

- Last week, Joe Biden unveiled a \$1.9 trillion proposal aimed at economic recovery due to the pandemic.<sup>1</sup>
  - Billed as the American Rescue Plan, the package augments many of the measures in Congress' \$3 trillion coronavirus relief bill from March and in the \$900 billion legislation from December.
  - The plan calls for sending another \$1,400 per person to eligible recipients.
  - Biden would also increase the federal unemployment aid to \$400 a week, up from the \$300 weekly enhancement contained in Congress' relief package from December.
  - The plan would provide \$25 billion in rental assistance for low and moderate-income households who have lost jobs during the pandemic. That's in addition to the \$25 billion approved in December. Another \$5 billion would be set aside to help renters pay their utility bills.
  - The plan would extend the federal eviction moratorium, set to expire at the end of January, to September 30, as well as allow people with federally-guaranteed mortgages to apply for forbearance until September 30.
  - The plan also calls on Congress to create a \$25 billion emergency fund and add \$15 billion to an existing grant program to help child care providers.
  - Biden is also calling on Congress to subsidize through September the premiums of those who lost their work-based health insurance.
  - Biden's plan calls for providing \$15 billion to create a new grant program for small business owners, separate from the existing Paycheck Protection Program. It also proposes making a \$35 billion investment in some state, local, tribal, and non-profit financing programs that make low-interest loans and provide venture capital to entrepreneurs.
  - Biden wants to send \$350 billion to state, local, and territorial governments to keep their frontline workers employed, distribute the vaccine, increase testing, and reopen schools. The plan would provide an additional \$170 billion to K-12 schools, colleges, and universities.
  - The plan would give \$20 billion to public transit agencies
  - Biden is also calling on Congress to raise the minimum wage to \$15 an hour and to end the tipped minimum wage and the sub-minimum wage for people with disabilities.
- Minimum Wage<sup>2</sup>
  - Joe Biden on Friday is expected to introduce his proposal to raise the federal hourly minimum wage, which has been at \$7.25 since 2009. Biden will begin the process by requiring that everyone working for the federal government be paid a minimum of \$15 an hour.

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<sup>1</sup> Here's what's in Biden's \$1.9 trillion economic rescue package - CNN

<https://www.cnn.com/2021/01/14/politics/biden-economic-rescue-package-coronavirus-stimulus/index.html>

<sup>2</sup> Biden Urges More Than Doubling Minimum Wage to \$15 and Hour - Bloomberg Law

<https://news.bloomberglaw.com/daily-labor-report/biden-seeks-to-lift-minimum-wage-to-15-an-hour-in-stimulus-plan>

- The raise would increase the current minimum rate for federal workers of \$10.95 per hour. This wage hasn't seen a boost since 2014, when Barack Obama used executive authority to raise federal contractor pay to \$10.10 and enact a system of inflation-related automatic updates.
    - "No one working 40 hours a week should live below the poverty line," Biden said. "People tell me that's going to be hard to pass. Florida just passed it -- as divided as that state is -- they just passed it.. The rest of the country is ready to move as well."
      - Florida voted for a \$15 minimum wage in November.
    - The Biden administration would need at least 10 Republican voted in the Senate to get its relief bill through Congress - unless it goes through the budget reconciliation process, where a bare majority is enough.
      - Some experts say that a minimum-wage increase could be eligible to pass via that route because it's effectively a tax-raising measure.
      - The 2019 version of the bill was scored by the nonpartisan Congressional Budget Office as having no budget effect, however. That version would likely be blocked by Senate rules which required items that use reconciliation be fiscal in nature.
  - Higher minimum wages have long been subject to debate among economists, with many arguing they hinder job creation by making it costlier for employers to hire people.
    - Mitch McConnell blocked a minimum-wage increase that passed in the House in 2019 when the economy was doing well. Republicans say raising labor costs would hurt small companies already struggling with the pandemic.
    - Virginia has delayed an increase scheduled this year on similar grounds.
  - Pre-scheduled future increases in the federal minimum wage have very often taken effect just before or during recessions - in 1969-70, 1974-75, 1980-81, 1990-91, and in 2007-2008.
    - Every increase in the federal minimum wage in the past 40 years resulted in an average of a million more people being pushed into jobs paying below the Federal minimum wage. Millions of tiny businesses are inescapably exempt from the law, as are many low-wage occupations.
    - A million more subminimum workers in 1990-91 and 1.3 million more in 1996-97 and 2007-09.
  - The Federal minimum wage was increased by 26.9% in 1990-91 and the number of workers employed below that minimum increased by 73.3%. It was increased by 21.2% in 1996-97 and the number working below minimum increased by 76%. And in 2007-08 it was increased by 27.2% and the number working below that minimum increased by 102%.
- Economists have endlessly debated whether or not a higher minimum wage increases the number who are unemployed. But that asks the wrong question. If a million people are compelled to switch from relatively solid jobs with large national companies to

precarious jobs with tiny local companies, or switch to delivering newspapers, mowing lawns, or cleaning houses for a living, they are not unemployed. They are just reemployed at jobs that commonly have less security, no health or retirement benefits and no opportunities for advancement.

- Raising the federal minimum never causes other wages to rise in sync as proponents allege.
- In fact, the trend of year-to-year increases in average wage growth slowed for at least a year every time the federal minimum wage was increased.<sup>3</sup>
- <sup>4</sup>Many more American workers earn a wage below the Federal minimum than the number earning that minimum, even though the latter get all the political attention. There were nearly three times as many people earning below minimum wage in 2009 as the number being paid that wage.
  - “Employers subject to the Fair Labor Standards Act” must pay the federal minimum wage. But that law “specifically excluded a variety of specific occupations from the minimum wage, such as newspaper delivery workers, seasonal farm workers, workers in commercial fisheries and canneries, private investigators, and telephone switchboard operators,” as the Economic Policy Institute notes.
  - Millions of small businesses with annual revenue below \$5000,000 are exempt from federal minimum wage unless they engage in interstate commerce.
    - In June 2020 there were 13.5 million US businesses with sales of less than \$500,000 accounting for 75.5% of all US businesses according to the NAICS.
  - The federal minimum wage may also be avoided by paying cash in the informal gig economy, or by subcontracting unskilled tasks such as janitorial services to exempt micro-business contractors. Millions of tiny businesses and contractors are far too numerous and unprofitable to be tracked and policed by federal agents, partly because people rarely file complaints about voluntary agreements between consenting adults.
  - Job losses happen because (1) higher labor costs gradually force more and more marginally unprofitable branches or businesses to close, and because (2) higher labor costs encourage investment in labor-saving machinery such as self-checkout.
    - When increased federal minimum wage shrinks job offers among such larger interstate companies, that does not leave the resulting displaced workers no choice but to remain jobless. They can instead queue up with the large number of other unskilled people who always compete for the many “below the minimum” jobs that are either legally exempt from the federal minimum wage, or effectively off-the-books.

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<sup>3</sup> Graph - Cato Institute

[https://www.cato.org/sites/cato.org/files/styles/pubs\\_2x/public/2020-09/reynolds-aier-aug-26-2020-chart-2.png?itok=ai5jDD4W](https://www.cato.org/sites/cato.org/files/styles/pubs_2x/public/2020-09/reynolds-aier-aug-26-2020-chart-2.png?itok=ai5jDD4W)

<sup>4</sup> When the Minimum Wage Rises, a Million More Fall Below Minimum - Cato Institute

<https://www.cato.org/publications/commentary/when-minimum-wage-rises-million-more-fall-below-minimum?queryID=c78fb236eb979c15e96c98982e022e83>

- The trouble is, such increased competition for exempt jobs after the minimum wage goes up drives wages down for those who were already working below the previous lower minimum. It makes the poorest poorer.
    - Federal law does not exempt low-wage workers in big multi-state chains like Hilton or McDonald's. Their workers could not possibly have kept working at a wage below the increased minimum. And the evidence of rising "below minimum" jobs shows that many did not keep their previously FLSA-covered jobs.
  - Over a million workers in covered jobs did, in fact, lose such jobs each time the federal minimum wage went up. The reason that did not add a million or more to the number of unemployed is that they found jobs in occupations and businesses exempt from the federal minimum.
    - Every increase in the federal minimum wage for the past 40 years has resulted in huge hordes of people suddenly added to the ranks of millions already competing for low-wage jobs the federal minimum cannot reach.
    - Big surges in subminimum-wage jobs always happened whenever the federal minimum wage was increased, and never at any other time.
- No two economies are identical or immediately comparable. Regional, state, and municipal economies vary in ways that lead to different outcomes when wage floors change.
  - In all reality, the result of any given minimum wage hike likely lies somewhere in a mushy middle: some workers see a bump in pay; some workers see no change in income (because they're making at or just above the new minimum wage); some workers are let go; some workers are never hired.
- In 2017, Target promised to voluntarily bump pay nationwide. Except, for many of the intended beneficiaries, the results weren't positive.<sup>5</sup>
  - "I got that dollar raise but I'm getting \$200 less in my paycheck," a Target employee named Heather, whose hours have been cut from about 40 to 20, explained to CNN. Twenty-two other Target employees were interviewed by the network, all of whom had seen their hours reduced even as their hourly pay increased.
  - Minimum wage increases don't have to lead to layoffs to hurt people who are supposed to benefit. Companies can reduce hours to keep take-home pay roughly the same, or slash hours even further.
- A 2019 report from the Congressional Budget Office says that a \$15 Federal minimum wage would cost 1.3 million jobs.<sup>6</sup>
  - The CBO estimates the \$15 federal minimum wage would boost paychecks for 17 million workers who would otherwise earn less than \$15 per hour. About 10

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<sup>5</sup> A \$15 Federal Minimum Wage Would Destroy Jobs and Hurt America's Poorest Workers - Reason <https://reason.com/2020/01/10/a-15-federal-minimum-wage-would-destroy-jobs-and-hurt-americas-poorest-workers/>

<sup>6</sup> CBO Says \$15 Federal Minimum Wage Will Cost 1.3 Million Jobs - Reason <https://reason.com/2019/07/08/cbo-says-15-federal-minimum-wage-will-cost-1-3-million-jobs/>

million workers who now earn about \$15 an hour might see their paychecks increase slightly.

- The trade-off would be 1.3 million more people out of work. Those who lose their jobs (or are unable to find them in the first place) are likely to be lower-income workers, unskilled workers, and those with little work experience.
- The CBO also ran projections for smaller minimum wage increases. If Congress hiked the minimum wage to \$12 per hour by 20205, about 5 million workers would benefit from bigger paychecks and about 300,000 jobs would be lost. An increase to \$10 per hour would benefit only about 1.5 million workers and would have a negligible effect on employment levels (largely because 15 states already have minimum wages set at or above that level.)
- Someone who has a hard time finding a job that pays \$8 an hour will be completely out of luck if employers are required to hire only workers who are worth \$15 an hour.
- Abolish Price and Wage Controls - Cato Institute<sup>7</sup>
  - Economists tend to oppose price controls at the best of times, but the public's willingness to allow market-set prices appears to diminish when emergencies hit.
  - Price controls on laor: Minimum wage law
    - COVID-19 has proven a demand and supply shock in product markets, and those shocks have reverberated into labor markets.
      - Social distancing, changed consumer tastes, worker behavior, and workers being more reluctant to do certain jobs have altered the supply and demand for workers across localized markets.
      - We might therefore expect wages to also adjust to these new conditions, as we have seen in certain sectors.
        - Amazon introduced hazard pay temporarily for its frontline workers to compensate for their greater infection risks and other retailers that saw surging demand increased wages to attract more workers.
        - Elsewhere, the big decline in economic activity from lockdowns and ongoing social distancing actually led to cutsto nominal wages for at least four million private-sector workers in the early months of the pandemic, and many employers canceled planned wage increases as well.
    - Yet as policymakers prevent prices adjusting upward through anti-price-gouging legislation, they also prevent some workers' wages adjusting downward through minimum wage laws.
      - The federal minimum wage is \$7.25 per hour, but 29 states have higher minimums. Some jurisdictions most affected by COVID-19 have very high local wage floors, such as New York City at \$15 per hour.

<sup>7</sup> Abolish Price and Wage Controls - Cato Institute

<https://www.cato.org/publications/pandemics-policy/abolish-price-wage-controls?queryID=c78fb236eb979c15e96c98982e022e83>

- Half of states have raised their rates in the past three years, while the number of local governments with their own higher minimums jumped from 5 in 2012 to 52 today.
- In normal times, one would expect minimum wages, if set above market levels, to reduce the demand for lower-productivity employees, eliminating employment opportunities.
- Some studies have found that the aggregate impact on employment levels of modestly set minimum wages can be small and consigned to particular demographic groups.
- There are good reasons to think that past increases in minimum wage levels might result in much more damaging impacts on job prospects for low-paid workers during this pandemic.
  - A Bureau of Labor Statistics analysis at the time of lockdowns found that “occupations with lower wages are more common in the shutdown sectors than elsewhere in the economy.”
    - Lots of businesses and industries hit especially hard by depressed demand and social distancing practices after lockdowns are those with large numbers of minimum wage workers.
    - Industries with high concentrations of lower-wage jobs include restaurants and bars (12.3 million workers), other retail (6.5 million), travel and transportation (3.5 million), entertainment (2.6 million), and personal services (2.1 million).
  - The pandemic is likely to have reduced underlying market wages in many sectors with high numbers of minimum wage workers, meaning minimum wage laws are likely to have more damaging effects in creating unemployment than before.
  - The pandemic itself is likely to have exacerbated what economists have dubbed the more “dynamic” impacts on employment.
    - During expansions, the focus for lots of businesses is on meeting rising demand rather than cost cutting through laying off workers. That means older, low-skilled, labor intensive businesses enjoy a better general environment for their survival, despite the pressures of recent large minimum wage increases.
      - A large shock such as the COVID-19 pandemic is likely to generate an unusually pronounced cycle of business ruin and creation. Many firms with old production technologies will likely disappear and be replaced by new, technology-intensive firms employing fewer low-skilled workers.

- That will make the impact of past minimum wage hikes - which increase the cost of employing low-skilled labor - more pronounced.
  - Empirical evidence shows that minimum wage rises can be particularly harmful to job prospects during downturns.
    - In 2009, after Congress raised the federal minimum wage, economists Jeffrey Clemens and Michael Wither estimated that states experiencing the largest rise in the wage floor as a result of the federal policy change lost several hundred thousand more low-wage jobs than they otherwise would have.
    - In New York state alone about 1 million people worked in retail, fast food, as cashiers, wait staff, cooks, and bartenders. Many employers will no longer be able to afford the state's \$11.80 minimum wage or New York City's \$15 minimum.
- Key Biden executive actions<sup>8</sup>
  - January 20, 2021
    - Re-engage with World Health Organization
    - Create position of COVID-19 response coordinator
    - Rejoin Paris climate agreement
    - Revoke permit for Keystone XL pipeline, pause energy leasing in ANWR
    - Ask agencies to extend eviction/foreclosure moratoriums
    - Ask Education Department to extend student-loan pause
    - Launch an initiative to advance racial equity, end "1776 Commission"
    - Revoke order that aims to exclude undocumented immigrants from census
    - Preserve/fortify DACA
    - Require masks/distancing on all federal property and by federal workers
    - Reverse travel ban targeting primarily Muslim countries
    - Stop construction of border wall
    - Combat discrimination on the basis of sexual orientation, gender identity.
    - Require ethics pledge for executive-branch personnel
    - Modernize and improve regulatory review
    - End "harsh and extreme immigration enforcement"
    - Extend protection from deportation for Liberians in US
    - Revoke certain executive orders concerning federal regulation
    - Freeze any new or pending regulations
  - January 21, 2021
    - Fill supply shortfalls in fight vs. COVID-19 with Defense Production Act, other measures
    - Increase FEMA reimbursement to states for National Guard, PPE

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<sup>8</sup> All of President Biden's key executive orders - MarketWatch  
<https://www.marketwatch.com/story/all-of-president-bidens-key-executive-orders-in-one-chart-2021-01-21>

- Establish “COVID-19 Pandemic Testing Board,” expand testing
- Bolster access to COVID-19 treatments and clinical care
- Improve collection/analysis of COVID-related data
- Mount vaccination campaign amid goals such as 100 million shots in 100 days
- Provide guidance on safely reopening schools
- OSHA guidance for keeping workers safe from COVID-19
- Require face masks at airports, other modes of transportation
- Establish a “COVID-19 Health Equity Task Force”
- Support international response to COVID-19, “restore US global leadership”
- January 22, 2021
  - Ask agencies to boost food aid, improve delivery of stimulus checks
  - Restore collective bargaining power for federal workers