

An income-maintenance program with adequate work incentives could be extended to help the millions of working poor not now helped by public assistance. The only present provisions of the law designed to help the working poor are the minimum wage provisions of the Fair Labor Standards Act and similar provisions of State laws. It is doubtful whether, on balance, these have had the intended effect. The difficulty with these provisions is that although they require employers to pay the minimum wage to the workers they employ, they cannot require employers to hire or retain workers who, in the employer's judgment, are not worth the minimum wage. The figures I have seen indicate that only about 8 million of the 30 million poor people are helped now by public assistance programs.

Mr. Lesser pointed out a moment ago that for those workers who remain employed under higher minimum wages, there is an increase in purchasing power. But that increase in purchasing power cannot offset the increase in the cost of employing the lower skilled workers, because all of that increasing cost falls directly on the employer who employs low-skilled workers, whereas the increase in purchasing power is diffused across the whole economy, including the purchase of capital-intensive products and the products of high-skilled workers who are not affected by the increase in the minimum wage.

The minimum wage has thus encouraged the substitution of capital and of higher quality labor for low-quality labor. This is no mere theoretical argument—there is a good deal of statistical evidence suggesting the presence of such effects. In particular, the recent relatively high unemployment rates of teenagers, of Negroes, and especially of Negro teenagers, despite the general tightness of labor markets, may in part be the result of the extension of minimum wage laws to industries that were large employers of such labor. A broad income-maintenance program with adequate work incentives would make further increases in minimum wages unnecessary. The amount of unskilled labor demanded would not be further restricted by periodic increases in the minimum wage. However, workers' incomes would be protected, and employers would still have to offer jobs that were sufficiently attractive to induce workers to supplement their unearned incomes by working.

I agree with Mr. Lesser that no single income-maintenance program is a panacea. Not all the problems of the working poor can be solved through an income-maintenance program. There are other important problems that would still urgently require independent solution—for example, the improvement of vocational training, the elimination of racial discrimination in employment, and the improvement of public transportation from the places where low-income people live to the places where they work—or should work—within metropolitan areas. However, I am convinced that a new approach to income maintenance is an important part of an overall solution.

Representative GRIFFITHS. Thank you very much, Mr. Rees.

Mr. Levitan?