directly affected by a federal minimum wage increase to \$7.25 by state

| | | | | |
|---------------------------|------|-----------|---------------------------|-------|
| UNITED STATES | 4.3% | 5,607,000 | | |
| NORTHEAST | | | SOUTH | |
| <i>New England</i> | | | <i>South Atlantic</i> | |
| Maine | * | * | Delaware | * |
| New Hampshire | 2.5% | 16,000 | Maryland | 2.4% |
| Vermont | * | * | District of Columbia | * |
| Massachusetts | * | * | Virginia | 4.8% |
| Rhode Island | * | * | West Virginia | 8.4% |
| Connecticut | * | * | North Carolina | 5.6% |
| | | | South Carolina | 10.0% |
| <i>Middle Atlantic</i> | | | Georgia | 5.2% |
| New York | 3.9% | 314,000 | Florida | 2.5% |
| New Jersey | 3.2% | 129,000 | | |
| Pennsylvania | 5.5% | 308,000 | <i>East South Central</i> | |
| MIDWEST | | | Kentucky | 7.5% |
| <i>East North Central</i> | | | Tennessee | 6.2% |
| Ohio | 6.6% | 337,000 | Alabama | 6.3% |
| Indiana | 5.0% | 143,000 | Mississippi | 12.8% |
| Illinois | 1.8% | 103,000 | | |
| Michigan | * | * | <i>West South Central</i> | |
| Wisconsin | 4.7% | 124,000 | Arkansas | 9.4% |
| | | | Louisiana | 14.2% |
| <i>West North Central</i> | | | Oklahoma | 7.6% |
| Minnesota | 3.2% | 81,000 | Texas | 8.5% |
| Iowa | 7.5% | 107,000 | | |
| Missouri | 6.8% | 178,000 | WEST | |
| North Dakota | 7.2% | 21,000 | <i>Mountain</i> | |
| South Dakota | 8.2% | 29,000 | Montana | 8.2% |
| Nebraska | 6.2% | 53,000 | Idaho | 6.2% |
| Kansas | 8.3% | 105,000 | Wyoming | 7.1% |
| | | | Colorado | 3.9% |
| | | | New Mexico | 8.2% |
| | | | Arizona | 5.7% |
| | | | Utah | 7.5% |
| | | | Nevada | 4.7% |
| | | | | |
| | | | <i>Pacific</i> | |
| | | | Washington | * |
| | | | Oregon | * |
| | | | California | * |
| | | | Alaska | * |
| | | | Hawaii | * |

* Insufficient sample size to estimate. In these cases, higher state minimum wages lessen the impact of a federal increase.

Source: EPI analysis of 2005 Current Population Survey data

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Table 1

Characteristics of workers affected by minimum wage increase to \$7.25*

| | Total Affected | Directly Affected** | Indirectly Affected*** | Total workforce**** |
|---------------------------------|----------------|---------------------|------------------------|---------------------|
| Number of workers (in millions) | 13.0 | 5.6 | 7.4 | 130.3 |
| Percent of workforce | 10% | 4% | 6% | 100% |
| Gender | | | | |
| Male | 41% | 39% | 42% | 52% |
| Female | 59% | 61% | 58% | 48% |
| Race / ethnicity | | | | |
| White | 61% | 61% | 61% | 69% |
| Black | 16% | 17% | 16% | 11% |
| Hispanic | 18% | 18% | 18% | 14% |
| Asian | 2% | 2% | 2% | 4% |
| Family Status | | | | |
| Parent | 26% | 25% | 28% | 36% |
| Married Parent | 17% | 15% | 18% | 29% |
| Single Parent | 10% | 9% | 10% | 7% |
| Age | | | | |
| 16-19 | 21% | 30% | 15% | 5% |
| 20 and older | 79% | 71% | 85% | 95% |
| Work hours | | | | |
| 1-19 hours | 17% | 22% | 13% | 5% |
| 20-34 hours | 31% | 36% | 27% | 13% |
| Full time (35 + hrs) | 53% | 43% | 60% | 82% |
| Industry | | | | |
| Retail trade | 23% | 24% | 23% | 12% |
| Leisure and hospitality | 23% | 29% | 18% | 9% |
| Other | 54% | 47% | 59% | 79% |
| Occupation | | | | |
| Sales | 19% | 21% | 18% | 11% |
| Service | 37% | 41% | 33% | 17% |
| Other | 44% | 38% | 49% | 72% |

* Assuming a phase-in with the final step in 2009

** These are the workers earning between the state minimum wage and \$7.25

*** These are workers currently earning above \$7.25, likely to be affected by "spillover effects"

**** Includes workers not covered by minimum wage

Source: EPI analysis of 2005 Current Population Survey data

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