Democrats introduce bill to hike federal minimum wage to $15 per hour

- Democrats introduce a bill to gradually raise the federal minimum wage to $15 per hour from the current $7.25.
- Though it could get through the Democratic-controlled House, the GOP-held Senate likely will not approve it, and President Donald Trump will likely oppose it.
- Still, Democrats see it as a strong message as they try to cast themselves as better for workers than Trump and the GOP.

Jacob Pramuk | @jacobpramuk
Published 10:04 AM ET Wed, 16 Jan 2019 Updated 2:57 PM ET Wed, 16 Jan 2019 CNBC.com

Democrats introduced a bill Wednesday to gradually raise the federal minimum wage to $15 per hour, a long-shot plan that comes as the party tries to bill itself as a champion of the working class.

The proposal to hike the U.S. wage floor from the current $7.25 will likely fail in the GOP-held Senate even if it gets through the Democratic-controlled House. However, the new House Democratic majority sees the measure as a message that it wants to lift low-wage workers and boost the economy — and an effort to focus on its policy priorities amid the longest government shutdown ever.

The Raise the Wage Act, backed by House Speaker Nancy Pelosi, Senate Minority Leader Chuck Schumer and several declared or prospective 2020 Democratic presidential candidates, would hike the minimum wage to $15 per hour by 2024 through annual increases. It would also end provisions that in some cases allow employers to pay workers under age 20 and employees with disabilities less than the wage floor.

House Democrats introduced the legislation Wednesday with 181 co-sponsors. A companion measure in the Senate has 31 Democratic co-sponsors, led by Sen. Bernie Sanders, I-Vt. At a news conference Wednesday where Democrats touted the bill, the senator called $7.25 per hour a "starvation wage."

The bill will spark opposition within the business community, which largely aligns with Republicans on wage issues. Democrats say the proposal will put more money in the pockets of tens of millions — particularly women and workers of color — and boost the economy through their increased spending power. But powerful business groups such as the U.S. Chamber of Commerce argue a $15 per hour U.S. wage will burden small-business owners, force cuts to workers’ hours and hamper companies in areas where living expenses are relatively low.
The push for a higher federal floor comes as numerous states and localities hike their minimum wages — even in red states such as Arkansas and Missouri. Fast-food workers and groups such as Fight for $15 spearheaded advocacy for a $15 per hour minimum wage around the country.

The U.S. base pay last rose in 2009. Labor activists argue pay has failed to keep up with the cost of living: the U.S. minimum wage hit its high in 1968 at $11.83 per hour in 2018 dollars, and has not approached that level in decades.

"Raising the minimum wage is not only good for workers, it is good for businesses, and good for the economy. When we put money in the pockets of American workers, they will
spend that money in their communities. This bill is a stimulus for Main Street America," Rep. Bobby Scott, a Virginia Democrat who’s a co-sponsor of the bill and chairman of the House Education and Labor Committee, said in a statement Wednesday.

The Democratic plan would index the pay floor to median wage growth after it rises to $15 per hour in 2024 to ensure it does not lag again. Lawmakers cite research from the left-leaning Economic Policy Institute saying a $15 minimum wage would boost pay for about 40 million people.

Democrats have cast themselves as better for working Americans than President Donald Trump and the GOP, and the minimum wage bill, along with efforts to support unions, equal pay for women and family and medical leave, fit into the strategy. They see the message as a winning one ahead of the 2020 elections.

"A $15 federal minimum wage affirms the bedrock idea of fairness in our country: that hard work deserves a decent wage. We will open up opportunities for working families and
drive economic growth that lifts up all communities – because our economy works best when it works for everyone, not just the wealthy and privileged few," Pelosi said in a statement Wednesday.

Spokespeople for the White House and Senate Majority Leader Mitch McConnell did not immediately respond to requests to comment on whether the GOP leaders would back the bill.

The legislation likely will not become law as long as Republicans control the Senate and White House. In 2016, Trump said he would rather leave the issue "to the states." In October, his top economic advisor, Larry Kudlow, called a U.S. wage floor a "terrible idea," saying, "Idaho is different than New York."

The U.S. Chamber of Commerce, which bills itself as the world's largest business organization, has also criticized the $15 per hour federal minimum wage plan. In December, Marc Freedman, vice president of employment policy at the Chamber, said many businesses "do not have the ability to absorb an increase in their labor costs."

The legislation rekindles a debate that has raged in various industries around the country. In a statement, Mary Kay Henry, president of the Service Employees International Union, said: "Everyone who works—no matter where they are from or what the color of their skin is—deserves to be paid enough to lead a decent life and provide for their family, and that's what a $15 minimum wage will do." The organization represents workers in a variety of occupations including public school employees, child care providers, janitors and security officers.

Meanwhile, the National Restaurant Association cautioned against a minimum wage hike to $15 per hour. If Congress decides to "drastically increase operating costs then these small businesses will be forced to hire fewer people, reduce hours, or even close their doors," said Shannon Meade, the organization's vice president of public policy and workforce.

Trump has repeatedly pointed to monthly jobs and gross domestic product growth as evidence of his success. He touts the Republican tax law — which slashed rates for businesses and trimmed them for most individuals — and deregulation efforts as positive for workers.

Nonfarm payroll growth blew past expectations with 312,000 in December, while wages rose 3.2 percent from the previous year. But critics have pointed out that real wage growth adjusted for inflation has been tepid. The metric rose 0.5 percent in December.

Democrats have also taken to hammering Trump over the partial government shutdown now entering its 26th day. About 800,000 federal workers have missed paychecks as the
impasse over the president's demand for more than $5 billion to build a portion of his proposed border wall drags on. The White House now expects the closure will dock 0.1 percentage point from GDP growth for every week it lasts.

At the Democratic news conference Tuesday, Schumer tied Trump's labor policies to the shutdown to contend that the president has "completely abandoned American workers."