

VETOING H.R. 7935, AN ACT TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938 TO INCREASE THE MINIMUM WAGE RATES UNDER THAT ACT, TO EXPAND THE COVERAGE OF THAT ACT, AND FOR OTHER PURPOSES

MESSAGE

FROM

THE PRESIDENT OF THE UNITED STATES

VETOING H.R. 7935, AN ACT TO AMEND THE FAIR LABOR STANDARDS ACT OF 1938 TO INCREASE THE MINIMUM WAGE RATES UNDER THAT ACT, TO EXPAND THE COVERAGE OF THAT ACT, AND FOR OTHER PURPOSES



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To the House of Representatives:

I am returning today, without my approval, H.R. 7935, a bill which would make major changes in the Fair Labor Standards Act.

This bill flows from the best of intentions. Its stated purpose is to benefit the working man and woman by raising the minimum wage. The minimum wage for most workers has not been adjusted for five years and in the interim, as sponsors of this bill recognize, rising prices have seriously eroded the purchasing power of those who are still paid at the lowest end of the wage scale.

There can be no doubt about the need for a higher minimum wage. Both fairness and decency require that we act now—this year—to raise the minimum wage rate. We cannot allow millions of America's low-income families to become the prime casualties of inflation.

Yet in carrying out our good intentions, we must also be sure that we do not penalize the very people who need help most. The legislation which my Administration has actively and consistently supported would ultimately raise the minimum wage to higher levels than the bill that I am today vetoing, but would do so in stages over a longer period of time and thereby protect employment opportunities for low wage earners and the unemployed.

H.R. 7935, on the other hand, would unfortunately do far more harm than good. It would cause unemployment. It is inflationary. And it hurts those who can least afford it. For all of these reasons, I am compelled to return it without my approval.

ADVERSE EFFECT ON EMPLOYMENT

H.R. 7935 would raise the wage rate to \$2.00 for most non-farm workers on November 1 and 8 months later would increase it to \$2.20. Thus, in less than a year, employers would be faced with a 37.5 percent increase in the minimum wage rate.

No one knows precisely what impact such sharp and dramatic increases would have upon employment, but my economic advisors inform me that there would probably be a significant decrease in employment opportunities for those affected. When faced with the decision to increase their pay rates by more than a third within a year or to lay off their workers, many employers will be forced to cut back jobs and hours. And the worker will be the first victim.

The solution to this problem is to raise the minimum wage floor more gradually, permitting employers to absorb the higher labor costs over time and minimizing the adverse effects of cutting back on employment. That is why I favor legislation which would raise the floor to a higher level than H.R. 7935 but would do so over a longer period of time. The bill supported by the Administration would raise the minimum wage for most non-farm workers from \$1.60 to \$1.90, effective immediately, and then, over the next three years, would raise it to \$2.30. I believe this is a much more prudent and helpful approach.

INCREASING INFLATION

Sharp increases in the minimum wage rate are also inflationary. Frequently workers paid more than the minimum gauge their wages relative to it. This is especially true of those workers who are paid by the hour. An increase in the minimum therefore increases their demands for higher wages—in order to maintain their place in the structure of wages. And when the increase is as sharp as it is in H.R. 7935, the result is sure to be a fresh surge of inflation.

Once again, prudence dictates a more gradual increase in the wage rate, so that the economy can more easily absorb the impact.

HURTING THE DISADVANTAGED

Changes in the minimum wage law as required by H.R. 7935 would also hurt those who need help most. The ones who would be the first to lose their jobs because of a sharp increase in the minimum wage rate would frequently be those who traditionally have had the the most trouble in finding new employment—the young, members of racial and ethnic minority groups, the elderly, and women who need work to support their families.

Three groups would be especially hard hit by special provisions in this bill:

Youth: One major reason for low earnings among the young is that their employment has a considerable element of on-the-job training. Low earnings can be accepted during the training period in expectation of substantially higher earnings after the training is completed. That is why the Administration has urged the Congress to establish a modest short-term differential in minimum wages for teenagers, coupled with protections against using teenagers to substitute for adults in jobs. H.R. 7935, however, includes no meaningful youth differential of this kind. It does provide marginal improvement in the special wage for students working part-time, but these are the young people whose continuing education is improving their employability anyway; the bill makes no provision at all for the millions of nonstudent teenagers who need jobs most.

Unemployment rates for the young are already far too high, recently averaging three to four times the overall national unemployment rate. H.R. 7935 would only drive that rate higher, especially for young people from minority groups or disadvantaged backgrounds. It thus would cut their current income, delay—or even prevent—their start toward economic improvement, and create greater demoralization for the age group which should be most enthusiastically involved in America's world of work.

Domestic household workers. H.R. 7935 would extend minimum wage coverage to domestic household workers for the first time. This would be a backward step. H.R. 7935 abruptly requires that they be paid the same wages as workers who have been covered for several years. The likely effect would be a substantial decrease in the employment and hours of work of current household workers. This view is generally supported by several recent economic studies.

Employees in small retail and service establishments. By extending coverage to these workers for the first time, H.R. 7935 takes aim at the very businesses least able to absorb sharp, sudden payroll increases.

Under the burden of this well-intended but impractical requirement, thousands of such establishments would be forced to curtail their growth, lay off employees, or simply close their doors altogether. A "paper" entitlement to a higher minimum wage would be cold comfort indeed to workers whose jobs were eliminated in this squeeze.

OTHER PROBLEMS

H. R. 7935 would also bring almost all government employees under the Fair Labor Standards Act. For Federal employees, such coverage is unnecessary—because the wage rates of this entire group already meet the minimum—and undesirable, because coverage under the act would impose a second, conflicting set of overtime premium pay rules in addition to those already governing such pay for Federal employees. It would be virtually impossible to apply both laws in a consistent and equitable manner.

Extension of Federal minimum wage and overtime standards to State and local government employees is an unwarranted interference with State prerogatives and has been opposed by the Advisory Commission on Intergovernmental Relations.

NEED FOR BALANCE AND MODERATION

In sum, while I support the objective of increasing the minimum wage, I cannot agree to doing so in a manner which would substantially curtail employment of the least experienced and least skilled of our people and which would weaken our efforts to achieve full employment and price stability. It is to forestall these unacceptable effects that I am vetoing H. R. 7935.

I call upon the Congress to enact in its place a moderate and balanced set of amendments to the Fair Labor Standards Act which would be consistent with the Nation's economic stabilization objectives and which would protect employment opportunities for low wage earners and the unemployed and especially nonstudent teenagers who have the most severe unemployment problems. To the millions of working Americans who would benefit from sound and carefully drawn legislation to raise the minimum wage, I pledge the Administration's cooperation with the House and Senate in moving such a measure speedily onto the statute books.

RICHARD NIXON.

THE WHITE HOUSE, *September 6, 1973.*