

May 30, 2016; Looking Back at Wage Bills

Perhaps the shortest legislative bill currently pending before the Guam Legislature is also one of the most controversial. Bill 312-33, introduced by Senator B.J. Cruz, would increase the current Guam minimum wage of \$8.25 per hour to \$9.20 on January 1, 2017, and to \$10.10 on January 1, 2018.

There has been much wailing and gnashing of teeth on both sides of this issue since the bill's introduction. A number of business people predict an economic crash should the bill pass. Those in support of the bill warn that the middle class will disappear if Guam doesn't raise the minimum wage. Who should we believe?

To be candid, I'm not sure. I'm certainly not an economist. So, I've been researching the subject to become better acquainted with the issues. In my attempt to get objective information, I turned to ProCon.Org, a non-profit organization that seeks to present both sides of controversial matters. I thought I'd share some of what I've learned.

The history behind minimum wage legislation is interesting. The first countries to pass minimum wage laws were New Zealand and Australia in the 1890s. The American progressive movement (1890 – 1920) supported and lobbied for minimum wage legislation in the U.S. As a result, in 1912 Massachusetts became the first state to pass a minimum wage law. Between 1913 and 1917 eleven more states passed their own versions of the law.

Interestingly, these first minimum wage laws were specifically aimed at women and minors. They did not include men because they earned higher wages, could freely contract their services, and were frequently protected by unions. The goal was to increase wages for women and minors to a level where they could enjoy an adequate standard of living. In 1937, Oklahoma passed the first minimum wage law that extended coverage to men. Connecticut followed in 1939.

Attempts by various states to pass minimum wage legislation were challenged with lawsuits. Opponents argued that these laws represented "an arbitrary interference with the liberty to contract." In 1923 the U.S. Supreme Court struck down Washington D.C.'s minimum wage law on such grounds.

In 1937, the Supreme Court overturned its earlier decision and held that states could regulate wages to better protect health and safety by promoting "regulations designed to insure wholesome conditions of work and freedom from oppression."

Congress passed the Fair Labor Standards Act (FLSA) in 1938. This set the federal minimum wage at twenty-five cents per hour for those employed engaged in interstate commerce and industries producing goods for interstate commerce. In

1941, the FLSA survived a legal attack when the Supreme Court ruled that the federal wage and hour provisions don't violate the Fifth Amendment's due process clause and that the "statute is not objectionable because [it is] applied alike to both men and women."

Over the last 78 years, FLSA coverage has expanded and today applies to over 130 million employees. Since 1938, the minimum wage has increased twenty-two times. The last increase to \$7.25 an hour was in 2009. A total of 29 states, the District of Columbia, and Guam have minimum wages higher than the federal amount. Guam's current minimum wage is \$8.25 per hour. Next week, we'll consider the pros and cons to increasing Guam's minimum wage.