

**VETO OF H.R. 2**

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**MESSAGE**

**FROM**

**THE PRESIDENT OF THE UNITED STATES**

**TRANSMITTING**

**HIS VETO OF H.R. 2, THE FAIR LABOR STANDARDS AMENDMENTS  
OF 1989**



**JUNE 13, 1989.—Message and accompanying bill were ordered to be  
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*To the House of Representatives:*

I am returning herewith without my approval H.R. 2, the "Fair Labor Standards Amendment of 1989."

This bill would increase the minimum wage by an excessive amount and thus stifle the creation of new job opportunities. It would damage the employment prospects of our young people and least advantaged citizens. It would accelerate inflation. It would not help those in poverty. And thus it would fail to properly reflect the thought behind this measure: to help our lowest paid workers.

H.R. 2 would increase the minimum wage to \$4.55 an hour and would provide a training wage only for 60 days and only for a temporary period. Economists universally agree that such an increase in the minimum wage will result in the loss of job opportunities. This is because, as the minimum wage rises, employers in today's highly competitive marketplace must respond. Some close their doors. Some automate. Others reduce their work force or cut the services they provide to their customers.

That is why I made it clear that I could accept an increase only if it were a modest one, and only if it were accompanied by a meaningful training wage for new employees of a firm, to help offset the job loss. As I have said many times, I could sign into law an increase in the hourly minimum wage to \$4.25, phased in over 3 years, which preserves job opportunities through a 6-month training wage for all new hires. The bill the Congress has sent to me fails to meet these standards.

The increase in the minimum wage I said I could accept amounts to 27 percent—totalling 90 cents an hour in three equal annual increments of 30 cents. The increase in H.R. 2 exceeds that amount by a full one-third. In the interest of preserving job opportunity, I cannot approve this legislation.

I wish to be clear about this. My difference with the Congress is not just about 30 cents an hour. It is about hundreds of thousands of jobs that would be preserved by my Administration's approach, as opposed to those that would be sacrificed under the excessive increase included in this legislation.

The "training wage" included in H.R. 2 is ineffective. Its 60-day limitation is too short and unrealistically restrictive. The principal justification for a training wage is preservation of opportunity—for jobs and for training. This can be accomplished only through a permanent trainee differential. H.R. 2 provides only temporary training wage authority that would expire in 3 years. This means that within 4 years the minimum wage for trainees would rise to the regular minimum wage. That defeats the job-saving purpose of the training wage. This provision of H.R. 2 would do little to save jobs. I cannot support it.

Minimum wage jobs are for the most part entry-level jobs—those jobs that give our workers the valuable work experience and basic

training they will need for advancement to future opportunities. When those jobs are lost, the losers are the young and disadvantaged, grasping for the first rung on the ladder of economic opportunity.

I am also deeply concerned that an excessive increase in the minimum wage will increase inflation, which has rightly been called the cruelest tax. Inflation is hardest on those living on fixed incomes, many of whom are poor and elderly. As the minimum wage increases, employers' costs rise, and they must charge the consumer more for goods and services just to break even.

The Federal budget deficit also would increase. The jobs lost due to a large minimum wage increase would have generated tax revenues for the Federal Government. Certain Government programs are tied directly to the minimum wage; other Government expenditures are indexed to inflation. As the minimum wage and inflation increase, those expenditures will increase, and so will the budget deficit.

H.R. 2 provides for a Minimum Wage Review Board, which threatens to compound the bill's inflationary effect. The Board would be permanent; it would be required to make annual recommendations to the Congress for increasing the minimum wage in light of increases in wages and prices since any previous minimum wage adjustment. This has been termed, accurately, a "back-door" indexing provision. It is unacceptable.

Contrary to what proponents of H.R. 2 have been saying, increasing the minimum wage is not an effective way to help the poor. The poverty population and the minimum wage earners are, by and large, different people. Most minimum wage earners are young, they are single, they live in households with other workers, and most importantly, they are not poor.

We must never forget that a healthy and growing private economy is essential to remedying poverty. We are now in the 78th month of an unprecedented economic expansion. Over the last few months, the unemployment rate has been lower than at any time since 1974. Since the beginning of this economic expansion at the end of 1982, our economy has created nearly 20 million new jobs. Since 1981 the number of workers earning no more than the Federal minimum wage has been cut in half—from 7.8 million to 3.9 million last year. Now is not the time to turn back or halt the progress we have made.

In the contemporary American market, wages rise—not because of mandated increases, but because of market forces and the changing nature of America's workplace, which demand higher skills and offer better pay to the workers who possess them. An excessive increase in the minimum wage would reduce any chance for hundreds of thousands of less skilled workers to get entry-level employment and experience the on-the-job training and advancement opportunities that go with it.

Most, though not all, of those denied the opportunity would be young people. I remain, as I have said before, haunted by the fact that by the thousands, young Americans in inner cities believe they have no stake in our system, no future, no hope. Believing they have nothing to lose, they act as if they have nothing to gain. We cannot let this continue. Work can give them something to

gain—and we cannot sit by, destroying opportunity with well-intentioned but misguided policies—jinxing another generation—and live easily with ourselves.

It is regrettable that this debate must end with a veto; once the majority in the Congress determined to reject my offer of compromise on minimum wage legislation, however, it also became inevitable.

In the discussions of this issue, my objectives have been and remain twofold: first, to preserve job opportunities for entry-level workers seeking to get their feet on the ladder of economic opportunity; and second, to increase the take-home pay of the heads of low-income households. My proposal was designed to accomplish those twin objectives.

If the Congress remains unwilling to support this job-saving approach, I am prepared to examine with the Congress, within the confines of our fiscal limitations, changes in the Earned Income Tax Credit, which could better help the heads of low-income households.

I renew my invitation to the Congress to work with the Administration, in a cooperative and bipartisan way, on what I believe is the compelling work force challenge. We need to improve American education so Americans of all ages can prepare for the more demanding jobs that this economy is creating. Growth offers opportunity for those prepared to seize it. For those not now prepared and lacking the basic skills of language and literacy, computation skills, and the like, we need to provide or refine our training programs.

I have proposed a package of educational reforms to enhance our Federal approach to elementary and secondary education. We can offer a better quality of education to our children than we do and a wider degree of educational choice to them and their parents.

My Administration has also proposed a package of reforms in vocational education that can improve this system, so vital to training and retraining our Nation's work force. We should move quickly to improve the quality of vocational education, to simplify it, to expand choice, to make the system more accountable, and, importantly, to integrate it better with other job training efforts.

We will be proposing significant improvements in the Job Training Partnership Act. These will include a package of youth initiatives to increase the targeting of critical training resources on those in need of help. These initiatives will also offer improvements in the quality of training made available to "at-risk" youth and incorporate higher standards for achievement and competency after training.

We continue to believe that proposals such as these and our child tax credit are preferable and more effective measures for assisting low-income working families. Unlike a minimum wage increase, they can be much more precisely targeted to help only those who need the help, with none of the job-loss or inflationary effects of raising the minimum wage.

The Congress this year has the opportunity to move these legislative proposals in a concerted way. We need to refine our basic skills training, literacy, and remedial education, not just job training, to prepare youth for a *lifetime* of productive work, not just a

job. Let us approach these separate statutes and programs not separately, but as parts of a whole, as components of an integrated Federal policy on real workplace needs.

As I said in my Inaugural Address, I wish to proceed together with both parties in both Houses of Congress. For those of us whose legislative priorities include the real needs of America's work force, there can be no more important items on that agenda than education and skills preparation.

During this year, and this Congress, even with limited budget resources—we can make a difference. Let us get started.

GEORGE BUSH.

THE WHITE HOUSE, *June 13, 1989.*