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1986

**PUBLIC MEETING**

before

**ASSEMBLY LABOR COMMITTEE**

on

**ASSEMBLY BILL 2406**

(Increases the State's minimum wage rate  
by 30 cents per year over the next two years)

**ASSEMBLY BILL 2480**

(Increases the minimum wage in New Jersey from \$3.35 to \$3.75  
per hour. The increase is phased-in during a three-year period)

December 4, 1986  
Room 449  
State House Annex  
Trenton, New Jersey

**MEMBERS OF COMMITTEE PRESENT:**

Assemblyman Robert E. Littell, Chairman  
Assemblyman Joseph Azzolina  
Assemblyman Vincent "Ozzie" Pellecchia

**ALSO PRESENT:**

Joseph F. Devaney  
Office of Legislative Services  
Aide, Assembly Labor Committee

New Jersey State Library

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Hearing Recorded and Transcribed by  
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CN 068  
Trenton, New Jersey 08625





New Jersey State Legislature

ASSEMBLY LABOR COMMITTEE

STATE HOUSE ANNEX, CN-068  
TRENTON, NEW JERSEY 08625  
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M E M O R A N D U M

November 21, 1986

TO: Members of the Assembly Labor Committee  
FROM: Assemblyman Robert E. Littell  
SUBJECT: Committee Meeting on December 4, 1986

(Address comments and questions to  
Joseph F. Devaney, Committee Aide  
(609)984-0445)

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The Assembly Labor Committee will meet on Thursday, December 4, 1986 at 1:00 P.M. in Room 449, State House Annex. The Committee will receive testimony on the following bills:

A-2406            Increases the State minimum wage rate to  
Rafferty            \$3.65 over two years.

A-2480            Increases New Jersey's minimum wage to \$3.75  
Foy/  
Pellecchia            during a three-year period.



ASSEMBLY, No. 2406

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STATE OF NEW JERSEY

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INTRODUCED MAY 8, 1986

By Assemblymen RAFFERTY, GARGIULO, Weidel, Naples, Palaia,  
Catrillo, Arango, Loveys and Smith

AN ACT to raise the State minimum wage rate and to amend and  
supplement P. L. 1966, c. 113.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 5 of P. L. 1966, c. 113 (C. 34:11-56a4) is amended to  
2 read as follows:

3 5. Every employer shall pay to each of his employees wages  
4 at a rate of not less than \$3.35 per hour as of the effective date  
5 of this amendatory and supplementary act *and not less than \$3.55*  
6 *as of January 1, 1987, \$3.65 as of January 1, 1988* for 40 hours  
7 of working time in any week and 1½ times such employee's regular  
8 hourly wage for each hour of working time in excess of 40 hours  
9 in any week, except this overtime rate shall not include any indi-  
10 vidual employed in a bona fide executive, administrative, or pro-  
11 fessional capacity or, if an applicable wage order has been issued  
12 by the commissioner under section 17 (C. 34:11-56a16) of this act,  
13 not less than the wages prescribed in said order. The wage rates  
14 fixed in this section shall not be applicable to part-time employees  
15 primarily engaged in the care and tending of children in the home  
16 of the employer, to persons under the age of 18 not possessing a  
17 special vocational school graduate permit issued pursuant to sec-  
18 tion 15 of P. L. 1940, c. 153 (C. 34:2-21.15) or to persons em-  
19 ployed as salesmen of motor vehicles; or to persons employed as  
20 outside salesmen as such terms shall be defined and delimited in  
21 regulations adopted by the commissioner; or to persons employed

**Matter printed in italics thus is new matter.**

22 in a volunteer capacity and receiving only incidental benefits at a  
 23 county or other agricultural fair by a nonprofit or religious cor-  
 24 poration or a nonprofit or religious association which conducts or  
 25 participates in that fair.

26 The provisions of this section for the payment to an employee  
 27 of not less than 1½ times such employee's regular hourly rate for  
 28 each hour of working time in excess of 40 hours in any week shall  
 29 not apply to employees engaged to labor on a farm, or employed in  
 30 a hotel or to an employee of a common carrier of passengers by  
 31 motor bus or employees engaged in labor relative to the raising  
 32 or care of livestock.

33 Employees engaged on a piece rate or regular hourly rate basis  
 34 to labor on a farm shall be paid for each day worked not less than  
 35 the minimum hourly wage rate multiplied by the total number of  
 36 hours worked.

37 Full-time students may be employed by the college or university  
 38 at which they are enrolled at not less than 85% of the effective  
 39 minimum wage rate.

1 2. The provisions of this act shall be applicable to wages covered  
 2 by wage orders issued pursuant to section 17 of P. L. 1966, c. 113  
 3 (C. 34:11-56a16).

1 3. This act shall take effect immediately.

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#### STATEMENT

This bill increases the State's minimum wage rate by 30 cents per year over the next two years. The current rate of \$3.35 per hour would be raised to \$3.55 as of January 1, 1987 and to \$3.65 as of January 1, 1988.

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#### LABOR RELATIONS AND EMPLOYMENT

Raises incrementally the State minimum wage rate.

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ASSEMBLY, No. 2480

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STATE OF NEW JERSEY

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INTRODUCED MAY 8, 1986

By Assemblymen FOY, PELLECCCHIA, Zangari, Gorman, Bryant,  
Naples, Hudak, Deverin and Brown

AN ACT concerning the minimum wage and amending and supple-  
menting P. L. 1966, c. 113.

1 BE IT ENACTED *by the Senate and General Assembly of the State*  
2 *of New Jersey:*

1 1. Section 5 of P. L. 1966, c. 113 (C. 34:11-56a4) is amended to  
2 read as follows:

3 5. Every employer shall pay to each of his employees wages at  
4 a rate of not less than **[\$3.35]** *\$3.55* per hour as of the effective  
5 date of this *1986* amendatory and supplementary act, *and \$3.65*  
6 *per hour as of the 365th day thereafter and \$3.75 per hour as of the*  
7 *730th day thereafter*, for 40 hours of working time in any week  
8 and  $1\frac{1}{2}$  times such employee's regular hourly wage for each hour  
9 of working time in excess of 40 hours in any week, except this  
10 overtime rate shall not include any individual employed in a bona  
11 fide executive, administrative, or professional capacity or, if an  
12 applicable wage order has been issued by the commissioner under  
13 section 17 (C. 34:11-56a16) of this act, not less than the wages  
14 prescribed in said order. The wage rates fixed in this section  
15 shall not be applicable to part-time employees primarily engaged  
16 in the care and tending of children in the home of the employer,  
17 to persons under the age of 18 not possessing a special vocational  
18 school graduate permit issued pursuant to section 15 of P. L. 1940,  
19 c. 153 (C. 34:2-21.15) or to persons employed as salesmen of motor  
20 vehicles; or to persons employed as outside salesmen as such terms  
21 shall be defined and delimited in regulations adopted by the com-

**EXPLANATION—Matter enclosed in bold-faced brackets [thus] in the above bill  
is not enacted and is intended to be omitted in the law.**

**Matter printed in italics thus is new matter.**

22 missioner; or to persons employed in a volunteer capacity and  
 23 receiving only incidental benefits at a county or other agricultural  
 24 fair by a nonprofit or religious corporation or a nonprofit or reli-  
 25 gious association which conducts or participates in that fair.

26 The provisions of this section for the payment to an employee  
 27 of not less than 1½ times such employee's regular hourly rate  
 28 for each hour of working time in excess of 40 hours in any week  
 29 shall not apply to employees engaged to labor on a farm, or em-  
 30 ployed in a hotel or to an employee of a common carrier of pas-  
 31 sengers by motor bus or employees engaged in labor relative to  
 32 the raising or care of livestock.

33 Employees engaged on a piece-rate or regular hourly rate basis  
 34 to labor on a farm shall be paid for each day worked not less than  
 35 the minimum hourly wage rate multiplied by the total number of  
 36 hours worked.

37 Full-time students may be employed by the college or university  
 38 at which they are enrolled at not less than 85% of the effective  
 39 minimum wage rate.

1 2. (New section) The provisions of this act shall be applicable  
 2 to wages covered by wage orders issued pursuant to section 17 of  
 3 P. L. 1966, c. 113 (C. 34:11-56a16).

1 3. This act shall take effect on the 90th day after enactment.

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#### STATEMENT

This bill increases the minimum wage in New Jersey from \$3.35  
 to \$3.75 per hour. The increase is phased-in during a three-year  
 period with a minimum wage of \$3.55 in the first year and \$3.65  
 in the second year.

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#### LABOR RELATIONS AND EMPLOYMENT

Increases New Jersey's minimum wage to \$3.75 during three-year  
 period.

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## TABLE OF CONTENTS

	<u>Page</u>
Samuel Garrison Assistant Secretary of Agriculture	1
Henry T. Blekicki Assistant Commissioner Department of Commerce and Economic Development	3
Teresa R. Varni, Vice President Consumers League of New Jersey	9
Walter Ellis, President New Jersey Farm Bureau	12
Lester Kurtz New Jersey Business and Industry Association	15
Mark Labos Industrial Union Council	27
Dr. John Abowd Research Associate Industrial Relations Section Economics Department Princeton University	30
William Cleary New Jersey Federation of Independent Businesses	41
Patrick J. Witmer New Jersey State Chamber of Commerce	47
Raymond Peterson Legislative Chairman Middlesex County AFL-CIO Labor Council	50

TABLE OF CONTENTS (continued)

	<u>Page</u>
<b>APPENDIX:</b>	
Position statement submitted by Patrick J. Witmer	1x
Statement submitted by Charles H. Marciante, President New Jersey State AFL-CIO	3x
Statement submitted by Teresa R. Varni	5x

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mjz: 1-53

**ASSEMBLYMAN VINCENT PELLECCCHIA (Acting Chairman):** Due to some strange circumstances, I find myself at this mike. I'm sure if there were a vote taken today, that I wouldn't be sitting here. However, there is a lot of testimony we want to gather and record, so we are going to start the meeting. As the meeting goes on, some of the other members will arrive. This will give us a head start toward getting all of you on the record.

Let's start off with Samuel Garrison.

**A S S T. S E C R E T A R Y S A M U E L G A R R I S O N:** Mr. Chairman and distinguished Committee members, I really appreciate the opportunity to appear before you today on Assembly Bills 2406 and 2480, bills to raise the minimum wage in New Jersey. Today I am representing Secretary Arthur R. Brown, Jr., and presenting the position of the State Board of Agriculture and the New Jersey Department of Agriculture, based on the issue of how these bills would affect Garden State farmers and the agriculture industry.

The State Board of Agriculture and Department staff had an extended discussion on the impact of raising the State minimum wage. I would like to share some of the points that were covered in that discussion.

1) Agricultural production is subject to the most intense kind of State, national, and international competition, especially related to perishable food production. Our farmers have no monopoly on the ability to produce, and many of our competitive states are looking for "alternative crops," many of which are the core of our production. Because of that, competition has already begun to intensify.

2) On the surface, the raising of minimum wage standards has many points in its favor; but the real, competitive market in which agriculture operates exacts a serious, immediate, economic toll if our farmers cannot meet the lower production costs of their competitors. Farm prices

are extremely volatile and can change daily. Thus, a change in minimum labor costs can quickly affect the competitive position of our State's farmers in the marketplace.

3) Our agriculture uses a large number of seasonal day-haul workers from nearby urban centers. Such workers are able to find productive employment on New Jersey farms in order to gain extra income. These workers have a wide range of abilities and skills, and there are many who are unskilled for the urban labor market. However, increasing the minimum wage would force employers to more closely evaluate and select workers based on their productive capabilities. Thus, an increase in labor costs can restrict the employment opportunities for some workers.

4) A recent telephone survey to a number of State Departments of Agriculture in nearby states turned up the information that only one state, Connecticut, had a minimum wage rate for farm workers above the \$3.35 current New Jersey and Federal minimum wage. That minimum hourly rate was \$3.37.

The sum of this reasoning -- and the realities of the agricultural marketplace -- led the State Board of Agriculture and the Department of Agriculture to the position of opposing an increase in the State minimum wage, as exemplified in A-2406 and A-2480, which would further create competitive cost disadvantages to New Jersey agriculture. Conversely, if an increase in minimum wages were to occur at the Federal level and provide a "level economic playing field" for our competitors as well, that position would undoubtedly be changed.

Thank you, Mr. Chairman and members of the Committee, for allowing me the opportunity to appear and express this position.

I would be most happy to answer any questions you may have.

ASSEMBLYMAN PELLECCCHIA: Well, the chair would have several questions to ask, but I am going to refrain from asking

them because of the obvious reasons. However, there is one thing I would like to know. When was the survey made that Connecticut was higher in--

ASST. SECRETARY GARRISON: This was a survey we did about a week and a half ago on the nearby states, including Pennsylvania--

ASSEMBLYMAN PELLECCCHIA: About a week and a half ago?

ASST. SECRETARY GARRISON: Right. These states included Pennsylvania, New York, Connecticut, Massachusetts, Delaware, and Maryland.

Thank you, Mr. Chairman.

ASSEMBLYMAN PELLECCCHIA: Henry Blekicki?

A S S T. C O M M. H E N R Y T. B L E K I C K I: Good afternoon, Mr. Chairman. My name is Henry Blekicki.

ASSEMBLYMAN PELLECCCHIA: I was close. (referring to his pronunciation of witness' name)

ASST. COMM. BLEKICKI: Closer than most. I am the Assistant Commissioner of the Department of Commerce and Economic Development. I wish to thank you for the opportunity to appear before the Committee today to represent the Department in its opposition to A-2406 and A-2480.

Minimum wage laws are not a recent experiment in the United States, having begun with the Fair Labor Standards Act of 1938, which established a minimum wage of 25 cents per hour. After almost 50 years of experience, there is an overwhelming supply of statistics, analyses, research, and documentation on the effects of minimum wage laws. And, one persistent conclusion of these studies is that low-income workers, especially teen-agers, are the major victims of minimum wage legislation.

Since the Department of Commerce and Economic Development is primarily concerned with job creation and job retention in New Jersey, we will limit our comments only to this issue.

There is clear, unambiguous evidence that increasing the minimum wage reduces the employment of low-wage workers.

Charles Brown, of the National Bureau of Economic Research, in a paper, "The Effect of the Minimum Wage on Employment and Unemployment," published in June, 1982, states that: "Studies typically find that a 10% increase in the minimum wage reduces teen-age employment by 1% to 3%," and "A 10% increase in the minimum wage increases the unemployment rate of teens by as much as 3%."

Since the minimum wage has little impact on experienced adult workers earning wages well above the minimum, we feel the merit of these bills -- A-2406 and A-2480 -- lies in the impact on low-wage workers and low-wage industries.

Brown, of the National Bureau of Economic Research, also finds, and I quote: "Negative employment effects of the minimum wage are a constant feature of the studies of low-wage manufacturing and agriculture." These are the two sectors of New Jersey's economy which are experiencing the most negative job pressure, especially among minority teen-agers in the cities and on the farms. Raising the minimum wage above the national standard would create additional pressure for low-technology, low-wage manufacturers to leave the State, move down South or offshore, since New Jersey business would have a new competitive disadvantage compared to all other businesses in the United States.

Although no one can accurately predict how many workers will lose their jobs because of an increase in New Jersey's minimum wage, virtually all studies on the subject agree the negative employment effects are painfully real.

In fact, a report for the Minimum Wage Study Commission, of Washington, D.C., in 1981, by Hamermesh of Michigan State University, estimates that setting a wage 25% below the current minimum could produce as many as 370,000 jobs in the United States. This would convert to approximately 10,000 new jobs for New Jersey.

The Minimum Wage Study Commission was created by Congress in 1977 to help resolve the controversial issues surrounding the minimum wage since its origin in the Fair Labor Standards Act of 1938.

Claims that a higher minimum wage is necessary to provide families with a standard of living above the non-farm poverty level are unsubstantiated.

The minimum wage, by itself, does not produce income. Income depends on the hours of work, as well as the wage rate. Numerous studies find that increasing the minimum wage leads to a loss in jobs and a reduction in the average number of hours worked.

E. Gramlich, of the Brookings Institute, finds, and I quote: "Among teen-agers, and to some extent among adult men, there is a rise in part-time employment and a decline in full-time employment due to increases in the minimum wage."

Moreover, a review of the United States demographics of minimum wage workers by the Minimum Wage Study Commission finds that: Only one in ten minimum wage workers comes from a family whose income is below the poverty level; minimum wage earners who are the sole support for a family of two or more represent less than 2.8% of the United States work force; some 54% of those earning the minimum wage work part-time; and, teen-age and college-age youths account for half of all minimum wage workers, and the majority of college-age youths list "attending school" as their principal activity.

In sum, employment at the minimum wage is often described as a springboard from which beginning workers can enter the labor market with little or no experience. It is also said to help women reenter the work force. But, this springboard can become a stumbling block for many of these individuals if the minimum wage is increased.

Despite the recent growth of the New Jersey economy and steadily improving employment statistics, there remain pockets of unacceptably high unemployment.

In 1985, the State's unemployment rate was 5.7%, but the rate was 11.2% in Newark and 12% in Camden. Moreover, the unemployment rate of youths -- the demographic group most severely affected by increased minimum wages -- was 14.8%. The jobless rates were 22% for Hispanic youths and 37% for black youths.

The continued improvement in New Jersey's economy hinges on the redevelopment of the State's urban areas, because it is in these areas where the unemployment problem still persists.

The Department of Commerce currently manages several urban programs, such as the Urban Enterprise Zone Program, loan programs for urban businesses, and the soon-to-be-operational Urban Development Corporation. The success of these programs lies in creating incentives which allow urban businesses to prosper. We believe a higher minimum wage as stated in A-2406 and A-2480 will counteract employment incentives that now exist, and will tend to aggravate further the unemployment of urban youths.

Since a higher minimum will have little or no benefit for the vast majority of New Jersey's adult employees, we see little to be gained through this legislation, and much which can be lost. We, therefore, oppose both A-2406 and A-2480.

I would be pleased now to answer any questions that the Chair may wish to direct to me.

ASSEMBLYMAN PELLECCCHIA: I would have a series of questions if the rest of the Committee were here; however, I do have a few. Isn't it a fact that Rhode Island and New Hampshire have raised their minimum wage?

ASST. COMM. BLEKICKI: I can't speak to that. I don't have the statistics in front of me.

ASSEMBLYMAN PELLECCCHIA: I have a newspaper article here showing that they have, and those states are more or less-- Well, they are a lot lower than New York, New Jersey,

and Pennsylvania in the labor field. The fact of the matter is, they have both raised their minimum wage.

ASST. COMM. BLEKICKI: I am sure there are several states that have a higher minimum wage.

ASSEMBLYMAN PELLECCCHIA: Did the Department oppose the minimum teachers' wage -- salary? Aren't the amounts the same for the minimum teachers' salaries?

ASST. COMM. BLEKICKI: Well, I think here we are talking about two different sectors in the working field. We are talking, in one area, about professionals, who have a different level of opportunity than students and young, unskilled workers. The arguments I have presented today really deal with the fact that for unskilled, young workers to find employment, they must be willing to work in those industries which only require an unskilled worker. Since there is a greater supply of unskilled workers than there is a demand for them, certainly the impact on wages leads to their detriment.

With regard to an educated person, someone who is a teacher, we find that the situation is dramatically different. So, I don't think I could make the same kind of statement on behalf of the high school and grammar school educators.

ASSEMBLYMAN PELLECCCHIA: What you say is not really borne out. The jobs go begging. There are many, many thousands of jobs going begging, simply because the people who would be able to accept those jobs have families to raise, and if they were to accept the minimum wage, they could never raise a family. They would be deprived of whatever food stamps they get, whatever rents they receive, and things of that nature. That is the reason why it would be foolish to say that they would work for \$3.35, in comparison to if we raise it to a respectful figure.

ASST. COMM. BLEKICKI: May I respond to that, Mr. Chairman?

ASSEMBLYMAN PELLECCCHIA: Well, just let me finish.

ASST. COMM. BLEKICKI: Sure.

ASSEMBLYMAN PELLECCCHIA: In order to get the right concept, does the Department also oppose what is mandated for insurance companies?

ASST. COMM. BLEKICKI: I'm sorry, I don't understand, sir.

ASSEMBLYMAN PELLECCCHIA: The mandated rates for insurance companies.

ASST. COMM. BLEKICKI: We have not taken a position on the insurance issue at this point in time.

ASSEMBLYMAN PELLECCCHIA: Well, if we get into this kind of a debate-- I am being told one thing on one side, and I am not sure on the other side. I would rather it be left unsaid, if you are not sure.

ASST. COMM. BLEKICKI: Oh, I'm sure that we have not taken a position on the insurance rates, if you are talking about the--

ASSEMBLYMAN PELLECCCHIA: The mandated rates for insurance-- Why should insurance companies reserve a minimum support level and not these workers -- the working poor?

ASST. COMM. BLEKICKI: I have to admit that I am not familiar with the issue you are raising. Since I am responsible for the legislative initiatives within the Department, I'm sure that we have not taken a position on that issue, because we have not discussed it, to my knowledge.

ASSEMBLYMAN PELLECCCHIA: It is obvious that somewhere, someplace, this has been raised; it has been taken up. I'll leave this for the full Committee; we will take it up then.

ASST. COMM. BLEKICKI: I would be pleased to come back and be available to the full Committee, if you wish.

ASSEMBLYMAN PELLECCCHIA: If necessary, we will call you back.

ASST. COMM. BLEKICKI: Thank you very much.

ASSEMBLYMAN PELLECCCHIA: Teresa Varni?

T E R E S A   R .   V A R N I: Good afternoon, Mr. Chairman. I am Teresa Varni, Vice President of Consumers League of New Jersey. I am here to testify for the Consumers League on Assembly Bill 2480, which would raise the minimum rate per hour from \$3.35 to \$3.75 during a three-year period.

To preface my remarks, I would like to read from the State Minimum Wage Act, just very briefly. "Minimum wage level established: It is declared to be the public policy of this State to establish a minimum wage level for workers in order to safeguard their health, efficiency, and general well-being, and to protect them, as well as their employers, from the effects of serious and unfair competition resulting from wage levels detrimental to their health, efficiency, and well-being.

The definition of a fair wage is: "A wage fairly and reasonably commensurate with the value of the service or class of service rendered and sufficient to meet the minimum cost of living necessary for health."

Oppressive and unreasonable wage means: "A wage which is both less than the fair and reasonable wage of the service rendered, and less than sufficient to meet the minimum cost of living necessary for health."

Currently, there are two bills to raise the minimum rate per hour from the rate of \$3.35, which has been in effect since 1981. These are A-2480 and A-2406. On May 15, 1986, at the Executive Board Meeting of the Consumers League, these two bills were discussed. No action was taken on either bill. There was passed, unanimously, though, a resolution to increase the current rate of \$3.35 per hour. Later, a poll was taken, and Assembly Bill 2480 was unanimously passed.

I would like to read -- if I may, please -- my report of this meeting held by the Executive Board of the Consumers League.

"Currently, a person working a full 40-hour week, for 52 weeks in the year, at \$3.35 per hour, will earn \$6968, which

is below the poverty level. Passed in 1933, the first minimum wage law in New Jersey was broad and general in scope, and covered only women of any age and males under 21. That law did not set a statutory minimum rate per hour. It did provide for wage orders in certain industries that set minimum rates.

"Because it is so impressive a document, it is worthwhile to quote the preamble to the minimum wage law. Written 53 years ago, it still sounds a clarion call for justice for the underprivileged: 'The employment of women and minors in trade and industry in the State of New Jersey at wages unreasonably low and not fairly commensurate with the value of the services rendered is a matter of grave and vital public concern. The evils of oppressive and unreasonable and unfair wages, as they affect women and minors employed in the State of New Jersey, are such as to render imperative the exercise of the police power of the State for the protection of industry and of the women and minors employed therein, the public interests of the community at large, and their health and well-being, and the prevention of deterioration of the race.'

"Now, in 1966, 33 years later, the State passed a statutory minimum wage law. The minimum rate was \$1.25 per hour; overtime at one and one-half times the employee's regular hourly rate was required after 40 hours. For the first time, male adults were covered. Of the regulations, one of the most farsighted and beneficial, both to the employer as well as the employee, was the requirement of keeping records of hours worked and wages paid.

"Through the years, the increase in the minimum wage rate per hour has been gradual: January 1, 1966, \$1.25; January 1, 1968, \$1.40; January 1, 1969, \$1.50; October 9, 1972, \$1.75; August 3, 1974, \$2.00; January 1, 1975, \$2.20; January 1, 1977, \$2.50; March 1, 1979, \$2.90; January 1, 1980, \$3.10; and, January 1, 1981, \$3.35. May I say here that the

idea that the increase in minimum wage rate has caused unemployment is not borne out by the facts in New Jersey.

"We have wage orders, and currently there are statutory minimum rates for minors in certain industries, like merchantile, beauty culture, laundry and dry cleaning, first processing of farm products, hotels and motels, and food service.

"As the \$3.35 rate now current does not purchase what it did in 1981, and for a 40-hour week the yearly earnings would be \$6968 -- below the poverty line -- we welcome an increase in the rate. We do not think it is sufficient, but we say, 'Half a loaf is better than no bread.' We support A-2480, and wish to go on record as supporting it."

ASSEMBLYMAN PELLECCCHIA: Teresa, you were well prepared, and I enjoyed hearing what you had to say. There is one question in my mind. Can you tell me something about the background of your organization?

MS. VARNI: Well, we have been in existence for 86 years. It is an all volunteer program. It has been very effectual in watching and taking care of legislation like minimum wage, workmen's compensation, child labor, and so forth. It has been very effectual in a very quiet way.

ASSEMBLYMAN PELLECCCHIA: Thank you.

ASSEMBLYMAN AZZOLINA: How big is your organization?

MS. VARNI: I beg your pardon?

ASSEMBLYMAN AZZOLINA: I just came from a Committee meeting in Lakewood -- a Senior Citizens Committee meeting -- so I apologize for eating.

MS. VARNI: Oh, that's okay.

ASSEMBLYMAN AZZOLINA: How many are there in your organization?

MS. VARNI: We have about 150.

ASSEMBLYMAN AZZOLINA: Throughout the State?

MS. VARNI: Yes.

ASSEMBLYMAN AZZOLINA: Thank you.

ASSEMBLYMAN PELLECCCHIA: That will be all, thank you. Assemblyman Azzolina, maybe it would be appropriate at this time if you were to take over the meeting.

ASSEMBLYMAN AZZOLINA: You go ahead and take the next witness.

ASSEMBLYMAN PELLECCCHIA: Take the next one-- Walter Ellis?

W A L T E R E L L I S: Joe, you're ahead of me; I haven't had my lunch yet.

I'm Walt Ellis. I am a farmer; I farm here in Mercer County and in Burlington County. I own one farm and farm about 11 others that I rent both in Mercer and Burlington Counties. My principal crops are sweet corn, grain crops -- both for seed and for feed -- and some horseradish.

I have the privilege of being the President of the New Jersey Farm Bureau, which is an organization of over 5000 members -- farmer members; farm family members, if I may -- the largest general farm organization in the State.

I would like to point out that New Jersey agriculture is a very diverse business, with better than 80 different crops. Our farms, for the most part, are relatively small, compared to the national average, and much more labor intensive than probably is the case on a national basis. So, labor and its costs are very important to us as family farmers.

I have a few points that I would like to make. The first, of course, is the fact that -- as we all know -- the agricultural economy is not in the greatest shape right now. It has not been for a few years. The immediate prospects are not really great either. The consequence of this is that the old saying -- "Farmers are price takers, not price makers" -- is really true. When an additional cost is imposed on the agricultural production of an agricultural crop, it is very difficult, and oftentimes even impossible, to pass that

additional cost on. So, the consequence of that is that every time you have an additional cost, it comes directly from the farmer's pocket. As I said, he has no way of passing that cost along.

I would like to point out also that farming is a very competitive business. We compete not only with people within our own State, but with people from all over the country and, in fact, in this day and age, with people from all over the world. We have imports of all kinds of crops, not only the things that we hear about and read about in the paper now, where we are having difficulty exporting our grain crops, but we are having trouble with imports of things like apple juice, tomatoes from Mexico and places like that, and things of that sort, where, again, agricultural costs are much, much less than ours.

I would also like to point out that we do, for the most part, pay above minimum wage. Most jobs on farms now are paid something above minimum wage. Beyond that, we do provide, in most cases, unemployment compensation and other perks that sometimes are overlooked. When it comes to migrant laborers, who stay here all season long, many of those people are housed, with the costs being borne by the employer. There are insurance programs and, in some cases, with some contracts, transportation to and from the worker's home is paid for by the employer. These are all things that add to our labor costs, and they are very significant.

There is another point that I would like to make because, as I mentioned, a good bit of agricultural labor is paid above the minimum wage, and one might think that a raise in the minimum might not affect those people. But I'm sure that you all realize that the minimum provides the floor, and if you raise the floor, everything goes up accordingly. Plus the fact that in agriculture, and I expect probably in some other businesses as well that I don't know that much about, a

fair amount of the labor is paid on a piece-rate basis. I know in my own case where I have folks who are packing sweet corn, all of them packing under exactly the same conditions, one will be making seven or eight or nine dollars an hour, and the person just to his left or right we might have to subsidize in order to get his wages up to the minimum rate.

In effect, really, raising the minimum is just going to add to my costs for hiring those kinds of people. Some people we hire in agriculture for some jobs have differing amounts of abilities. I would suggest that when the minimum wage gets too high, some of those folks are not going to be employable any longer, and that is a shame, because in some cases I don't think they have a great many choices as to what they might be able to do.

My request here today is that we not raise the minimum wage, particularly for agriculture, certainly not until the minimum is raised for all those people with whom we have to compete. If it is raised, obviously, on a Federal basis, then we will be playing, if you will, on the same level field, and we will be able to compete at that time. But, we would like very much not to have to work at a disadvantage with our competing areas.

ASSEMBLYMAN PELLECCCHIA: Is that it?

MR. ELLIS: That's it.

ASSEMBLYMAN PELLECCCHIA: As with the other witnesses, I do not intend to make any interrogation, but there is one question I would like to pose.

MR. ELLIS: Surely.

ASSEMBLYMAN PELLECCCHIA: Does the Farm Bureau disapprove of a raise in the minimum wage for just farm workers, or for all workers around the State?

MR. ELLIS: Quite frankly, we have not taken a position as far as other workers are concerned. Our concern, obviously, is principally regarding farm workers.

ASSEMBLYMAN PELLECCCHIA: My other question is: What kind of an impact would 30% have on farm workers?

MR. ELLIS: It would be significant from the standpoint of the farmer. Obviously, I think it would be good for the farm worker. I won't deny that, certainly.

ASSEMBLYMAN PELLECCCHIA: All right. I have no further questions.

ASSEMBLYMAN ROBERT E. LITTELL (Chairman) (who has just arrived): I would like to ask Mr. Ellis a question.

ASSEMBLYMAN PELLECCCHIA: Go ahead.

ASSEMBLYMAN LITTELL: Mr. Ellis, if we exempted farmers based on the theory that the Governor has appointed a blue-ribbon panel to deal with the migrant problem, would you still oppose the bill?

MR. ELLIS: No.

ASSEMBLYMAN LITTELL: No. So, it's--

MR. ELLIS: I think the idea of looking into it on a very comprehensive basis is probably an excellent idea.

ASSEMBLYMAN PELLECCCHIA: Thank you.

MR. ELLIS: Thank you.

ASSEMBLYMAN PELLECCCHIA: Mr. Chairman, it is a pleasure to have you back. I was starting to get used to the chair again.

ASSEMBLYMAN LITTELL: I appreciate your taking over. I apologize for the delay. It is nice that they are fixing the roads up, but it is terrible when you get out on a road like Route 80 and you can't move anyplace.

I'm just getting my thoughts together to see where we are here. Is John Abowd from Princeton University here? (Dr. Abowd not present.) Okay, let's go with Lester Kurtz from NJBIA.

L E S T E R K U R T Z: Good afternoon, members of the Assembly Labor Committee. As a representative of the New Jersey Business and Industry Association, I appear today to

indicate the opposition of the Association to the proposed legislation that would increase the State minimum wage.

We recognize that the intent of these two bills is to assist those who are least fortunate in our State's labor force. However, we believe that the enactment of legislation which would establish a mandated minimum wage which exceeds the Federal standard would actually reduce the economic opportunities for the disadvantaged members of our society.

A higher State minimum wage, in effect, represents a governmental mandated price that is intended to produce a pattern of events that differ from those produced in a free market. In practice, a legislated minimum wage specifies a legal hourly wage that is higher than that which would have occurred with free market forces. This results in a law that requires some workers to be paid a wage which exceeds their productivity, and it requires employers to make an adjustment in the use of such labor. Such an adjustment will produce gains for some workers at the expense of other workers. Those workers who keep their jobs and receive higher wages clearly gain. The losers are those workers who are most disadvantaged in terms of marketable skills. These workers may lose their jobs, and others may not be hired in the first place.

If an employer who markets a product nationally is required to pay either \$3.65 or \$3.75 per hour, no matter who is hired, what kind of worker does it pay the employer to hire? The answer in terms of economic efficiency is for the firm to hire those workers whose productivity most closely equals the hourly rate. If these people are available, it does not pay the firm to hire workers whose value of output is only \$3.35 per hour. Even if an employer is willing to train such a low-skilled worker, the fact that the worker must be paid an amount higher than the value of his output, plus training costs, makes on-the-job training an unattractive economic proposition.

Who bears the impact of the higher minimum wage? The answer to that is, the burden of the higher minimum wage is felt by those who are most marginal in terms of their skills. These are workers who employers perceive as less productive or more costly to hire.

In New Jersey, there are two segments of the labor force who share this characteristic to a greater extent than other segments. One segment consists of youths in general. They are relatively low skilled because of their age, immaturity, and lack of work experience. The second group, which contains youths, consists of racial minorities, such as blacks and Hispanics, who, due to socioeconomic factors, are disproportionately represented among low-skilled workers. These workers are not only made unemployable by a higher minimum wage law, but opportunities to upgrade their skills through on-the-job training are severely limited.

Now, while the vast majority of employers will not be directly affected by an increase in the minimum wage, there will be a decided indirect impact on many employers who peg their hiring rate to a percentage or an hourly rate above the minimum wage. Thus, when the minimum wage is increased, the employer's hiring rate and entire wage scale feel a rippling effect by a demand for parity. As an example, where there are many collective bargaining agreements which provide for a starting wage of 65 cents to \$1.15 above the minimum. With political support if the minimum wage is increased, this would support a demand for a continuation of the differential between the new higher minimum wage and the starting rate. The demand for a continuation of the differential would be felt by the entire wage structure of that employer.

Only six states in the nation have a minimum wage higher than the Federal. Those are five states in New England, plus Alaska. Of the five in New England, four have passed an increase in the minimum wage within the past couple of months.

Our neighborhood states of New York and Pennsylvania have not increased their minimum wage.

Here is another statistic we should keep in mind. A statewide average weekly wage in New Jersey in 1986 is \$405 a week. This translates into a statewide average wage rate of \$10.00 per hour, and this wage rate will increase in 1987. I must bear in mind that the statewide average weekly wage that I just quoted is based on earnings in 1984.

Another factor to consider is the Consumer Price Index. New Jersey has a Consumer Price Index below the national average, and below that of many other industrialized states. Where lies the justification for an increase in the minimum wage? We submit there is no justification. Our Association -- our members -- suggest that the Legislature must allow the marketplace to determine the minimum wage for the State. An increase in the State minimum wage, in the long run, would injure the economy of the State. It would further increase unemployment in urban areas that desperately need jobs for youths and minorities.

We urge that you reject both of these bills.

ASSEMBLYMAN LITTELL: Mr. Kurtz, you said that the Legislature must allow the marketplace to determine the minimum wage for the State.

MR. KURTZ: Which it is doing right now.

ASSEMBLYMAN LITTELL: The fact is, we already have a minimum wage in the State, so we are not here to decide whether or not we are going to have one. We are just here to decide whether or not it ought to be increased. Despite the fact that there is a minimum wage, in my travels, and in my questioning of people, I find that no one is hiring anyone at the minimum wage. I find at places like Burger King and McDonald's, signs in the window, or outside, in huge letters, saying, "We start at \$4.00 an hour." Therefore, I cannot correlate the opposition you have.

MR. KURTZ: That is what we're saying. The marketplace has set the minimum wage for these concerns.

ASSEMBLYMAN LITTELL: Well, if there is a marketplace that is already at \$4.00 an hour, then why would you oppose an increase to \$3.55 or \$3.65?

MR. KURTZ: But, keep in mind that you are referring to fast foods and convenience stores, where the competition to these stores is local. Consider those companies that market their goods in the other 50 states in the nation, where the minimum wage is at \$3.35. A company that has to pay a higher minimum wage is not going to be able to sell its goods in another state. This is where the concern is.

ASSEMBLYMAN LITTELL: We're talking about a marketplace that has a tremendous demand for employees and a very small supply of employees to fill the jobs which are available.

MR. KURTZ: All right, I throw the question back to you: What is an increase in the minimum wage going to do for these people? They are being paid now above the minimum wage.

ASSEMBLYMAN LITTELL: If the minimum wage is now being paid, then why are you opposed to it?

MR. KURTZ: We are not opposed-- We are opposed to the increase.

ASSEMBLYMAN LITTELL: Okay. If it is being exceeded -- that is what I meant to say -- then why do you care about the increase?

MR. KURTZ: It is being exceeded selectively by those companies that can afford it; by those companies that can afford to pass on the increase in their labor costs to the consumer.

ASSEMBLYMAN LITTELL: Okay. So, you're saying that there are some companies in New Jersey which pay their employees the minimum wage.

MR. KURTZ: That is correct.

ASSEMBLYMAN LITTELL: Can you name any for us?

MR. KURTZ: I won't name names, but I will tell you industries: the toy industry and the clothing industry. They are labor-intensive operations. They pay at the minimum wage, or slightly above the minimum wage.

ASSEMBLYMAN LITTELL: Don't they do that, but then also pay them on a piece rate?

MR. KURTZ: Some do.

ASSEMBLYMAN LITTELL: Most of them far exceed the minimum wage.

MR. KURTZ: I think you hit the nail on the head. They pay them piecework, but they pay them the minimum wage until they can learn productivity and work themselves up to the minimum wage. But there is a training period involved where they don't earn \$3.35 an hour. They probably earn maybe \$1.00 an hour based on their productivity. As they are in the job 30 days, 60 days, 90 days, then they earn based on their increased productivity. They do earn \$3.35 an hour

Raising the minimum wage is going to cost an employer more money to train those people, and he is not going to hire them.

ASSEMBLYMAN LITTELL: Let me ask you another question. I'll get to you in a minute, Joe; I have a couple more questions.

ASSEMBLYMAN AZZOLINA: That's all right.

ASSEMBLYMAN LITTELL: Did your organization support the basic minimum wage for teachers in the State of New Jersey, or oppose it?

MR. KURTZ: I believe we supported it. I am not certain.

ASSEMBLYMAN LITTELL: Isn't that a different standard then, for your organization, on one hand--

MR. KURTZ: No, we're talking about two--

ASSEMBLYMAN LITTELL: --to favor a minimum basic starting salary for teachers, and then to oppose it for someone who is making the minimum wage in the rest of the job market?

MR. KURTZ: I think you are confusing apples and oranges. We supported an increased wage for teachers, who are professionals, who teach young people. We are trying to get the best possible people into those positions. But, on the other hand, you are trying to impose a State minimum wage for people who have no skills. Their productivity is next to nothing. And, you are forcing an employer to increase his training -- his costs for training people. By doing that, you are going to reduce the number of training opportunities.

ASSEMBLYMAN LITTELL: Well, you can't have it both ways. You either have to have a free market, or you have to have a minimum basic standard. You can't have both.

I don't know who had his hand up first, but I will start with Ozzie.

ASSEMBLYMAN PELLECCCHIA: I'll defer to Joe.

ASSEMBLYMAN AZZOLINA: I think we are basically talking about-- We have these contracts, too, in my business. Most contracts call for starting at at least the minimum wage for 30 or 60 days. During that 30 and 60 days -- or 90 days, whatever it is -- you train and determine if the person, or people are qualified to go on. If you decide to keep them, then they move into a union minimum wage, which may be \$3.75, \$4.00, whatever it is, and then they go up a scale over a three-year period, and so forth.

What he is basically saying is, if you raise the minimum wage, now you are looking to raise all of the rates along the way. It is a ripple effect, as he said. It creates a ripple effect up and down the line. Because of the shortage of employees in New Jersey -- we have very few employees available -- companies had to go out and pay way above the minimum wage to even get people hired, because our economy is

good. But, a few years ago, we had a hell of a lot more unemployment, as we found out at the meeting where you and I were-- Was that yesterday?

ASSEMBLYMAN LITTELL: Yesterday.

ASSEMBLYMAN AZZOLINA: I was amazed at how high it was only a few years ago. You forget very quickly.

ASSEMBLYMAN LITTELL: Thirteen or fourteen percent.

ASSEMBLYMAN AZZOLINA: Yeah, you forget very quickly. If you raise the floor now -- I am just trying to interpret what he is saying here-- If we get to that position one of these days where we have high unemployment again, we will be stuck with a minimum wage that is higher than the Federal wage. What you will get then is, certain industries will want to establish in the South or somewhere else where they have a Federal minimum wage, and not a State wage that is higher than the Federal minimum wage. I think that is partly what you were trying to say. I attended a meeting yesterday which was very interesting.

What we have today, we may not necessarily have tomorrow. Right now, employers coming into the State can't find a labor pool, and all of a sudden they may start to look somewhere else to start their industry, and we could end up having a big labor pool. So. you don't want to hurt yourself down the pike either.

Those who are qualified, and those who can do the job, will be paid above the minimum wage anyway now, and the marketplace determines where the floor should be at this point. The floor, at this point, is far above the minimum wage, whether you establish a new minimum wage or not in the State beyond the Federal minimum wage. That is how I interpret what Mr. Kurtz is saying.

MR. KURTZ: You're right.

ASSEMBLYMAN LITTELL: Assemblyman Pellecchia?

ASSEMBLYMAN PELLECCCHIA: First, to deal with the ripple effect, I think the ripple effect really took place with the teachers, too, because they were all \$10,000 or \$12,000 already in their particular schools. When it went to \$18,000, even those who were hired-- The ones who were working had to be raised to the \$18,000, and the ripple effect was already there. We overcame that.

But, the big factor here is, we all look at the statistics of how many people are unemployed. I would venture to say that the statistics you are hearing are those which are on the books, but there are many thousands of people who are not on the books, simply because they stopped searching. They stopped searching because the meaningful jobs they were looking for were not there. The jobs that pay the minimum wage are there, and if they take them they lose, because they are trying to raise a family, and raising a family means rent, it means gas and electric, it means other things, which their minimum wage will never carry. So they stay on welfare.

I think that is our biggest problem, to get them off the welfare rotation they have been on. We have families who have been living on welfare for generations -- nothing but welfare. We've got to get them off. It costs us more for welfare than it does for anything else. By giving them a wage that is feasible, at least that will give them an opportunity to go to work. They will have no excuse to stay on welfare, and they will be able to raise their families. If we do not give them that opportunity, shame on us.

ASSEMBLYMAN AZZOLINA: The minimum wage is not going to solve that problem. Whether it is this much or 20 or 30 cents more, it is not going to help that person much.

ASSEMBLYMAN PELLECCCHIA: We have to have some plan.

ASSEMBLYMAN AZZOLINA: Let me tell you something from my experience as an employer. If a person produces and does a good job-- If that employer doesn't pay that person what he or

she is worth, they will go someplace else, and shame on that employer if he doesn't pay it.

ASSEMBLYMAN LITTELL: I don't know how anybody can hire anybody in today's market for \$3.35 an hour. I am a businessman, and I'll tell you, my starting salary is a lot higher than that. It doesn't make any difference whether they have any skills or not, you can't hire people--

ASSEMBLYMAN AZZOLINA: Well, in our field, they will still be hired generally near the minimum wage because at the end of the 30 or 60 days -- whatever it is -- they see a huge increase in there. Then they see that down the line--

ASSEMBLYMAN PELLECCCHIA: Well, that is an incentive.

ASSEMBLYMAN AZZOLINA: It is an incentive. You can have that differential. You start them, and then they see down the line that they will get that large increase; then they see that the rates are going to increase over the next three years. When they look that far ahead, they see that they are going to be far better off than if they started above that and stayed there, as happens in some of the other companies.

ASSEMBLYMAN LITTELL: You can go with the United States Post Office sorting mail for \$9.00 an hour, and not know anything about sorting mail.

ASSEMBLYMAN AZZOLINA: But, there aren't that many jobs available.

MR. KURTZ: Mr. Chairman, I suggest you look at the wage rates that are being offered in the urban areas of Newark and Camden, where there are-- They are being offered jobs for \$3.35 an hour, but there are still vast pockets of unemployment because these people do not have skills. Unless they can be productive on the job, there are employers who are not going to train them, unless they can be trained in a fast-food store within a week or a day, or two weeks. But if you find a company that requires maybe 30 days of training, or 60 days, or 90 days of training, they are not going to invest higher

salaries -- higher hourly rates -- to train somebody if they cannot pass that increased cost on to the consumer.

ASSEMBLYMAN LITTELL: Let me ask you a question: Do you know approximately what the net would be for a person earning the minimum wage, working 40 hours a week, 52 weeks a year?

MR. KURTZ: I don't know what those figures are.

ASSEMBLYMAN LITTELL: I put it down--

ASSEMBLYMAN AZZOLINA: There will be no tax next year.

ASSEMBLYMAN LITTELL: --and netted it out to about \$5600. A person can't live on \$5600.

ASSEMBLYMAN AZZOLINA: Won't it be no tax next year?

MR. KURTZ: Mr. Chairman, I submit to you that no individual works an entire year at \$3.35 an hour. They might come in at a starting rate for 30 days, and then move on upward after that.

ASSEMBLYMAN LITTELL: Do you mean the functional illiterates you were talking about?

MR. KURTZ: Yes, if they can be productive. If they can earn their keep within a business, they are going to be paid more. The employer isn't going to keep-- You know, they are not going to stay there for \$3.35 an hour when there are other jobs that pay more.

ASSEMBLYMAN LITTELL: Maybe what we ought to be saying is, the minimum wage should only apply for 60 days. Then, after 60 days, they would have to pay this increased amount.

MR. KURTZ: Why? Maybe they don't-- What you are going to find is that employers, after 60 days, will let them go and get somebody else.

ASSEMBLYMAN PELLECCCHIA: That is exactly what would happen.

ASSEMBLYMAN AZZOLINA: May I ask you a question on South Jersey? I know we are attuned -- you and I and the rest of us-- Most of us on the Committee are probably from North

Jersey and, of course, we have a different situation. In North Jersey there is less unemployment than in South Jersey, I believe. Did you say that?

MR. KURTZ: Yes, except for-- Vineland and Camden have very high -- I think twice the State average.

ASSEMBLYMAN AZZOLINA: In North Jersey, you are telling me it is less than 4% unemployment.

MR. KURTZ: Could be, yes.

ASSEMBLYMAN AZZOLINA: There are other pockets of the State where it is more.

ASSEMBLYMAN PELLECCCHIA: That is just not true.

ASSEMBLYMAN AZZOLINA: Well, he says there is more unemployment in South Jersey, which could be.

ASSEMBLYMAN PELLECCCHIA: That is on the record. The records would probably show what you're saying.

MR. KURTZ: This is all we can go by.

ASSEMBLYMAN PELLECCCHIA: The facts are known. Year after year-- There are people who have been on unemployment for years; people who have been on welfare for years.

MR. KURTZ: These are people who don't want to work, no matter what you do for them.

ASSEMBLYMAN PELLECCCHIA: Well, if they have a family, they can't work at that rate -- not at that rate. It is physically impossible. Their children will die of malnutrition.

ASSEMBLYMAN LITTELL: Okay. Lester, thank you for the lively exchange of thoughts. I appreciate your input, as usual.

Next we will have Mark Labos, from the Industrial Union Council.

ASSEMBLYMAN PELLECCCHIA: Robert, do you mind if I leave now?

ASSEMBLYMAN LITTELL: No. Thank you.

ASSEMBLYMAN AZZOLINA: I'll tell you, he carried the ball all by himself until I got here, and I had to bring food, so I was eating. So, thank you very much, Ozzie.

M A R K L A B O S: Good afternoon, gentlemen. I am very pleased to be here. I am Mark Labos from the Amalgamated Clothing and Textile Workers Union. I am here today representing the Industrial Union Council on behalf of Archer Cole, President.

The I.U.C. has 200,000 affiliated members throughout the State. It is very promising, very pleasing--

ASSEMBLYMAN PELLECCCHIA: Excuse me. Before you go any further, you know anything you say I will be with you.

MR. LABOS: I was just going to say, Assemblyman Pellecchia, it is very pleasing that you have not lost the human element touch here as far as the apathy I heard earlier. I hope we don't lose focus of where we are here, the intention of the bill to raise the minimum wage. The intent is to help the working poor. I hear the statistics, and I plead that we will not lose focus on the direction of what the intent of the minimum wage law is.

Since 1938, the government has maintained a floor on wages in order to guarantee a minimal, socially acceptable standard of living for all protected workers. Since 1981, the minimum has remained at \$3.35 an hour. After adjustment for inflation, the value of the hourly minimum rate has declined by 26% since January, 1981, and is now at its lowest real level since 1955. What I mean by real level is concurrent with the cost of living.

We believe the minimum wage should be restored to the original position intended at its inception. Half of the minimum wage workers are 25 years old or older; however, the young are disproportionately represented among minimum wage workers. Over three-fifths of the minimum wage workers are women. Due to the failure to raise the minimum wage since 1981, its level has slipped below 40% of the average hourly rate in private employment for the first time since 1949.

A minimum wage of \$4.37 per hour would be needed to restore it to 50% of the average private wage. The current minimum wage provides a full-time, full-year worker with an annual income of \$6968. A worker with no dependents working at that minimum wage would earn more than the poverty threshold, while a worker with two dependents -- meaning a wife and one child -- would remain substantially below the poverty line. The current poverty threshold for a family of three is \$9120, requiring full-time, full-year, at a wage of \$4.38 an hour.

We feel a minimum wage law is a statement by society that certain working conditions are unacceptable. The I.U.C. is cognizant of the dilemmas that face our unorganized brothers and sisters. Most Americans work in labor markets that offer protection against undesirable working conditions, but millions work in secondary labor markets characterized by unstable low-wage employment.

We commend the gentlemen who recognize this problem and are attempting to alleviate it.

The minimum wage also reenforces the work ethic, which Mr. Pellecchia referred to, providing incentive for people to work rather than depend on welfare. I don't think that anyone will argue with me that work should pay more than welfare. Opponents argue that minimum wage boosts inflation. Since, however, the vast majority of workers earn considerably more than the minimum -- in New Jersey it is less than 10% earned minimum wage -- the proposed changes would have a small, if any, effect on the inflation rate. Moreover, it is very unfair to ask workers who earn the minimum wage to shoulder a disproportionate financial burden as a hedge against inflation.

That is all I have to say.

ASSEMBLYMAN LITTELL: Mark, will you be typing that up and sending it to us, or can you just Xerox it? We have a machine here where you can do that.

MR. LABOS: I certainly can.

ASSEMBLYMAN LITTELL: For our records, just in case the reporter didn't catch everything.

MR. LABOS: She didn't pick everything up? I'm sorry, but I sure can do as you ask.

ASSEMBLYMAN LITTELL: Okay. What do you think the impact on the minimum wage is for existing contracts? Do you know of contracts in your industry where people's starting salaries are pegged to the minimum wage plus -- as the last speaker said -- 60 cents, or a dollar, or whatever?

MR. LABOS: To be perfectly candid, most of the workers in the I.U.C. make far above the minimum wage.

ASSEMBLYMAN AZZOLINA: He didn't say that.

MR. LABOS: I beg your pardon?

ASSEMBLYMAN AZZOLINA: He didn't say that.

MR. LABOS: I didn't say that?

ASSEMBLYMAN AZZOLINA: He didn't ask that question.

MR. LABOS: Oh, I'm sorry; I misunderstood.

ASSEMBLYMAN LITTELL: I wanted to know if anyone you represent had experience dealing with the minimum wage, plus whatever, for a starting salary, which would be affected if we increased it? In other words--

MR. LABOS: Would it be affected?

ASSEMBLYMAN LITTELL: Mr. Kurtz said that a lot of businesses in New Jersey start off with \$3.35, plus 60 cents. That would be \$3.95 as a starting salary. If we increased it 20 cents an hour, that would automatically increase their starting wage. I wonder if you represent any employees who work for employers who are affected like that?

MR. LABOS: Right. In my union, no.

ASSEMBLYMAN LITTELL: In your union, no.

MR. LABOS: We don't have that stipulation in our contract. The contracts are set rates.

ASSEMBLYMAN AZZOLINA: No, but you look at it.

MR. LABOS: Absolutely.

ASSEMBLYMAN AZZOLINA: Absolutely, right, because I deal with contracts. I know that that is exactly the way it is done.

ASSEMBLYMAN LITTELL: How do you look at it? Tell us how you look at it. What relationship does it have to your overall picture?

MR. LABOS: What relationship does it have? Again, I guess you would refer to the ripple thing. I think that would up the negotiating privileges of both parties, to work off of that raise. But the fact is, actually I.U.C.'s position on this-- It is not necessarily the organized, but the unorganized who are working in unacceptable conditions. Although we do not represent many people in that position, we are still cognizant of the dilemmas they face. We are not just structured to work for organized labor, but unorganized also.

ASSEMBLYMAN LITTELL: But you do acknowledge that there is a ripple effect, though?

MR. LABOS: Yes, I would imagine there would be.

ASSEMBLYMAN LITTELL: Okay. Mark, thank you very much.

MR. LABOS: Thank you, sir.

ASSEMBLYMAN LITTELL: John Abowd, Princeton University? Do you have prepared testimony?

D R. J O H N A B O W D: I did not prepare any testimony.

ASSEMBLYMAN LITTELL: Okay, that's fine.

DR. ABOWD: I was asked to come to provide an economist's viewpoint on minimum wages generally. I came prepared to do that. I can certainly make some brief remarks, if you like, or I can--

ASSEMBLYMAN LITTELL: We would like very much to have you do that.

DR. ABOWD: Okay. Or, I could simply begin by taking questions. Why don't I make the brief remarks, if that is what you prefer?

ASSEMBLYMAN LITTELL: Yes, please.

DR. ABOWD: Okay. The issue of minimum wages is one that economists have used as a whipping boy for quite some time. A recent review of economics literature on minimum wages had close to 75 citations of mostly papers published since 1970 on the subject. So, it is a subject that has received fairly extensive quantitative attention from economists, primarily economists looking at a certain set of fairly well-defined questions. You can think of them as, who benefits and who loses, with the economists' presumption that there are some general costs associated with the minimum wage, just like there is a general cost associated with most regulatory activity, but no presumption necessarily that the general cost is large or small; as a matter of fact, no particularly good estimates of the general cost.

On the question of who benefits, there seems to be basically two answers. Surprisingly, high wage workers benefit, primarily because the minimum wage makes it more difficult to compete against those workers, so there is some benefit to high wage workers that has been quantified. You know, in terms of putting it in an order of magnitude, it is not particularly large, but it is there. One thing you can say with some precision is that high wage workers are not ever hurt by increases in the minimum wage.

The second group of people who benefit are some low wage workers, by which I mean some people who are able to obtain a job at the minimum wage. One of the principal classes of people who do not benefit are the rest of the low-wage workers, the ones who are not able to obtain employment as a consequence of increasing the minimum wage.

Most of the economic research on the effects of minimum wage has focused on the effects of increases in the minimum wage, usually the real minimum wage, on employment and unemployment among certain identifiable groups in the labor force. The two identifiable groups that have received the most

attention are teen-agers -- usually defined as people between 16 and 19 -- and adults.

If you will permit me a brief foray into theory here, the theory is fairly strong in its prediction that teen-agers, to the extent that they represent generally low-wage workers, are a group that ought to be harmed, in general, by minimum wages. The theory is extremely ambiguous on the subject of whether adult workers, since they consist of some high wage and some low wage workers, ought to be relatively harmed or relatively helped. What the quantitative analyses have found, is that you can, with some precision, say that teen-age workers are harmed. A 10% increase in the minimum wage generally results in a 1% to 3% decline in teen-age employment.

A comparable increase in the minimum wage results in a much smaller change in adult employment, and the economic estimates are not very enlightening; that is, they go across many different ball parks. So, it would be correct to say that we don't have a good, precise estimate of a positive or a negative effect on adults in general. We have some confidence in the negative effect on teen-agers, which leads us to the question: Is there a way to identify whether the harm caused to, let's say, teen-agers or workers with a low attachment to the labor force, is counterbalanced by some benefit someplace else in the economy?

Generally, the arguments for the benefits someplace else have said that those workers who are able to obtain jobs at the minimum wage receive a higher income than they would otherwise have earned, and that that generally is responsible for increasing the family income of those families, pulling them out of poverty, or reducing the likelihood of other forms of State support for that household. That is one scenario that there does seem to be evidence against.

There is a very weak association between the family income of persons who hold jobs at the minimum wage and the

income of the person who holds that job. To put it a little bit more simply, most people who hold jobs at minimum wage are teen-agers from middle-income families, and not primary wage earners from low-income families. Now, that is a fact. How you choose to interpret that fact is sort of up to you. It does allow us to say that there is only a very, very weak case for the use of the minimum wage as a policy instrument to pull families out of poverty or as a potential replacement for other sources of public support to families in economic distress.

Those are basically all the remarks I scribbled on my sheet. If I could summarize, the only really hard fact that economists have quantified about the minimum wage, is that there is a substantial -- well, I gave you the exact size of it -- negative effect on teen-age employment. Consequently, there is an adverse effect on teen-age unemployment. The magnitudes are larger for unemployment because the denominator is larger.

The question of who benefits and who doesn't benefit-- High wage workers do appear to benefit; low-income families do not appear to benefit; and, some low wage workers benefit, those who are able to get the jobs. There is some question as to what skills there are that increase the likelihood that a low wage worker will be able to get a job at the minimum wage, where he was not able to get a job prior to the minimum wage.

But, that basically summarizes the economic evidence on the subject. Like I say, it is a subject that has been studied quite a lot, so I have given you a very brief summary of what amounts to quite a large amount of empirical evidence. All right?

ASSEMBLYMAN LITTELL: Dr. Abowd, did you ever do an analysis on who the people are who are in that actual minimum wage? In other words, where do you find the people who are earning a minimum wage?

DR. ABOWD: There have been studies on that. Let me say that the last time I personally studied the question of minimum wage was during the Minimum Wage Study Commission period that the Federal government ran. Mine was one of 40 commissioned studies that are summarized in an article that appeared in The Journal of Economic Literature in the seven-volume report of the Minimum Wage Study Commission. That is the last time I looked at it personally, and I was basically looking at the effects on adult and teen-age employment, as were many of the other investigators.

The study I was citing that showed the low association between workers who earn the minimum wage and low family income, was done by Gramlich (phonetic spelling) in 1976. He is an economist at Michigan. He was the one who used cross-sectional data, and asked, "Let's find the people in the cross-section state who are actually earning the minimum wage, and then let's see what the family income is of those people." That would have been done with national survey data.

Others who have looked at who owned the minimum wage have used various forms of national survey data primarily to address that question. It is not hard to ask a very specialized question, like, "Who in New Jersey actually earns the minimum wage?" but I have never put the tape up and tried to ask that question.

ASSEMBLYMAN LITTELL: How could you find out that information?

DR. ABOWD: Do you mean what is the way it is normally done?

ASSEMBLYMAN LITTELL: Yeah.

DR. ABOWD: The way it would normally be done would be to look at the reports in the "disensual" census and in the May and March current -- well, actually now, all month current population surveys -- the current population surveys -- the household surveys that the Labor Department uses to base state,

national, and area unemployment rates and other regularly produced employment statistics on.

The other primary source of wage data, an establishment survey, would identify what industries have low wage workers, but the forms in which the establishment survey are distributed make it very tough to figure out who is at the minimum wage.

There are public use data files from the current population survey, and most researchers put them up, and they ask, "Who is within 5% of the minimum wage in this particular month?" Then they look at the characteristics of those people, compared to the characteristics of other people. They also look at the characteristics of their households.

That is how it would be done. I haven't actually done that.

ASSEMBLYMAN AZZOLINA: Doctor, what do you do at Princeton University? You are at Princeton University right now, right?

DR. ABOWD: Yeah. This year I am a Research Associate in the Industrial Relations Section, which is part of the Economics Department.

ASSEMBLYMAN AZZOLINA: Do you feel that real small businesses would be hurt more by an increase in the minimum wage?

DR. ABOWD: Well, that is an empirical question. Small businesses do a pretty good job of finding the least-cost way to do business. They would be hurt if they were currently hiring a lot of workers at the minimum wage and felt that the enforcement of the minimum wage would be strong enough so that they couldn't afford to have as many workers as they previously had. That probably means that their costs would go up more than the costs of employers who don't have anyone near the minimum wage.

There is one other issue I meant to discuss in my opening remarks, which you remind me of. There are questions about the enforcement of the minimum wage that economists have dealt with, and some of those answers are fairly obvious. You know that you can't set the minimum wage too high or it will just be ignored. The enforcement budget to stop people from ignoring it would be way too high.

For example, you couldn't enforce a minimum wage that was approximately equal to the average hourly earnings of manufacturing, which is about \$9.00 an hour right now. That is way too high. So, no one practically speaks about minimum wages that are above the enforceable level, and at the Federal level, the primary enforcement mechanism does not really give, particularly small employers, much incentive to obey the law, but most will obey the law voluntarily. So, one of the things about the American minimum wage, at least, is that it has always been low enough so that voluntary compliance could be relied upon as the primary means of enforcement.

ASSEMBLYMAN AZZOLINA: Do you mean if we had a higher State minimum wage than the Federal minimum wage, it could be that some employers could violate--

DR. ABOWD: Yeah.

ASSEMBLYMAN AZZOLINA: Wouldn't they be caught when the Labor Department came around and checked them?

DR. ABOWD: At the Federal level, the first time you are caught the penalty is just back wages. Since there is some probability that you won't be caught, it doesn't always pay to obey that law. Actually, when you look at surveys, there are people who appear to be covered by the minimum wage law who report earning less than the minimum wage, so there is evidence of noncompliance. The higher you make the minimum wage, the greater that evidence would likely be.

ASSEMBLYMAN LITTELL: Is a person better off collecting welfare than he is working a job at the minimum wage today?

DR. ABOWD: That is a good question. There are certainly some households where that would be true, and other households where it wouldn't. It would depend on your qualifications. I don't know the current welfare formulas, so I can't work some examples for you.

It is probably true that most unemployed workers, who are unemployed from jobs closer to the average hourly earnings in the economy, are better off staying unemployed than they would be seeking temporary employment at the minimum wage. That is almost certainly true. Whether in the long term a family is better off staying on welfare or having several wage earners earn the minimum wage, is not a question I did any examples of. I don't know the answer to that.

ASSEMBLYMAN LITTELL: Doctor, you talked about high-wage people and low-wage people. What constitutes the difference? Where do you draw the line between high-wage earners and low-wage earners?

DR. ABOWD: The line, obviously, is not a line. It is a blur. What we usually mean is identifiable high wage groups, adults with long attachments to the labor force, and identifiable low wage groups, younger workers with very weak attachments to the labor force. So, we usually use high wage and low wage and young and old as somewhat synonymous, although there are certainly older workers who are in the minimum wage, but it is much more likely that it is a younger worker earning the minimum wage. There are certainly young workers who earn far above the minimum wage, so I do not mean to stereotype the two groups that way. But, that is a convenient simplification that economists use because it makes the point, without blurring the point too unnecessarily.

ASSEMBLYMAN LITTELL: Now I know what President Truman meant when he said he wanted a "one-armed economist."

DR. ABOWD: Yeah. Well, I decided when I came down here that I was not going to take a position on whether New

Jersey should raise the minimum wage above the Federal level. That is not what I was asked to do. I was asked to summarize the economic evidence on it. Obviously, you will have to make your own decision on whether it is worth it.

ASSEMBLYMAN LITTELL: Okay, thank you.

ASSEMBLYMAN AZZOLINA: I don't know whether you can answer this or not. It is a note we have here. An increased minimum wage will reduce New Jersey's competitive position vis-a-vis other states and other nations. Is that true, do you think?

DR. ABOWD: That's probably true, yeah. The question you should be asking all along is, how much? I would say that it would be a flagrant ignoring of the evidence to say that there are no costs associated with minimum wages. It would also be a flagrant ignoring of the evidence to say that there are no benefits on net. Most economists feel that the costs outweigh the benefits, but that is because economics suggest that this sort of price regulation should not have as many beneficiaries as it has payers. But, there aren't any good quantified estimates of the net effect. Probably the most suggestive evidence of how big the costs could get before people would start ignoring the law are the estimates about compliance, that basically something like two-thirds of all employers who are considering paying at the minimum wage, and for whom it would be economically beneficial to ignore the law, go ahead and comply anyway.

The only kinds of minimum wages we are talking about are ones that are unobtrusive enough in the overall economic system so that voluntary compliance will work as the primary enforcement mechanism. Exactly how much of an anti-competitive -- or reduction competitiveness that would imply is an omission, but it couldn't imply a large amount because as soon as you get a minimum wage high enough to really make you not competitive, vis-a-vis New York or Pennsylvania, it will be ignored.

One way of ignoring it is to put all your new employment in another state. Another way of ignoring it is to package the job so it appears to satisfy the law, but doesn't actually reduce the benefit structure, or do other things. There are also employers who explicitly don't comply, and you would have to find them and spend money to enforce the law.

ASSEMBLYMAN LITTELL: In other words, you think that if we raise it too much, it will encourage people to connive and scheme to find a way around it?

DR. ABOWD: Yeah. I think there is no doubt about that. Historically, there is a number that is the usual index of how binding the minimum wage is. It is the product of the coverage of the minimum wage times the current level divided by the average hourly earnings in production manufacturing work, a number I calculated before I came in here. That number was at .34, which means something like, the effective minimum wage was 34% of average hourly earnings in manufacturing in 1980, and that number is down to .29, or 29%, now. My thinking is that you are probably talking about a minimum wage increase that would end up putting it closer to .34, which is where it has been historically. It hasn't ever gone much above 40%, and it hasn't ever gone much below 30%.

So, as long as you stay in that range, I would say that voluntary compliance is a reasonable expectation, in which case we go back to talking about the costs and the benefits to actual workers and the families that those workers live in. If you put it much above that range, I don't think the presumption of voluntary compliance is reasonable any longer, because you are outside of the historical range of the minimum wage, and then I do think people would start to ignore it. Some employers would have strong incentives to ignore it, and it would be very costly to eliminate those incentives. You would have to use much more resources to police the law than you expect to use.

ASSEMBLYMAN LITTELL: Do you know what the effect was in 1981 in New Jersey when the minimum wage was last raised?

DR. ABOWD: The effects in terms of employment?

ASSEMBLYMAN LITTELL: Yes.

DR. ABOWD: No, I did not calculate that. Have others calculated it for you? If someone had asked me to calculate that, I would have done it, but--

ASSEMBLYMAN LITTELL: Yeah, I don't know. I just thought you might--

DR. ABOWD: What I did was look to see whether there was evidence of a very slack labor market in New Jersey. When there is a really slack labor market, you worry a lot about raising a minimum price like the minimum wage because then whatever employment effects it has been estimated to have, you are almost certain to get those. So, I went and looked at the relationship between the New Jersey unemployment rate and the Trenton unemployment rate and the national unemployment rate over the '80s, and it was consistently below those. So, I would argue that there is a relatively tight labor market in New Jersey. In a relatively tight labor market, many fewer people are actually earning the minimum wage than would earn the minimum wage in general. Then you could boost it up 10%. You might not get the employment effects that you would have gotten in a slack labor market.

The question you have to ask in a tight labor market is why you bother to raise the minimum wage.

ASSEMBLYMAN AZZOLINA: In other words, if people are being paid above it, why bother to raise it anyway. Right?

DR. ABOWD: The issue is, what was it that was supposed to be broken that is trying to be fixed.

ASSEMBLYMAN AZZOLINA: Well, someone brought up that by raising the minimum wage it creates a ripple effect on the higher wages.

DR. ABOWD: I don't think there is any evidence for that. It may be the case that there are some current collective bargaining units that are indexed, but those agreements are amenable over the next several years. If that particular rule made the wage rate get too far out of line, then when they came amenable, the percentage, or amount by which the wage was linked to the minimum wage, would just be changed.

ASSEMBLYMAN LITTELL: What you really said was, not in today's circumstances would it be bad, but in a circumstance where you had a lot of unemployment, it would be bad to raise it.

DR. ABOWD: I think that the high side estimates of the bad effects of the minimum wage would certainly be my expectation if you had a very slack labor market, and the low side estimates would be my expectation in a tight labor market. But, it would be a mistake to presume that the labor market is always going to be tight or always going to be slack. Those are loose terms. Economists don't like to use them, but we all, I think, understand what I mean. Relative to national unemployment, New Jersey's is lower; in some places, a lot lower -- even in places that are considered bad in New Jersey, still lower than the national average.

ASSEMBLYMAN LITTELL: Well, if we are going to raise it then, what you are saying is, this is a better time -- a period of time when unemployment is way down.

DR. ABOWD: Yeah. If you must raise it, this is a low-cost period relative to times when there is a slack market.

ASSEMBLYMAN LITTELL: Right. Thank you.

DR. ABOWD: You're welcome.

ASSEMBLYMAN LITTELL: William Cleary, New Jersey Federation of Independent Businesses. How are you today?

W I L L I A M C L E A R Y: Good. I agree with a lot of what Les Kurtz had to say, and Walt Ellis, and a number of the

others. Just from the small business perspective, there are a number of business owners who are paying above the minimum wage. Right now if it were increased, I don't think they would be bothered. But, there are a lot of small businesses that are paying the minimum wage, and to them it is a very, very hot issue.

You said earlier that a person can't live on \$5600 a year. I really feel, though, that there are tasks in society that mandate a wage that aren't worth \$3.35, let alone \$3.65 an hour. I know in your own shop-- I'm sure people in your own business have come to you and said, "Hey, boss, how about we hire a guy to clean this place up once in a while," and I'm sure your response has been, "Why don't you be a little neater?" If there were an increase in the minimum wage in Mr. Azzolina's case, rather than hire 10 people, he might only be able to hire nine. And, in many businesses, particularly if you hire a number, say, of envelope stuffers, it may be the time to let those eight people go and automate.

Those are really some of the effects that will be felt if there is an increase.

I apologize, because a gentleman was going to accompany me today and talk about his specific example up in North Jersey. His business burnt to the ground last year in a Passaic fire, and he moved over to Bloomfield and reopened. He is a toy manufacturer and he sells stationery items in this country only. The reason is that he can't compete overseas. Right now, half of the items he brings into his shop are purchased in Taiwan and other places, but he does manufacture chalk and a couple of stationery items.

Originally he said, "Do you know who is hiring all the Haitians and all the immigrants coming into the country? It is people like me, the low tech, the light manufacturing industries." Right now, he employs about 140 to 160 people. He said that the choice to raise that minimum wage, being that

so much of his manufacturing is competing against 60 cents in some countries and \$1.20 in other countries, that 30 cents on the minimum wage, plus the other payroll taxes that would increase, would force him out of the manufacturing business and into strictly assembly.

His argument was that he didn't need 140 people to assemble; he only needed maybe 35 or 40. So, in those businesses which are competing -- not with Pennsylvania, but with Taiwan and Korea -- an increase of a nickle or a dime could have a devastating effect on the number of people or the type of business being run. We have to look beyond our borders many times.

Walt Ellis said, "Farmers are price takers, not price makers," and I think that is certainly the case when you are competing internationally with many of these companies. We do not set the price in this country; the world market sets it. When you are in a business that is very, very labor intensive, those things will have a real effect on how you run your business.

It was interesting to hear about how the people who are most affected are the teens in the middle-income families, and not early wage earners. Really, we feel very strongly that not every task was meant to support a family or a primary wage earner. There are tasks in society that almost command, maybe, a \$1.50 or \$2.00 an hour wage. The incentive to hire and train -- from Mr. Azzolina's point of view -- may not be there at \$3.65 or \$3.75 an hour, so those aspects of why you hire an individual, or can I afford to hire an individual, are very important, and don't seem so important when you look at someplace like Hunterdon County, with a 1% or 2% unemployment rate. There is no guarantee that Hunterdon County is going to enjoy those happy days for many more years, and certainly the counties that are at 14%-- This could only have a negative effect on them.

So, I would ask the Committee not to pass these bills. We should be thankful that there are employers out there willing to start young people, and even people in need, at \$4.00 and \$4.25 an hour. The only people you would really be hurting would be those who need the maintenance of the current minimum wage.

ASSEMBLYMAN AZZOLINA: Would you say there is unemployment in some counties of 14%?

MR. CLEARY: I thought I heard someone say that before. I think the statewide average is 5%.

ASSEMBLYMAN AZZOLINA: Five. There are areas where it is higher.

MR. CLEARY: I'm really not sure. I just assumed that when he said it was over double--

ASSEMBLYMAN LITTELL: How many of the people you represent do you think employ people at the minimum wage? You told us about one gentleman, but how many of the people you represent are actually in that same kind of a situation?

MR. CLEARY: I am trying to find out. I think it runs the gamut, in that we do have farmers who will employ at the minimum wage, but they will add on piecework. Certainly individuals like Mr. Azzolina employs-- You bring them in at minimum wage, with a sweetener 60 days down the line. Then there are those, particularly in years past -- maybe not so much this year-- I spent a good number of years at Vernon Valley and the Great Gorge ski area, and we never brought anyone in above minimum wage because in Vernon Township -- where I am from -- you worked for the ski areas, or you didn't work. You worked on a farm in the summer and the ski areas in the winter, and if you didn't like it-- Even then, it was getting expensive to buy a lift ticket. I'm sure in those seasonal industries, that the minimum wage is still very much a part of their operating bottom line. I honestly couldn't put a--

ASSEMBLYMAN LITTELL: I can tell you what they are doing now. They are busing people in from the cities because they can't hire enough people to take care of things.

MR. CLEARY: Yeah.

ASSEMBLYMAN AZZOLINA: They're not producing enough kids up there. (laughter)

MR. CLEARY: Well, they have Action Park, and everything now that were never there when I was a kid. There is a lot more going on

ASSEMBLYMAN LITTELL: You know, the reason we have a minimum wage-- You said there may be some tasks that do not warrant even the minimum wage. The reason we have a minimum wage in this country is to prevent people from being exploited. Whether they are skilled or unskilled, or whether they are educated or uneducated, we should not have our citizens being exploited by anyone, in this State or anyplace else in this nation, as far as I am concerned.

I am concerned that there are people who are attempting to get by and live on a minimum wage, and provide for their families. They have to work two and three jobs to do it, and they all have to work. It would seem to me that we could help to balance things out a lot in our society. This is my personal feeling, not as Chairman, but as a personal representative of the people. I think we ought to be mindful of the fact that people do, in fact, have to live. They work to live; they don't work just to have money. They work to pay for the things they need -- their food, their clothing, their housing, and so on.

MR. CLEARY: I agree wholeheartedly with you. It is just -- at what point is there a diminishing return? At what point do we raise the minimum too high so that people are then laid off and the shop automated? At what point is it so high that you don't hire 10, you just hire nine because the money is just not there?

I think we are at the point now where those industries and those companies that can afford a higher wage than what the minimum is, are paying a higher wage. I think we are at that point. To severely hurt those who have no control over their competitive marketplace -- those in the international markets-- I don't know if there would be an overall benefit to the State at this point in raising it any further.

ASSEMBLYMAN LITTELL: Well, the other side of that is, if people make more, they spend more, and it enhances the economy. Those people you represent are in business, and will sell more of their products, and everybody will do better. As the economist said, "You can get it going both ways."

What we are here trying to find out is, who is it going to affect and how is it going to affect them? If it is going to wipe out jobs rather than create jobs or enhance jobs, then we obviously don't want to do it.

MR. CLEARY: It is my fear that it will severely restrict the number of jobs created. Do we want 10 individuals making \$3.35 an hour in our economy, or eight individuals making \$3.65, with two laid off? That is what we have to find out.

ASSEMBLYMAN LITTELL: Okay. Joe, do you have any questions?

ASSEMBLYMAN AZZOLINA: Yeah. I think where it is going to affect-- Businesses like mine, where you depend on high volume (indiscernible). But, it will affect small businesses that have limited volume. I know a few businesses where, you know, they are making \$5000, \$10,000, \$15,000 profit at the end of the year. That is not a lot of money. If you eat into it some more with labor, they are not going to make it. There are a lot of struggling businesses in this State, and I am afraid that they will be affected. Every dime an hour hurts because it is the fringes on top of that; the percentage of all of the other things, not only the dime or 30 cents.

Maybe all of the other things added up make it 40 cents. I don't know.

That is who I think probably will be affected. Big business isn't going to be affected; medium-sized businesses are not. It is the small businesses I think, and the young people, which was interesting. I didn't know. Those who support the families usually don't make the minimum wage. They make -- not much more -- but more than what we would even raise it. The young people, maybe, are the ones who will get hurt. That is all I have to say.

ASSEMBLYMAN LITTELL: Bill, thank you very much. We appreciate your coming. Our next speaker will be Pat Whitmer from the New Jersey State Chamber of Commerce.

ASSEMBLYMAN AZZOLINA: I thought he was with the AFL-CIO.

P A T R I C K J. W I T M E R: That is my other hat. Thank you very much. I will supply the Committee with a copy of my testimony in a day or two, if that is okay.

ASSEMBLYMAN LITTELL: That's fine.

MR. WITMER: It wasn't written that way, but as it turns out, my statement seems to be a pretty good summary of the opposition to the legislation before the Committee -- A-2406 and A-2480 -- each of which would increase the minimum wage in New Jersey.

The State Chamber of Commerce has historically opposed any increase in the minimum wage as an inflationary, unnecessary step that may serve as a disincentive for businesses to hire workers. We are concerned that youths and minorities seeking to enter the job market -- the same groups which suffer from higher than average unemployment rates -- would be the first to suffer by an increase in the minimum wage.

Proponents of the legislation to raise New Jersey's minimum wage argue that the best time to enact such an increase is when the economy is good. Certainly the fact that not many

businesses are paying the minimum rate today seems to strengthen the case for an increase. Unfortunately, this argument does not take into account the nature of what our economy may look like four or five years from now. In 1990, or any year in which we may face a depressed marketplace, the State Chamber is concerned that a \$3.65 or \$3.75 per hour minimum wage will be a disincentive for employers to hire new workers. We just cannot predict what is going to happen in the future.

The State Chamber has long supported the philosophy that the free market should set the wage scales. Today, our economy is strong and the wages earned by New Jersey workers reflect the strength. The demand for both skilled and unskilled workers is strong. Why, then, is there such a rush, rush to raise the minimum wage?

Many questions should be considered before enacting the legislation before the Committee. The State Chamber is concerned that an increase in the minimum wage will cause an inflationary, ratcheting effect on the overall wage scales in the State. We are also concerned about the competitiveness of our business community. Any increase in the minimum wage would have a direct effect on production costs for New Jersey businesses. Our neighboring states -- Pennsylvania, New York, and Delaware -- have all retained the \$3.35 per hour wage rate. I might add that New York, earlier this year, fought back an increase in the minimum wage which was being considered in that state. The ability of businesses in our State to compete with companies in neighboring states would clearly diminish if our minimum wage is increased.

Thank you for your attention to these concerns. I will be happy to answer any questions you may have.

ASSEMBLYMAN AZZOLINA: Boy, that was simple.

MR. WITMER: Wasn't it?

ASSEMBLYMAN AZZOLINA: Yeah, but you were to the point. You didn't have to give us a lot of you know what. (laughter)

MR. WITMER: Nice summary, wasn't it?

ASSEMBLYMAN LITTELL: Pat, don't go away yet. How many of the businesses that your organization represents are involved in paying people at the minimum wage? Do you know?

MR. WITMER: Well, we are not quite sure. I would definitely say that it would be a very small minority. I would have to agree with Assemblyman Azzolina that the research we did showed that one of the industries which does, almost always, start out its workers at the minimum wage, is the supermarket industry in New Jersey. Very shortly after they are hired, there is a series of increases as an incentive for those workers to stay with that industry once they are hired and once they are trained to work.

But, in answer to your question, it would be a small minority of workers who would be earning the minimum wage right now.

ASSEMBLYMAN LITTELL: Do you ever do any surveys with your members to check on things like that, to see what kind of an impact it would have and how they feel about it?

MR. WITMER: Not with our entire membership. The surveys we do would be with select numbers of our membership, although I guess I should say that from time to time questionnaires are sent out to our entire membership. One has not been sent out on this particular issue, although we have been keeping our members informed, obviously, of the existence of these bills. We have heard from several members -- quite a number of members actually -- about their position on these bills.

ASSEMBLYMAN LITTELL: Is their opposition based on the fact that they are paying that, or that they have contracts that are indexed and would be affected by it?

MR. WITMER: The latter, I would have to say. Very few, again, are paying the minimum wage. They are concerned about the increase in costs that would have to be absorbed. I don't think any of them, to be honest, have told us that an increase of this rate that we are talking about in these bills would put them out of business. No one has said that to us, but I think we are concerned that such an increase would affect our competitiveness with other states. That is the reaction we are getting from them.

ASSEMBLYMAN LITTELL: Okay. Thank you very much.

MR. WITMER: You're welcome.

ASSEMBLYMAN LITTELL: Ray Peterson, New Jersey Federation of Teachers? Is there anyone else here? I see we have a representative from the Department. Are you going to speak today?

UNIDENTIFIED PERSON FROM AUDIENCE: We had the Assistant Commissioner, Hank Blekicki, here today to testify.

ASSEMBLYMAN LITTELL: Okay.

R A Y M O N D P E T E R S O N: Good afternoon, Mr. Chairman, members of the Committee. I am Ray Peterson. I work for the New Jersey Federation of Teachers, but I am also--

ASSEMBLYMAN AZZOLINA: That is not the New Jersey Education Association?

MR. PETERSON: No, that is the other outfit.

ASSEMBLYMAN AZZOLINA: Okay.

MR. PETERSON: I also wear another hat, as many people do here in Trenton. I am the Legislative Chairman for the Middlesex County AFL-CIO Labor Council. I want to make it clear that labor is united on these particular bills, as they may not be on some other bills.

I find only two faults with this bill -- with these bills. They are identical, I believe. One, they are overdue; and two, there are too many exemptions. But, since there are no amendments before this Committee, I would like to indicate

the support of both organizations for the passage of this legislation.

It is well-known that the cost of living in New Jersey is among the highest in the nation. When you think about the cost of housing, the cost of health care, the cost of transportation, the cost of utilities, the cost of education, the cost of food-- They take a greater proportion of the income of the poor than they do of the moderate or the higher income groups.

It is my personal observation -- and I think there are a lot of people who agree with me; I have been hearing this since I was a kid -- that the rich are getting richer and the poor are getting poorer. I seem to see an acceleration of that lately.

I believe the American standard of living is gradually eroding to the point where it takes two wage earners to maintain the standard of living.

ASSEMBLYMAN AZZOLINA: That's from middle income, too.

MR. PETERSON: That's middle income; that's right. Many of those second incomes are part-timers. They are housewives; they are teen-agers and other young workers who are trying to earn their way through a business school, a technical school, college, or even high school.

With regard to farm workers, there are even stronger reasons to support this legislation. Those workers are frequently full-time, migrant adults, seasonal workers, whose standards of living are among the lowest in the nation. They, for the most part, are caught in a tragic cycle of low wages, erratic and interrupted educations, poor nutrition, poor health care, but they are working. They are productive members of society. They are entitled to a reasonable wage, and at this time, we don't think the wage level is reasonable.

You have heard plenty of testimony about signs in the -- I have seen them, too -- fast food places, where you can't

hire anyone at the minimum wage. But, those people who are productive members of society are entitled to a decent wage. It is a much more preferable situation for society to provide work that raises a person's level of living and makes working more attractive than collecting unemployment or collecting welfare.

So, I urge you to vote these bills out.

ASSEMBLYMAN LITTELL: Thank you. Mr. Peterson, I would guess, from knowing you and your organization, that you don't represent anyone who starts at the minimum wage.

MR. PETERSON: We don't.

ASSEMBLYMAN LITTELL: Do you have any knowledge of anyone who works at the minimum wage, or hires people at the minimum wage? Have you discovered that in the course of your activities?

MR. PETERSON: At one point, I was a teacher of cooperative education in a high school, and I coordinated the on-the-job training programs. I found a big disparity among employers, you know, about the starting wage and what kind of people they would hire.

I would really take issue with one of the earlier statements here about an employer having 10 employees and laying off two of them if the minimum wage went up, because productivity is often based upon the equipment you have. It just seems to me that if they had 10 workers and they found it easy to lay off two, they were probably overstaffed to begin with. Productivity can be traced not just to the number of people you have on the work force, but to the kind of equipment you have.

ASSEMBLYMAN LITTELL: Okay, thank you. Joe, do you have any questions?

ASSEMBLYMAN AZZOLINA: No, thank you.

ASSEMBLYMAN LITTELL: Thank you very much. Is there anyone else here who has any interest in speaking? (no response)

Okay, that concludes our meeting. Thank you very much. Anyone who would like to testify further by sending in written information may do so for the next two weeks. Again, thank you.

**(HEARING CONCLUDED)**



**APPENDIX**





NEW JERSEY STATE  
CHAMBER OF COMMERCE  
GOVERNMENTAL RELATIONS OFFICE  
315 WEST STATE ST.  
TRENTON, N.J. 08618 • (609) 989-7888

POSITION STATEMENT OF THE  
NEW JERSEY STATE CHAMBER OF COMMERCE

PRESENTED TO THE  
ASSEMBLY LABOR COMMITTEE  
ON THE SUBJECT OF  
LEGISLATION TO INCREASE  
NEW JERSEY'S MINIMUM WAGE

DECEMBER 4, 1986

Good afternoon Mr. Chairman and members of the Committee. My name is Patrick J. Witmer, Director of Legislative Affairs for the New Jersey State Chamber of Commerce. I appreciate the opportunity to present the views of the State Chamber on the proposed legislation (A-2406 and A-2480) each of which would increase the minimum wage in New Jersey.

The State Chamber has historically opposed any increase in the minimum wage as an inflationary, unnecessary step that may serve as a disincentive for businesses to hire workers. We are concerned that youths and minorities seeking to enter the job market, the same groups that suffer from higher-than-average unemployment rates, would be the first to suffer from an increase in the minimum wage.

Proponents of the legislation to raise New Jersey's minimum wage argue that the best time to enact such an increase is when the economy is good. Certainly, the fact that not many businesses are paying the minimum rate today seems to strengthen the case for an increase. Unfortunately, this argument does not take into account the nature of what our economy may look like four or five years from now. In 1990, or any year in

which we may face a depressed marketplace, the State Chamber is concerned that a \$3.65 or \$3.75 per hour minimum wage will be a disincentive for employers to hire new workers.

The State Chamber has long supported the philosophy that the free market should set the wage scales. Today, our economy is strong and the wages earned by New Jersey workers reflect this strength. The demand for both skilled and unskilled workers is strong. Why then is there such a rush to raise the minimum wage?

Many questions should be considered before rushing to enact the legislation before the Committee. The State Chamber is concerned that an increase in the minimum wage will cause an inflationary, ratcheting effect on the overall wage scales in the State. We are also concerned about the competitiveness of our business community. Any increase in the minimum wage would have a direct effect on production costs for New Jersey businesses. Since our neighboring States, Pennsylvania, New York and Delaware have all retained the \$3.35 per hour wage rate, the ability of businesses in our State to compete with companies in neighboring States would clearly diminish.

Thank you for your attention to these concerns, and I will be happy to answer any questions you may have.

THOMAS P. FOY



*"The world is divided into those who want to become someone and those who want to accomplish something. There is less competition in the second category."*

*Jean Monnett 1888-1979*

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**NEW JERSEY STATE AFL-CIO**

106 West State Street  
Trenton, New Jersey 08608  
(609) 989-8730

December 15, 1986

TO MEMBERS OF THE ASSEMBLY LABOR COMMITTEE:

RE: Minimum Wage Legislation  
(A.2480 & A.2406)

The State AFL-CIO respectfully asks members of the Assembly Labor Committee to approve and release minimum wage legislation that contains the best features of the proposals introduced by Assemblymen Rafferty and Foy.

Simply stated, New Jersey's current \$3.35 minimum wage is an outdated standard that serves in these economic times to exploit rather than benefit our citizens and workers. Since its last increase in 1981, our minimum wage has eroded some 14% in the face of increased costs for food, housing, clothing, etc. We would have to increase the minimum from \$3.35 to \$4.14 an hour just to compensate for the real inflation of the past five years, considerably more than the \$3.70 range suggested in the Rafferty and Foy proposals.

Each and every time the minimum wage has been increased over the past half century, the business community has "prophesized" economic Armageddon. Their arguments in opposition to a much needed increase are just as shallow and far-fetched today as they have always been, perhaps even more so given today's general statewide prosperity. A prosperity achieved, we might add, since the last increase in 1981. What happened to Armageddon?

We are told by business groups to let the free-market set wage scales, but can anyone ever remember the business community willingly accepting a minimum wage increase, even in the very best of times? Never!

We are told that increasing the minimum wage would reduce economic opportunities for the unskilled and increase unemployment in urban areas. Yet, minimum wage jobs are going begging and help wanted

December 15, 1986

signs multiply because no one can hope to survive in 20th Century America on \$3.35 an hour. The minimum wage is only two-thirds as much as what the federal government considers a poverty existence for a family of three. Ludicrous!

We are told that an increase in the minimum wage would cause a trickle-up increase in the state's overall wage scales. We devoutly wish that was the case, but given the fact that minimum wage only applies to between 5 and 10% of the working population - generally in agriculture, hotels, restaurants, laundry and cleaning, and small stores - we suggest that its trickle-up impact is nil.

We are told that a higher minimum wage would place New Jersey at a competitive disadvantage since it would cost us more to produce goods than other states, but can anyone name a single New Jersey manufacturer of goods that now pays its employees the minimum wage? We think not!

Finally, we are told that an increase in the state minimum wage would in the long run damage the economy of the state. We suggest the opposite is true, since more people would be spending more money for services and goods, helping more businesses to prosper and thrive and creating a higher standard of living for more residents of our state.

Without an increase in the minimum wage, we will be relegating a portion of our state's unskilled workforce to a substandard existence and continuing the financial drain that our welfare rolls are placing on taxpayers. In contrast, raising the minimum wage will likely provide additional incentives for those on welfare to seriously seek employment.

We again respectfully urge members of the Assembly Labor Committee to approve and release a suitable compromise.

Sincerely,



CHM:mr  
opeiu-20  
afl-cio

Hearing:

Assembly Labor Committee  
12/4/86  
State House Annex  
Trenton, N.J. 08625

Mr. Chairman:

I am Teresa Varni, Vice President of Consumers League of N.J. I am here to testify for Consumers League for the bill A2480 which would raise the minimum rate per hour from \$3.35 to \$3.75 during a three-year period.

To preface my remarks, I'd like to read from the State Minimum Wage Act.

34:11-56A Minimum wage level; establishment

"It is declared to be public policy of this State to establish a minimum wage level for workers in order to safeguard their health, efficiency, and general well-being and to protect them as well as their employers from the effects of serious and unfair competition resulting from wage levels detrimental to their health, efficiency and well-being."

"Oppressive and unreasonable wage" means a wage which is both less than the fair and reasonable value of the service rendered and less than sufficient to meet the minimum cost of living necessary for health."

Currently there are two bills to raise the minimum rate per hour from rate of \$3.35 which has been in effect since 1981. These are A2480 and A2406.

On 5/15/86 at the Executive Board meeting of Consumers League these two bills were discussed. While no action was taken on either bill, there was passed unanimously a resolution to increase the current rate of \$3.35 per hour. Later a poll was taken of the executive board and the bill A2480 unanimously passed.

A2480 Foy/Pellechta would increase the minimum rate to \$3.75 per hour - a three-year period- to be raised in steps for three years.

Currently, a person working a full forty-hour week for fifty-two weeks in the year at \$3.35 per hour will earn \$6,968.00 which is below the poverty level. Congress defined the poverty level for 1986: —

Family of 2 \$7,240  
Family of 4 \$11,000

Passed in 1933 the first minimum wage law in New Jersey was broad and general in scope, covering only women of any age and males under 21. The law did not set a statutory minimum rate per hour. It did provide for wage orders in certain industries that set minimum rates.

Hearing:

Assembly Labor Committee

Testimony Continued

Because it is so impressive a document, it is worthwhile to quote the preamble to the Minimum Wage Law. Written 53 years ago, it still sounds a clarion call for justice for the underprivileged.

"The employment of women and minors in trade and industry in the State of New Jersey at wages unreasonably low and not fairly commensurate with the value of the services rendered is a matter of grave and vital public concern —

The evils of oppressive and unfair wages as they affect women and minors employed in the State of New Jersey are such as to render imperative the exercise of the police power of the State for the protection of industry and of the women and minors employed therein and of the public interest of the community at large in their health and well-being, and in the prevention of the deterioration of the race."

In 1966, thirty-three years later the State passed a statutory minimum wage law. The minimum rate was \$1.25 per hour. Overtime at 1½ times the employer's regular hourly rate was required after forty hours. For the first time male adults were covered.

Through the years the increase in the minimum wage rate per hour has been gradual. The chart below indicates this.

<u>Date</u>	<u>Rate per Hour</u>
1/1/66	\$1.25
1/1/68	1.40
1/1/69	1.50
1/1/72	1.75
1/1/74	2.00
1/1/75	2.20
1/1/77	2.50
3/1/79	2.90
1/1/80	3.10
1/1/81	3.35

The idea that the increase in minimum wage rates has caused unemployment is not born out by the facts.

As the current \$3.35 rate brings yearly earnings to below the poverty line, Consumers League welcomes an increase in rate even though it is insufficient to bring the earnings above the poverty line. We support A2480 and wish to go on record as supporting it.

Respectfully,

Teresa R. Varni

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