

Senate Delays Push for \$15 Minimum Wage

House and Senate move forward on Biden's stimulus plan

By Stephen Miller, CEBS

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The U.S. Senate signaled it was likely to bar any increase in the federal minimum wage in the near future when it approved a budget reconciliation resolution for President Joe Biden's \$1.9 trillion stimulus measure on Feb. 5, along with a nonbinding amendment that would delay taking action to raise the minimum wage until after the pandemic.

Critics of raising the minimum wage during the coronavirus crisis said small businesses, in particular, are struggling to stay afloat and that requiring them to raise wages now would force many to go out of business.

Biden and the Democratic leadership of the House and Senate still favor moving forward with a \$15 per hour nationwide minimum wage floor. The current minimum wage of \$7.25 an hour has been in place since 2009.

Democrats plan to move the stimulus legislation using the budget reconciliation process, which requires only a majority vote to pass in the Senate.

SHRM Online has gathered the following articles regarding the stimulus package and the Democrats' plans to eventually more than double the current minimum wage.

For Now, Minimum Wage Hike on Hold

Sen. Joni Ernst, R-Iowa, introduced the nonbinding amendment to exclude a wage increase from the stimulus package. The amendment's passage on a voice vote signaled the \$15 rate could be difficult to pass in an evenly split Senate, where at least one Democrat, Sen. Joe Manchin III of West Virginia, is on record opposing it.

"A \$15 federal minimum wage would be devastating for our hardest-hit small businesses at a time they can least afford it," Ernst said on the Senate floor. "We should not have a one-size-fits-all policy set by Washington politicians."

Sen. Bernie Sanders, I-Vt., has been leading the push for the wage increase in the Senate. "We need to end the crisis of starvation wages," Sanders said.

Democratic majorities in both chambers agreed to exclude high earners from receiving stimulus checks of up to \$1,400, with the income levels for phasing out eligibility to receive the new round of direct payments to be determined. They also approved a budget item to create a new form of child allowance for low- and middle-income families, and defeated Republican amendments to reduce the size of the stimulus plan.

(*New York Times* (<https://www.nytimes.com/2021/02/04/us/politics/biden-stimulus-senate-vote.html>))

Democrats Remain Committed to \$15 Rate

Sanders said his plan, detailed in the Raise the Wage Act (<https://edlabor.house.gov/imo/media/doc/2021-01-26%20Raise%20the%20Wage%20Act%20Fact%20Sheet.pdf>), is to gradually raise the federal minimum wage to reach \$15 an hour in 2025—not immediately increase wages during the pandemic. "We're talking about gradually phasing it in over a five-year period," he explained.

To that end, Sanders said he would do everything he could to make sure a commitment to a \$15 federal minimum wage is ultimately included in the budget reconciliation bill.

On Feb. 4, House Speaker Nancy Pelosi said during a press conference that a \$15 minimum wage remains a very high priority for Democrats.

"It doesn't mean it won't happen just because it won't happen there" in the stimulus legislation, she said. "There's so much in the package that has to be done right now, and we'll do the best we can."

(CNBC (<https://www.cnn.com/2021/02/05/a-15-minimum-wage-is-out-of-the-latest-stimulus-package-for-now.html>))

Biden Backs Stand-Alone Minimum Wage Bill

Biden said, "I am prepared, as president of the United States on a separate negotiation on minimum wage, to work my way up from what it is now. ... My guess is it will not be in [the stimulus package]. But I do think that we should have a minimum wage, stand by itself, \$15 an hour."

Sanders' stand-alone bill, which would raise the minimum wage to \$15 by 2025, has the support of 37 additional senators. The increase is a major priority among progressives.

Supporters of raising the wage argue the current level is not enough to make ends meet and that an increase is long overdue to buoy workers and the economy as a whole.

Opponents argue a minimum wage increase could have unintended negative consequences, including burdening small businesses, reducing employment and pushing companies toward automation.

(*The Hill* (<https://thehill.com/homenews/administration/537616-biden-expects-minimum-wage-increase-will-be-dropped-from-final-relief>))

How a \$15 Minimum Wage Would Affect Employment

According to the nonpartisan Congressional Budget Office (CBO), increasing the minimum wage to \$15 an hour by passing the Raise the Wage Act would, on net, reduce employment by increasing amounts over the 2021–2025 period. In 2025, when the minimum wage reached \$15 per hour, employment would be reduced by 1.4 million workers (or 0.9 percent), according to CBO's average estimate.

In 2021, most workers who would not have a job because of the higher minimum wage would still be looking for work and hence be categorized as unemployed; by 2025, however, half of the 1.4 million people who would be jobless because of the bill would have dropped out of the labor force, CBO estimates. Young, less educated people would account for a disproportionate share of those reductions in employment.

Increasing the minimum wage would also shift income toward families with lower income, potentially lifting 900,000 Americans above the poverty threshold. Because lower-income families spend a larger proportion of any additional income on goods and services than do families with higher income, the increased demand for goods and services would reduce the drop in employment for several years after the implementation of a higher minimum wage, CBO projects.

(Congressional Budget Office (<https://www.cbo.gov/system/files/2021-02/56975-Minimum-Wage.pdf>))

Analysts See \$11 Minimum Wage as More 'Realistic'

Analysts at investment firm Goldman Sachs Group estimated that a stand-alone bill to hike the minimum wage to \$10 to \$11 an hour is "more politically realistic" and therefore more likely to pass than the Biden administration's \$15 proposal. "A key obstacle is that a \$15 federal minimum would affect states quite differently, and Democratic senators from some lower-wage states have not yet signed on," Goldman economists wrote in a note to clients.

"We think Congress is fairly unlikely to pass a minimum wage increase this year," the Goldman analysts said. "If lawmakers were able to reach a compromise, it might be in the \$10-11 per hour range. We would expect any increase to phase in no faster than around \$1 per year."

(Bloomberg News via Yahoo! Finance (https://uk.finance.yahoo.com/finance/news/goldman-sees-11-minimum-wage-141534382.html?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xILmNvbS8&guce_referrer_sig=AQAAALpXWGEgYbSNlaminshMZFPakWJh6Y5tmsBBh43-Xqpn6pQ7px702_c0InycwEBbYgpJOnESGmk-15rt_GgF1nTq-x2_qVhEt_DXWjwQ3t-0EfSY_Sdw9ZoPg4IPRYH5nQ0pQu-6Xdt7X2Ox6P04GS7dKh_qeLTBPQ76YMNI_r4))

Biden Takes Steps Toward \$15 Minimum Wage for Federal Workers

Biden signed an executive order on Jan. 22 aimed at raising the minimum wage for federal workers. Under the executive order, agencies must identify federal workers who are earning less than \$15 an hour and make recommendations to help raise their wages. The executive order may also put federal agencies on a path to requiring federal contractors to pay a \$15 minimum wage—but the changes won't happen immediately. Biden directed the federal government "to start the work that would allow him to issue ... within the first 100 days" an order requiring federal contractors to pay at least \$15 per hour, according to the White House.

(ABC News (<https://abcnews.go.com/Politics/biden-executive-order-takes-steps-require-federal-contractors/story?id=75414753>) and *SHRM Online* (www.shrm.org/resourcesandtools/legal-and-compliance/employment-law/pages/minimum-wage-for-federal-workers.aspx))

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