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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. briefing paper	General Targeting Strategy (38 pages)	nd	P5
002. memo	Chris Jennings to Hillary Clinton Re: Meeting with Senator Tom Harkin (2 pages)	12/15/93	P5

COLLECTION:
Clinton Presidential Records
Domestic Policy Council
Chris Jennings (Health Security Act)
OA/Box Number: 23754

FOLDER TITLE:
December 1993 HSA [1]

gf113

RESTRICTION CODES

Presidential Records Act - [44 U.S.C. 2204(a)]

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
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P5 Release would disclose confidential advise between the President and his advisors, or between such advisors [a)(5) of the PRA]
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b(7) Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]
b(8) Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]
b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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December 7, 1993

BUFFET BREAKFAST WITH HEALTH SECURITY ACT COSPONSORS

DATE:	December 8, 1993
LOCATION:	Indian Treaty Room, OEOB
TIME:	8:30 am
FROM:	Steve Ricchetti, Melanne Verveer Chris Jennings, Jack Lew

I. PURPOSE

1. To thank House and Senate Members who have cosponsored the Health Security Act;

2. To illustrate the important role the Administration views its core supporters playing during the upcoming legislative effort;

3. To indicate our desire to be particularly responsive to and work with our friends in the Congress who have been with us from the beginning; and

4. To re-energize the Members on this issue during the December/January recess.

II. BACKGROUND

The Health Security Act (H.R. 3600 in the House and S. 1757 in the Senate) has 101 cosponsors in the House and 31 cosponsors in the Senate. As you will note from the attached list of cosponsors, the Administration's health care proposal has garnered the cosponsorship of every Committee Chairman and Subcommittee Chairman who has primary jurisdiction over health care. Only one other bill that has been introduced in either body has more cosponsors -- a proposal sponsored by Republican Leader Michel has about 20 more cosponsors. (Of course Michel does not have the diversity of interests on the Republican side of the aisle as do the Democrats, e.g. McDermott single payer/Cooper managed competition.)

Although there are a significant number of cosponsors, it is important to note that many of the cosponsors, particularly in the House, do not yet feel comfortable with the bill. Some of the Members went on board despite their feelings that they could get more out of the process if they held out their support. (They were convinced, in particular, by Majority Leader Gephardt and Senator Daschle that it was essential that there be a strong showing of support for the President's legislation.)

The First Lady thought that the cosponsors of the Health Security Act needed to be acknowledged prior to their departure for the year. In addition to this event and thank you notes sent out by Mrs. Clinton to every cosponsor, each of the cosponsor's office in the Senate and a list of the most influential House cosponsors (worked out with Gephardt's office) has been called and offered individual briefings, an Administration principal to go out to their District for a health care field event, and the opportunity to bring in their informal health care advisory groups into the OEOB for a meeting with an Administration official. (So far, the response has been positive and very appreciative.)

Despite our work with the Members, there will be those in the room whose support does not run deep and who feel that we may already be assuming their support. This breakfast is a good opportunity to signal that the Administration will not take their support for granted and wants to do whatever it can to be responsive to their needs/priorities. It also will be a good opportunity to illustrate our acceptance and understanding that the legislative game has now moved onto Congressional turf, and to exhibit our confidence that this process will further strengthen an already solid proposal.

III. PARTICIPANTS

House and Senate Cosponsors of Health Security Act. (See attached list of confirmed and possible attendees.)

NOTE: **It is Congressman Tom Barrett's (D-WI) birthday tomorrow** -- Wednesday. You may want to wish him a happy birthday during the meet and greet portion (after your remarks).

George Kundanis, Speaker's Office; Andrea (Andie) King, Majority Leader Gephardt's office, John Hilley and Chris Williams of Majority Leader Mitchell's office.

The First Lady

IV. SEQUENCE OF EVENTS

Members arrive at 8:15 am.

President and First Lady arrive at 8:30 am.

First Lady gives <u>very</u> brief welcoming and appreciation remarks, and introduces the President. (Mrs. Clinton's primary role, however, is to introduce the President.)

President concludes remarks, asks Members to continue to eat, and (along with the First Lady) "works" the Members.

NOTE: The President is scheduled to stay for a total of 30 minutes. He is then scheduled to leave for the NAFTA thank you coffee. (Some of the Members who are being thanked for that purpose -- Dodd, Rostenkowski, Matsui, Richardson, and possibly Folely -- will join the President in the ride over to that event.)

V. PRESS PLAN

Closed press. (White House photographers will be present.)

VI. REMARKS

* Too often we do not get a chance to show how much we appreciate the Members of Congress who have illustrated a willingness to publicly state their support of Administration initiatives. Today is just such an occasion.

* Next session, there will be no greater a priority Administration initiative than health care. Your past and continuing support has been and will continue to be critical, and I want to thank you for your tremendous support.

* I am well aware that a number of you do not feel comfortable with every comma, sentence and paragraph of our legislation. The nature of health care makes it almost certain that this will be the case for almost every American.

* What we have presented to you is what we believe to be a solid package that meets the six principles that we all share: security for every American, savings, simplicity, quality, choice and responsibility. We worked hard to produce the best possible proposal.

* Having said this, this Administration is well aware that it is now your turn to probe and modify this proposal to make it stronger than it already is. We welcome and look forward to this process.

* During the legislative process, there will be many Members of many Committees who have an important role to play. To the extent the Administration is called on to assist the Congress in its role, I want you to know that we are committed to be particularly responsive and helpful to our early supporters.

* While we have a ways to go to sign a comprehensive health reform legislation into law, we have made great progress. Together we have moved the debate from <u>IF</u> health care reform gets enacted to <u>what month</u> in 1994 health care reform will get enacted. We have moved the debate from <u>whether</u> the reform will be incremental to <u>how UNIVERSAL COVERAGE that is AFFORDABLE to ALL Americans</u> will be assured.

* We have made tremendous achievements to date. However, we have much work to do to assure that we reach our ultimate achievement -- a comprehensive reform initiative signed into law. I cannot think of a better collection of Members that I would more prefer to have on my side to start this process than those in this room. Again, thank you.

12/8/93 BREAKFAST WITH HEALTH SECURITY ACT CO-SPONSORS

TOTAL: 11 SENATORS 44 HOUSE MEMBERS

CAMPBELL (D-CO)	Yes
DODD (D-CT)	Yes
GLENN (D-OH)	Yes
GRAHAM, BOB (D-FL)	Yes + Mrs. Graham
HARKIN (D-IA)	Yes
KENNEDY, EDWARD (D-MA)	Yes
MOYNIHAN (D-NY)	Yes
REID (D-NV)	Yes
RIEGLE (D-MI)	Yes
ROCKEFELLER (D-WV)	Yes
SIMON (D-IL)	Yes

SPEAKER FOLEY	Yes
GEPHARDT (D-MO)	Yes
ANDREWS, THOMAS (D-ME)	Yes
BARRETT, THOMAS (D-WI)	Yes
BONIOR (D-MI)	Yes
CARDIN (D-MD)	Yes
COLLINS, CARDISS (D-IL)	Yes
DE LUGO (D-VI)	Yes
DINGELL (D-MI)	Yes
EDWARDS, DON (D-CA)	Yes
ENGEL (D-NY)	Yes
ESHOO (D-CA)	Yes
FALEOMAVAEGA (D-AS)	Yes
FILNER (D-CA)	Yes
FOGLIETTA (D-PA)	Yes
FRANK, BARNEY (D-MA)	Yes
GIBBONS (D-FL)	Yes
HOYER (D-MD)	Yes
JOHNSTON, HARRY (D-FL)	Yes
KANJORSKI (D-PA)	Yes
KENNELLY (D-CT)	Yes
KREIDLER (D-WA)	Yes
LAFALCE (D-NY)	Yes
LEVIN, SANDER (D-MI)	Yes
LONG (D-IN)	Yes
MATSUI (D-CA)	Yes
MCKINNEY (D-GA)	Yes
MINGE (D-MN)	Yes
MINK (D-HI)	Yes
NORTON (D-DC)	Yes
OBEY (D-WI)	Yes
PAYNE, DONALD (D-NJ)	Yes
RAHALL (D-WV)	Yes

RICHARDSON (D-NM)	Yes
ROMERO-BARCELO (D-PR)	Yes
ROSTENKOWSKI (D-IL)	Yes
SABO (D-MN)	Yes
STOKES (D-OH)	Yes
STRICKLAND (D-OH)	Yes
STUDDS (D-MA)	Yes
THORNTON (D-AR)	Yes
WAXMAN (D-CA)	Yes
WILLIAMS, PAT (D-MT)	Yes
WISE (D-WV)	Yes

MANDATED HEALTH CARE COSTS AND EMPLOYMENT EFFECTS

Criticism:

In past years when an increase in the minimum wage has been proposed, critics have argued that any increase would result in a significant loss of low wage jobs. Today, the critics are making essentially the same case, arguing that a mandated health care expenditure would have the same kind of adverse effects on employment.

Response:

Historically, whenever any kind of employer mandate has been proposed, opponents have made dire predictions of huge job losses that would result. The most frequent example has been the minimum wage increases, which have always included predictions of significant job losses. Yet, historical evidence suggests that such claims have typically overstated the consequences of wage increases. More importantly, recent and better studies have strongly suggested that the effects of increases have had negligible effects on employment. Although the analogy between minimum wage increases and an employer mandate resulting from the Health Security Act are not perfect, these recent studies suggest strongly that critics of the Health Security Act are overstating their case. **The best research on minimum wage increases strongly suggests that employer cost increases associated with the Health Security Act, equivalent to approximately a 3.5% to 8.0% increase in the minimum wage, would be highly unlikely to cause significant job losses.**

- If the minimum wage today had the same purchasing power as it did in the 1970s, it would equal about $5.40. Its inflation adjusted value today is 22% lower than it was in the 1970s and nearly 21% lower than in the 1960s. Thus, even if the employer costs associated with the Health Security Act (15 to 34 cents per hour) are added to the current minimum wage (which is $4.25), it would still be of less value than it has been over most of the last 30 years.

Attached are summaries of the evidence to support this argument. A summary of the historical arguments against the minimum wage is Attachment A; a summary of recent studies is Attachment B.

12/7/93

Attachment A
Minimum Wage And Employment Effects: Historical Evidence

Summary

Business organizations have historically made dire predictions about the adverse consequences of a minimum wage increase on employment and inflation. As can be seen in the from the most recent minimum wage increase, much more significant factors in the economy can easily overwhelm the relatively minor effects that might be attributed solely to a change in the minimum wage. Traditionally, minimum wage studies have been based on macroeconomic data, requiring heroic assumptions to isolate the effects of the wage increase from many other events occurring simultaneously in the economy.

The relatively new methodological approaches utilized (Attachment B) in the past few years are a much better measure of the effects of a minimum wage change. By undertaking micro-economic studies and analyzing disaggregate data, they have been able to much more effectively isolate the effects of a wage change. This recent work strongly suggests that the increase in the wage has negligible, and in some circumstances even positive, effects on employment.

Historical Arguments

Although Congress has periodically reaffirmed its commitment to a minimum wage which is a living wage, the opposition has historically made predictions about significant adverse employment effects whenever revisions have been proposed. The first minimum wage was enacted in 1938 as part of the Fair Labor Standards Act. The following is a summary of the major changes in the minimum wage, the dire predictions of opponents before-hand and the reality after enactment.

1949 Amendments

Congress raised the minimum wage from 40 to 75 cents, an 87.5% increase.

During the deliberations, business organizations consistently warned of significant increases in unemployment and inflation if the increase was enacted.

- o Overall unemployment fell from 5.9% in 1949 to 5.3% in 1950. Total employment increased from 1949 to 1950.
- o Youth unemployment fell from 13.4% to 12.2%.

1955 Amendments

Congress raised the wage from 75 cents to $1.00, a 33% increase.

Again, business predicted serious unemployment and inflation. The U.S. Chamber of Commerce said in testimony that "Low paid workers who are covered by the law will have been barred from jobs by members of Congress."

- o Overall unemployment fell from 4.4% to 4.1%. Total employment increased more in 1956 than in the prior two years in which there had been no increase.
- o Youth unemployment increased slightly, from 11.0% to 11.1%.

1961 Amendments

The wage was increased to $1.15 (a 15% increase), and in 1963, it was increased to $1.25 (a 9% increase). Moreover, coverage was expanded to cover retail and service establishments.

In testimony, the U.S. Chamber of Commerce asserted that "Whatever good might result from minimum wage legislation would be far outweighed by the unemployment and inflation the legislation would provoke."

- o Between 1960 and 1961, retail and service employment, which was then not covered, grew by 1.2%; between 1961 and 1962, the first year of coverage, employment jumped by 3.3%.
- o Overall unemployment fell from 6.7% to 5.5%.
- o Youth unemployment fell from 16.8% to 14.7%.
- o Inflation increased at a lower rate in the year after the increase in the minimum wage took effect than in the year prior to the increase.

1966 Amendments

The minimum wage increased from $1.25 to $1.40 in 1967 (a 12% increase) and to $1.60 in 1968 (a 14% increase), and coverage was expanded.

Again, business organizations testified that significant adverse employment effects and inflation would result.

- o Unemployment fell from 3.8% in 1966 to 3.6% in 1968.

- o Youth unemployment fell from 12.8% to 12.7%

- o In 1970, Secretary of Labor Schultz reported to Congress: "In retail, services and state and local government sector--where the minimum wage had its greatest impact in 1969, since only the newly covered workers were slated for Federal minimum wage increases--employment rose substantially."

- o In 1971, Secretary of Labor Hodgson reported to Congress, "...it is doubtful whether changes in the minimum [wage] had any substantial impact on wage, price, or employment trends."

1974 Amendments

The minimum wage was increased to $2.00 in 1974 (a 25 percent increase), $2.10 in 1975 (a 5% increase) and $2.30 (a 10% increase) in 1976.

The American Retail Federation testified that their members would be forced to reduce the number of workers, including "marginal employees" and "employees who are no longer productive but who we are currently carrying."

- o During the 1975 recession, unemployment rose from 5.5% in 1974 to 7.6% in 1976.

- o Youth unemployment increased from 16% to 19%.

- o Retail jobs, however, increased by 655,000, a 5.2% jump.

1977 Amendments

The minimum wage increased in four steps: $2.65 in 1978 (a 15% increase), $2.90 in 1979 (a 9% increase), $3.10 in 1980 (a 7% increase), and to $3.35 (an 8% increase) in 1981.

The U.S. Chamber of Commerce predicted the increases would result in about 2 million lost jobs. They also projected a loss of 387,000 teenage jobs, and minority teenage unemployment would almost 6% in the first year alone.

- o The unemployment and youth unemployment rates dropped in 1978 and 1979 and rose back to their 1977 (pre-increase year) in 1980.

- o Unemployment and youth unemployment increased in 1981 and 1982, which was when the economy was experiencing one of the worst recessions since World War II.

1989 Amendments

The wage was increased from $3.35 to $3.80 (a 13% increase) in 1990 and to $4.25 (a 12% increase) in 1991. (Congress had initially proposed an increase to $4.65, which was the basis for much of the pre-enactment analysis.)

A study funded by the U.S. Chamber of Commerce in 1987 calculated that 1.9 million jobs would be lost by 1995 and that there would be a 0.4% increase in unemployment (based on a $4.65 minimum wage). This and another Chamber funded study estimated job loss among teenagers to range from 113,000 to 420,000 (based on $4.65 minimum). Indeed, one of the studies predicted Connecticut would experience the loss of several thousand jobs; yet, Connecticut already had a state minimum wage that exceeded the proposed federal increase and therefore would have been unaffected.

In another study, the Retail Industry Task Force estimated that 364,000 people in the retail industry would lose jobs at a $4.65 minimum.

- In 1991, the national and global economy went into a recession. The economy lost nearly 1.25 million jobs between 1990 and 1991, and gained only 125,000 jobs between 1991 and 1992.

- Retail trade lost 418,000 jobs in 1991 and 122,000 jobs in 1992.

- Teenage employment fell by almost 900,000 jobs between 1990 and 1992.

Although there was significant job loss after this most recent wage increase, no one seriously attribute the losses to the increase; rather, the job losses were a function of a national and global recession.

Source: Senate Labor and Human Resources Committee, Committee Report on the Minimum Wage Restoration Act of 1988 (July 26, 1988). The summary and 1991-92 data are added.

Attachment B

Summary of Recent Studies on the Minimum Wage Effects

1. Time series studies (using national data) completed in the 1980s suggest that the effects of an increase in the federal minimum wage were small.

Critics of the proposed minimum wage increases in the mid- late 1980s generally ignored these studies, and instead, relied on high range estimates from studies conducted in the 1960s and 1970s, which were both less technically sound and relied on data reflecting a much different kind of economy.

More importantly, the use of national data can be misleading because it is very difficult to separate the effects in employment due to changes in the minimum wage from other changes in the economy.

- o The federal Minimum Wage Study Commission in 1981 found the effects of a minimum wage increase were small: a 10% increase in the minimum wage was associated with a 1% decrease in teenage employment and a 0.25% decrease in the employment of young adults (20-24 year olds), and no significant evidence of job loss for adults over 25 years old.

- o Two studies using data from the through the 1980s show even smaller effects: a 10% increase in the minimum wage resulted in a decrease of one-tenth to six-tenths of one percent employment among teenagers and no significant effects on employment among workers over age 20.

2. Studies of the effects of federal and state increases in the minimum wage levels during the 1980s generally found that increases did <u>not</u> reduce employment.

These studies strongly suggest that recent increases in both federal and state minimum wages have had little, if any, effect on employment. However, these findings are tempered by the fact that the value of the minimum wage was at its lowest value in the 1980s since 1960.

- o David Card of Princeton examined the effects of the increase of the federal minimum wage from $3.35 to $3.80 in April, 1990, on states with differing proportions of low-wage workers. High wage states, such as New York and California, had relatively few workers that would have been affected by the increase, whereas low wage states, such as Alabama and Mississippi, had as much as 50% of their teenagers earning wages that would be increased by the change.