



BACKGROUND - Harkin-Miller H.R. 1010: *Fair Minimum Wage Act*

What is the Fair Minimum Wage Act?

This bill would lift the federal minimum wage from \$7.25 to \$10.10 per hour during the course of a little more than two years. For tipped workers, the bill would ensure they earn 70 percent of the regular minimum wage (\$7.10 when the full increase is in place). It would also index the minimum wage to inflation, so workers would be guaranteed a cost of living increase into the future.

Why is Mercy involved with this issue?

The current minimum wage calculates to only \$15,000 per year, which is \$3,000 below the poverty level for a family of three. The *Fair Minimum Wage Act* would boost workers' annual incomes to \$21,000, thereby lifting 6.8 million people out of poverty.

Sister Patricia McDermott, president of the Sisters of Mercy of the Americas, urged Congress to raise the minimum wage when she spoke as an invited panelist at a meeting of a Senate outreach committee on January 29, 2014. She discussed the sisters' immersion in the daily suffering of those most poor and said that the growing disparity between the rich and poor is the grave moral issue of the times.

We join with Pope Francis and the [U.S. bishops](#) in recognizing that wages that do not allow workers to support themselves, their families or the common good, demean human dignity. An estimated 25-28 million people would experience increased wages under the legislation, including 7 million working parents and 3 million single parents. Eighteen million children (23 percent of the U.S. youth population) would have a parent benefit, thus improving their access to nutrition and general welfare.

Mercy's commitment to achieving equality for women calls us to pay attention to the fact that two-thirds of all workers who earn minimum wage or less are women. An estimated 15 million women would benefit from this legislation. And Mercy's commitment to oppose racism in all of its forms compels us to recognize the disproportionate numbers of African-Americans and Latinos who also would benefit from a minimum wage increase.

[Sisters of Mercy working in social service ministries](#) are all too aware of the importance of better wages in keeping individuals and families out of homeless shelters and less dependent on emergency food assistance. While we recognize that a minimum wage increase would not solely solve the growing economic inequality in our country, it would directly improve the lives of millions. Thus, the Institute Justice Team of the Sisters of Mercy will advocate for a livable wage while addressing other factors that perpetuate unjust economic systems.

Why \$10.10 an hour?

This amount would ensure that the minimum wage is readjusted to index to inflation. Over time, the cost of living has increased far beyond the minimum wage. Since the high water mark of 1968, the current minimum wage has lost 33% of its purchasing power. Anything less than \$10.10 an hour would continue to keep millions of fulltime workers and their families below the federal poverty level, leaving them to worry on a daily basis about their basic necessities.

What about tipped workers -- is 70% fair?

Tipped workers experience twice the rate of poverty than the average worker. This is because in 19 states, employers can use a tip credit program, which allows them to pay a tipped worker \$2.13 an hour if the employee makes on average \$30 dollars or more a week in customer contributions. Under the tip credit program an employer is legally required to pay the difference in wages if an employee does not pull in the equivalent of the federal minimum wage, but

in practice this rarely happens. Many times, tip workers are forced to live on an income less than the federal minimum wage.

How long would it take to implement?

The \$10.10 minimum wage would phase in over two years and three months after the law is enacted. First, three months after the law is enacted, it would increase to \$8.20 an hour. One year later, it would rise to \$9.15 an hour. Then after another year, it would reach \$10.10. Thereafter, the federal minimum wage would begin rising annually, indexed to inflation.

The tipped minimum wage would take a longer period of time to adjust. The first increase, again three months after enactment, would be to \$3.00 an hour. Subsequently, it would increase by 95 cents annually. After reaching 70 percent of the federal minimum wage, it would also be indexed to inflation.

Will raising the minimum wage hurt the economy?

The Congressional Budget Office (CBO) recently released a study indicating that 500,000 jobs could be lost by raising the minimum wage to \$10.10. Unfortunately, the study used poor methodology and included outdated research that has been proven inaccurate. The [most recent and more rigorous research](#) shows a net zero job loss. In an attempt to be nonpartisan, the CBO looked at lots of studies – estimates between zero and a million jobs lost, so they just split the difference.

Actually, the increase to \$10.10 per hour would inject \$35 billion into workers' disposable income and increase the GDP by an estimated \$22 billion. This is why over 600 economists, including 7 Nobel-Laureates, have signed onto a [letter urging Senate and House Leadership](#) to support raising the minimum wage. When companies have raised their wages (such as Costco), they find better productivity, fewer turnovers and happier employees. This is why roughly two-thirds of small business owners' support raising the minimum wage, while the most objections come from big corporations like McDonalds and Walmart that depend on artificially low wages.

The increase would raise prices for consumers about one percent for most products. This small increase would benefit all Americans because the artificially low prices do not translate into cost savings. Government services for the working poor between 2008 and 2012 cost tax payers \$243.5 billion annually. Economically, it makes sense to stop subsidizing mega-corporations and restoring dignity to the working poor. Click here to [read more](#).

What is the timing of this legislation?

The Senate bill will be brought up for a vote in late March or early April, 2014. It could be challenging to overcome the 60-vote threshold needed to advance the bill in the process known as cloture. But faith advocates think it is possible. After this hurdle, we expect many amendments to reduce the increase to \$9.00 an hour or to drop the tipped wage increase. Senator Harkin and Representative Miller will not compromise the core elements of their bill and neither should people of faith.

This is not a partisan issue and should not be framed as one. Public opinion is in support of raising the minimum wage. [Pew Research](#) found that 73 percent of Americans support this proposed minimum wage increase. In the past, Republicans were instrumental in previous minimum wage increases. Both in the election year of 1996 and 2000, Republicans joined Democrats to offer low wage workers a livable income. We need our elected officials to do it again and to fix the system for good by indexing the minimum wage to inflation.

What can you do to help raise the minimum wage?

- [Contact your Senators and Representative and tell them you support the Harkin-Miller minimum wage bill.](#)
- Share this document and similar resources with your colleagues to help correct misperceptions.
- Support state and local initiatives to raise the minimum wage. The more we can achieve small victories around the country, the better we are poised for lifting the national minimum wage.