

**TESTIMONY OF
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U.S. DEPARTMENT OF LABOR
BEFORE THE
HEALTH, EDUCATION, LABOR AND PENSIONS COMMITTEE
U.S. SENATE**

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Good afternoon Chairman Harkin, Ranking Member Alexander, and Members of the Committee. Thank you for the invitation to testify at this hearing on the importance of raising the minimum wage to strengthen the middle class and grow our economy. On behalf of the Obama Administration, I thank you for getting this important conversation started in Congress.

The timing of this hearing could not be more appropriate. Today marks the 75th Anniversary of the Fair Labor Standards Act (FLSA), legislation enacted to ensure “the most minimum standard of living necessary for the health, efficiency, and general well-being of workers.” Although the FLSA includes a number of basic wage and hour standards affecting employees in the private and public sectors, the national minimum wage may be its best known contribution to economic fairness. As the agency charged by Congress to administer and enforce the FLSA, the Labor Department is uniquely equipped to attest to the public benefit of raising the minimum wage and the urgency of working together to ensure that it provides a basic level of economic security for our nation’s workers.

The FLSA was enacted in 1938 – in the midst of the Great Depression, and with unemployment at a staggering 19 percent. Even in these challenging economic conditions, Congress recognized

the critical need to establish minimum wage and overtime compensation for America's workers and to level the competitive playing field for their employers. As the President said in the State of the Union, no one working full-time in the richest country on the planet should have to live their life in poverty. It does violence to our values and harms our economy as a whole. Raising the minimum wage will help to meet this fundamental American promise.

In addition to being necessary for the well-being of workers and their families, the minimum wage is also essential to a healthy economy. Nearly 70 percent of the American economy is built on consumer spending. And when you hear consumer, you should think of working families. A higher minimum wage will give low-wage workers the additional purchasing power to buy goods and services in their communities thereby stimulating local economies and helping small businesses to grow and expand. A 2011 study by economists at the Federal Reserve Bank of Chicago found that a \$1 minimum wage hike increases household spending by approximately \$2,800 in the year following the increase – with families purchasing necessary durable goods like automobiles that provide their communities with a real economic stimulus.

Last week, I had the opportunity to speak with a group of small business owners from the Washington region, each of whom pays their employees more than the current minimum wage. Their anecdotes confirmed that many small business owners favor increasing the minimum wage. Small business owners understand that raising the minimum wage is good for the economy and good for their businesses, as well as being the right thing to do.

With the passage of FLSA, the first minimum wage was set at 25 cents per hour. Since that time, the minimum wage has been raised 22 times. Most recently, the 2007 amendments to the FLSA called for an increase phased in over three years, bringing it in 2009 to its current \$7.25 per hour. Unfortunately, for workers who earn most of their wages through tips the wage their employers are required to pay them has not been raised since 1991 – that is 22 long years ago. Needless to say, it is time to raise the minimum wage again.

Over the past 30 years, modest minimum wage increases have not kept pace with the higher costs of basic necessities for working families -- everything from a gallon of milk to a gallon of gas. This trend isn't new – the real value of the minimum wage has steadily decreased since the early 1980's. In fact, the minimum wage has fallen 30 percent in value since 1968. While the wealthiest Americans have seen their incomes rise dramatically in the last three decades, middle class and minimum wages have stagnated, leaving too many families struggling to stay, or get into, the middle class. In the words of President Franklin Roosevelt: “The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those that have too little.”

There are two myths about the minimum wage that I would like to dispel. Many of these arguments have been heard time and again over the decades as proposals were offered to raise the minimum wage. The first is that raising the minimum wage will suppress employment or lead to layoffs. But study after study from independent economists has shown that raising the minimum wage has a small or no effect on employment. A second myth holds that the typical minimum wage worker is a middle-class teenager earning weekend spending money. In fact,

only around 19 percent of those earning between \$7.25 and \$9.00 per hour are teenagers. Sixty percent are working women, many of whom are raising children.

Contrary to popular belief, many minimum wage workers are adults supporting families and heading households. In 2011, minimum wage workers brought home 46 percent of their household's income. Their wages pay for utility bills, car maintenance, and rent. They are parents struggling as hard as they can to provide a better life for their children. They are under enormous stress, often facing wrenching choices about which bills to skip each month, or whether to fix the heat in the dead of winter, or fix the car they need to get to work. They know what it's like to clip coupons and say "no" to their children, to be late with the bills and hope that their electricity won't be shut off. They know what it's like to live just one small setback away from personal disaster.

For the past four months, I've been traveling around the country talking with workers who have an important stake in President Obama's proposal to raise the federal minimum wage from \$7.25 per hour to \$9 per hour. I've been to fourteen cities, from Philadelphia to Phoenix, from Akron to Atlanta. At every stop, I heard stories of extraordinary struggle and sacrifice.

- In Boston I met Pattie, a woman who earns just above the minimum wage working at a local movie theater. And she needs every penny. Like many Americans, she struggles to make ends meet, but Pattie constantly feels like she is falling even further behind. When I spoke with her, I made the mistake of classifying her as someone who lives paycheck-to-paycheck. She corrected me, pointing out that living paycheck to paycheck would

actually mark a significant improvement in her life. Every day she wonders, do I have enough money to fill my car with gas to get to work? If my car breaks down, do I skip this month's heating bill to pay for the necessary repairs?

- I met Tanvanel in Orlando. He is 35-years old and has a wife and four children. Tanvanel reports that it's simply impossible to support his family on his full-time minimum wage salary working at Wendy's. "It's very difficult to pay for health insurance for my family," he said. "I can't afford a car, and even if I could, I couldn't pay for the gas or the necessary insurance."
- While in Tampa, I met Grace. She is a single mother whose husband died several years ago. She has a young daughter with a disability, and is often forced to choose between going to her daughter's school to meet with her teachers and ensure she has an effective education plan and keeping hours at work. "Sometimes," says Grace, "for dinner, I can only afford a hamburger from McDonald's and some water. I give my daughter the meat and the water, and I just eat the bun."
- During my trip to Cleveland I met Kizzie, a state-tested nursing assistant. She's a mother of three. Her daughter has been accepted to the University of Cincinnati, but Kizzie worries about whether she can afford it. "How am I supposed to tell my daughter that I'm not going to make the tuition payment," she asked. On top of it all, Kizzie's landlord raised her rent \$300 per month this year. "I come to work sometimes broken, but you would never know," she said. "I don't show it."

I heard stories like these in every city I've visited. These workers have enormous pride and dignity. They don't want hand-outs. They simply want an honest day's pay for an honest day's work.

More take-home pay for these workers will provide a boost to our entire economy. The President has called for a raise in the minimum wage to \$9.00 per hour, which would boost the earnings of about 15 million low-wage workers across the country and restore the minimum wage to its early-1980s real value. The President has also proposed indexing the minimum wage to inflation, so future workers do not see their earnings eroded by cost of living increases. Increasing the minimum wage and the purchasing power of low-wage families will help bolster the middle class and strengthen our economic recovery.

The minimum wage is as important today as it was in 1938. Yet the wage floor it creates is in danger of falling so low that it no longer provides a basic level of economic security for our nation's working families. Laws like the FLSA recognize the value and dignity of all work, providing working people the means to support and nurture strong families. It is an affirmation of these American values that the FLSA and its minimum wage requirement have stood the test of time, despite all of the changes that have taken place over the past 75 years. Evidence of our shared commitment to this responsibility is the fact that minimum wage increases have historically garnered bipartisan support in Congress and been signed by Democratic and Republican presidents alike. It is our responsibility to strengthen the FLSA and sustain its promise over the next 75 years.

In a nation as wealthy as ours, far too many full-time workers are living below the poverty line. Minimum wage workers drive our kids to school; serve our food; provide care to our parents, young children and people with disabilities. The President believes they should earn enough to support their families and live a decent life. Raising the minimum wage is good for workers, their families, and for our economy. It would give hard-working people the raise they need and deserve. He applauds Senator Harkin, as well as Representative Miller, for getting this debate started in Congress. He stands ready to work with Congress to pass legislation to increase the minimum wage as soon as possible.

Thank you again for the opportunity to testify today. I am happy to answer your questions.