



➤ Minimum Wage in the United States

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Introduction

- Initial attempts to establish a minimum wage
- Introduced in 1938 by President Roosevelt
- Why is it needed?



The Fair Labor Standards Act

- What is it?
- What does it do?
 - Protect American works from exploitation
 - Create mandatory federal minimum wage
 - Incorporates worker's protection laws



Minimum Wage Exceptions

- Workers with disabilities
- Full-time students
- Youth under age 20
- Tipped employees
- Student learners

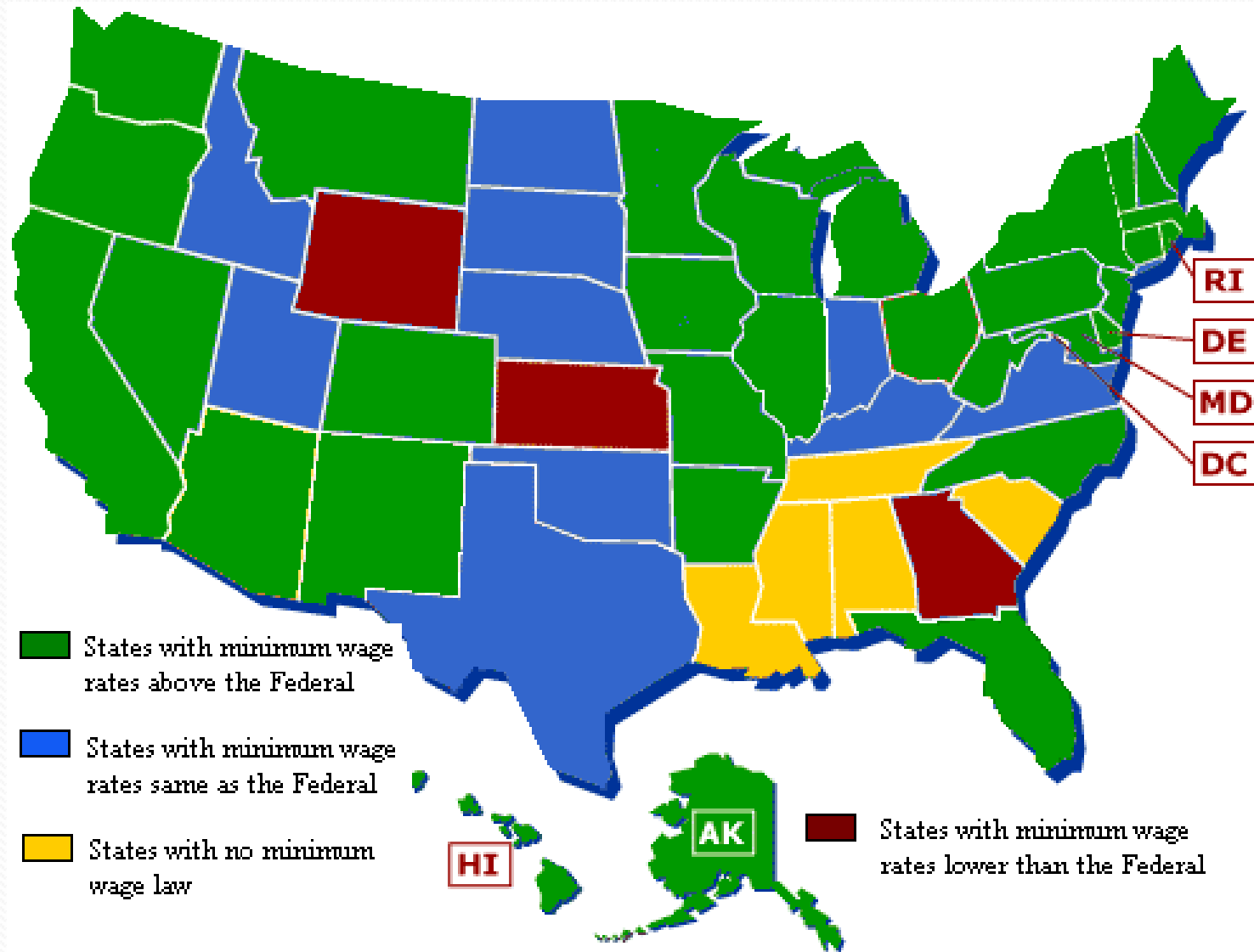


Who Must Pay Minimum Wage?

- Covered enterprises
 - More than \$500,000 in business per year;
 - Operate a hospital, home for aged, disabled, or mentally ill;
 - Schools; or
 - Activity of a public agency.
- Other people covered by the FLSA
 - Engaged in interstate commerce
 - Domestic services



Minimum Wage in the U.S.



Minimum Wage History

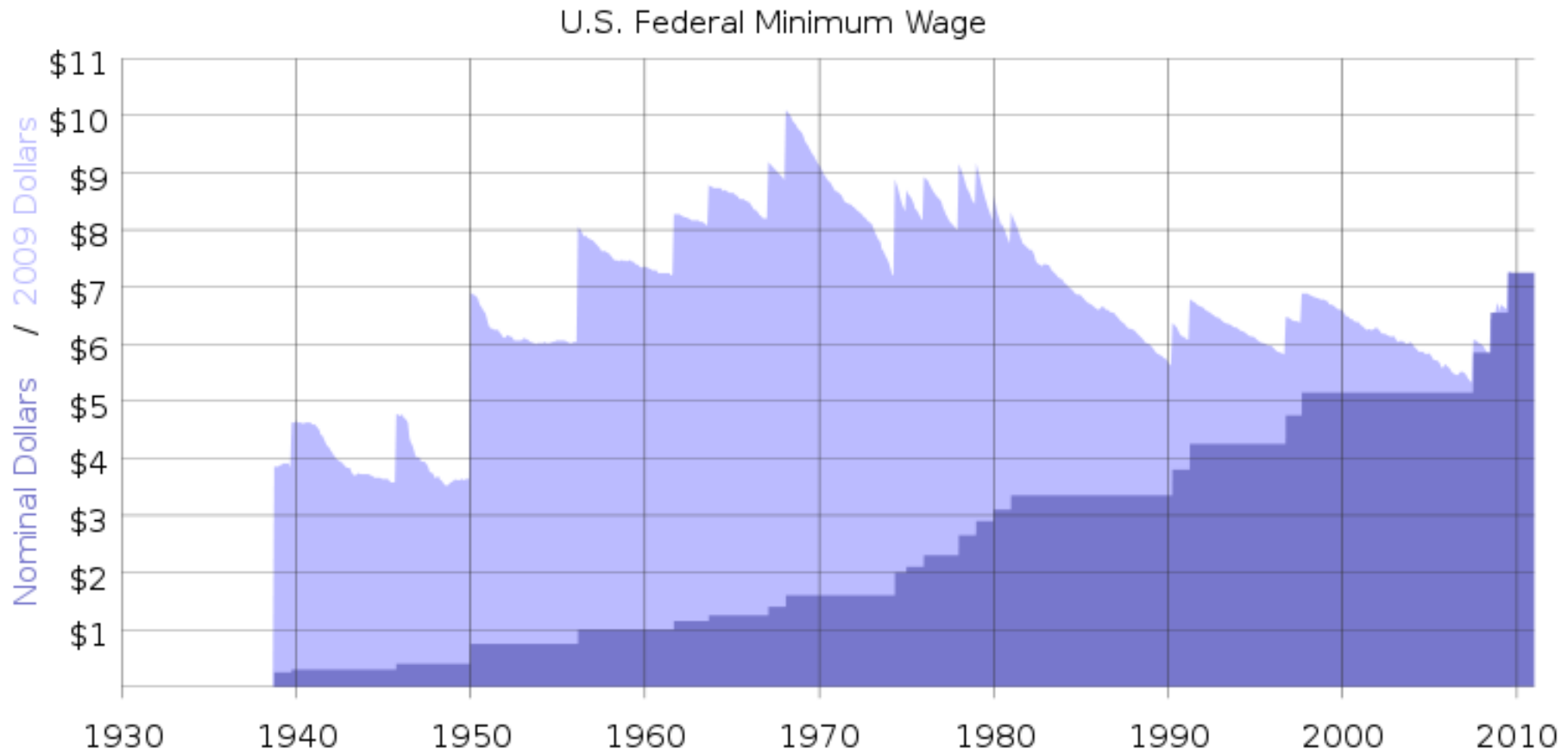


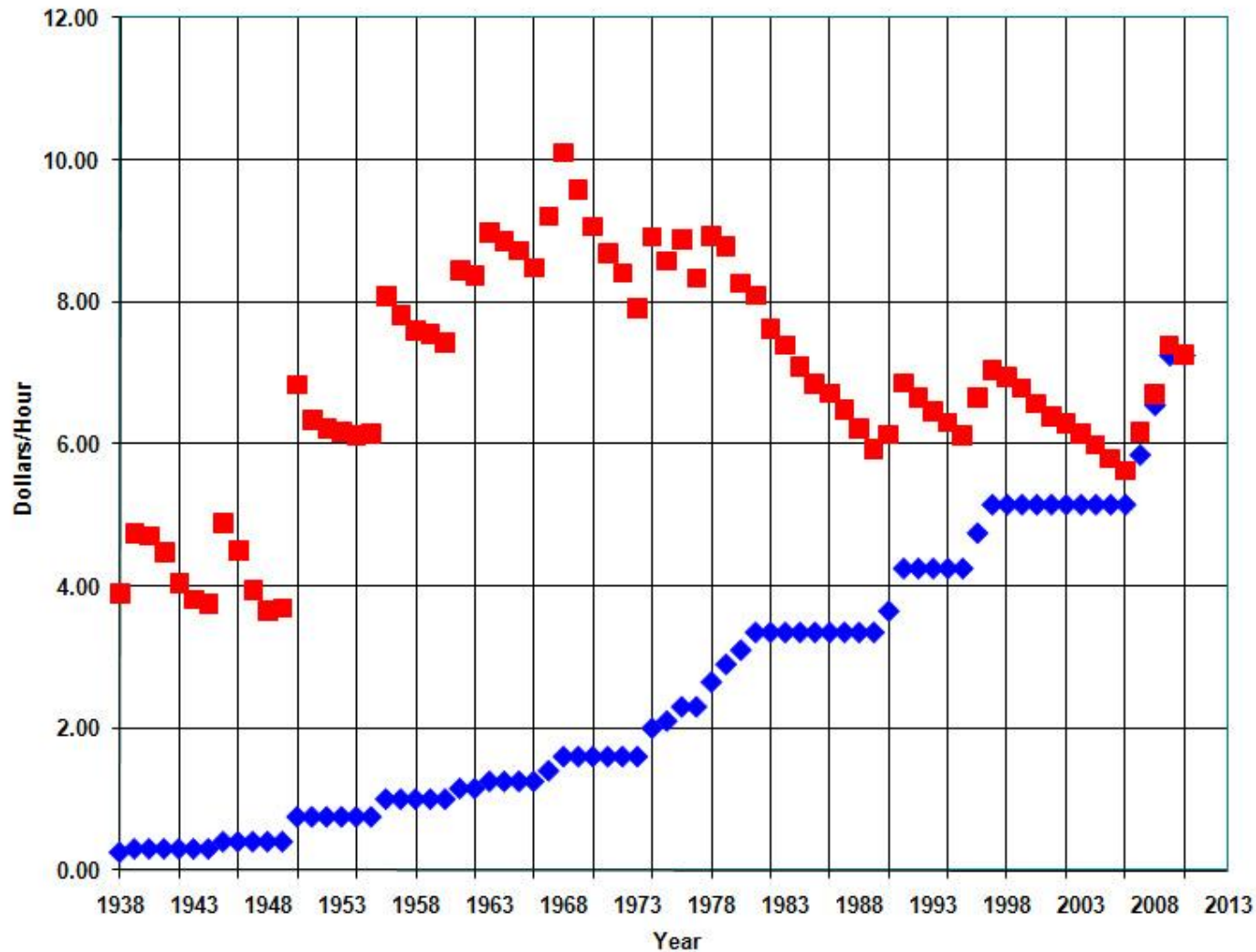
Figure E. Average wages and minimum wage, 1947-2009*



* Average hourly wage for June 2009 was used for year 2009.

Source: Economic Policy Institute analysis of BLS data.

Minimum Wage Purchasing Power



Real Value of Minimum Wage

Figure A. Real value of the minimum wage, 1938-2009



Source: Economic Policy Institute analysis of U.S. Department of Labor data.

Declining minimum wage

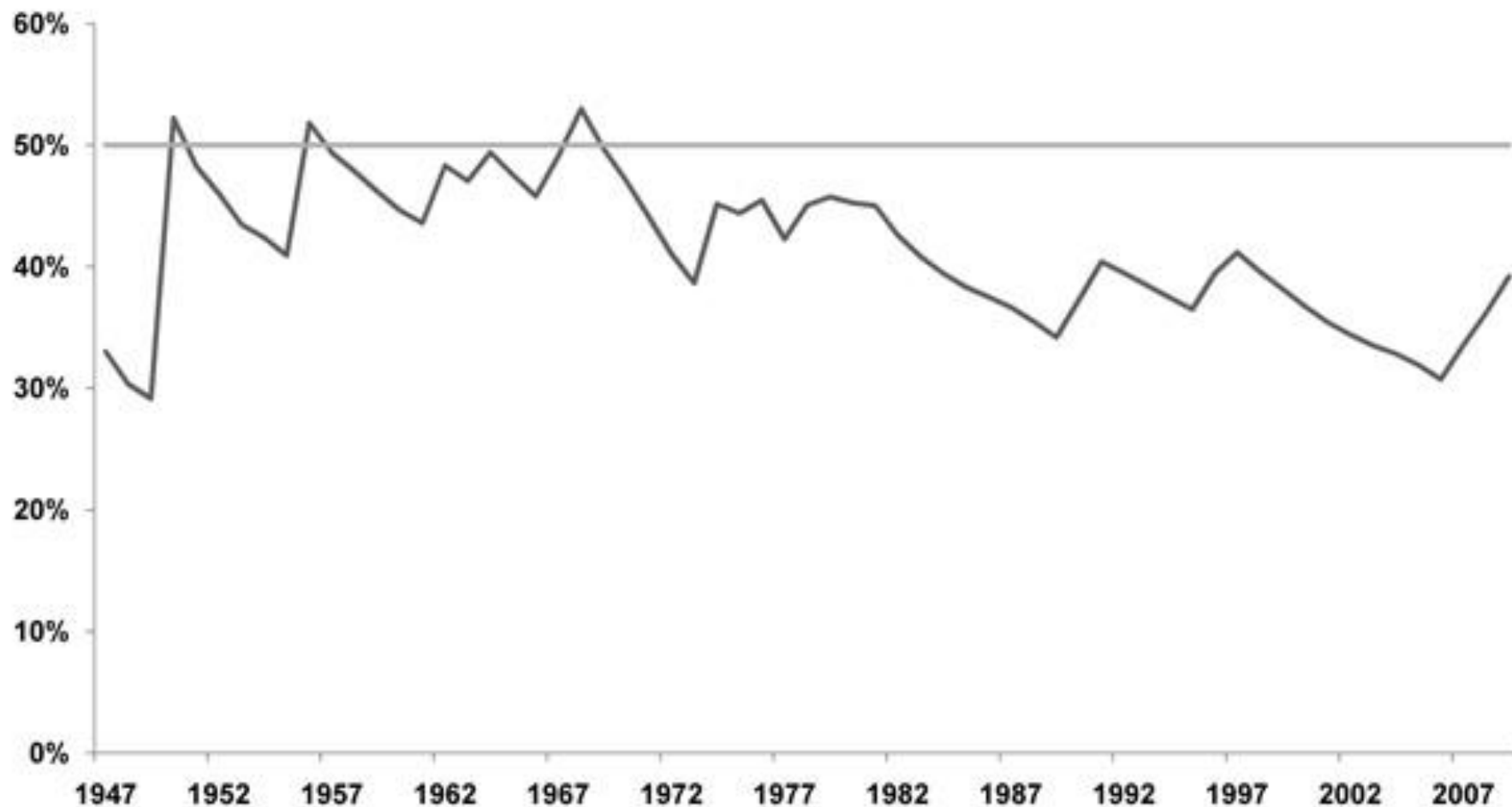
The inflation-adjusted value of the minimum wage, 1960-2009



Source: U.S. Department of Labor, Wage, and Hour Division and Bureau of Labor Statistics.



Figure B. The minimum wage as a percent of the average wage, 1947-2009



Source: Economic Policy Institute analysis of U.S. Department of Labor and Bureau of Labor Statistics data.

Can You Live on Minimum Wage?

- Assume
 - Earn minimum wage
 - Working 2000 hours per year
 - Tax deduction of \$5,450
 - Income tax rate of 10%
 - Rent of \$500/month



Minimum Wage and Poverty

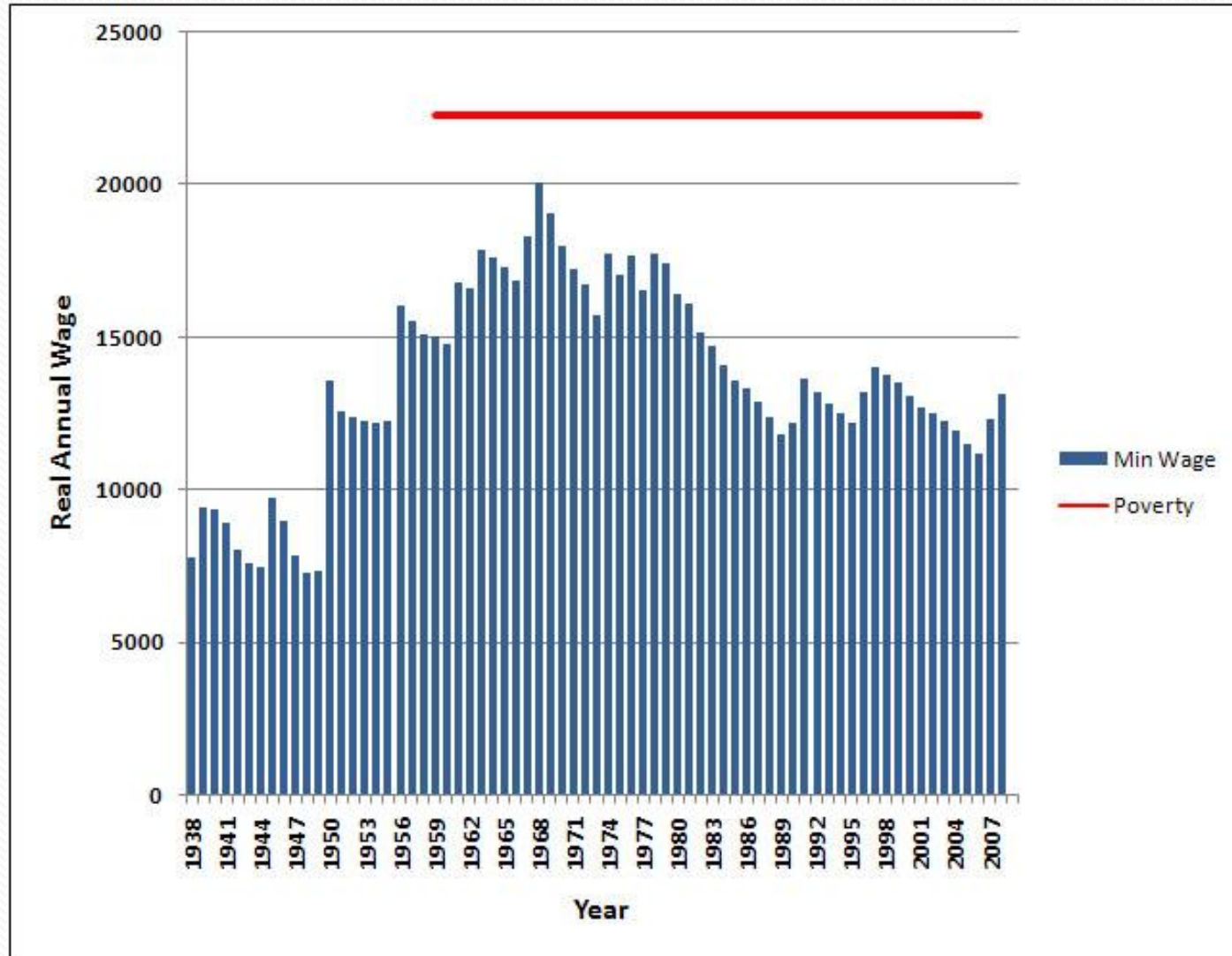
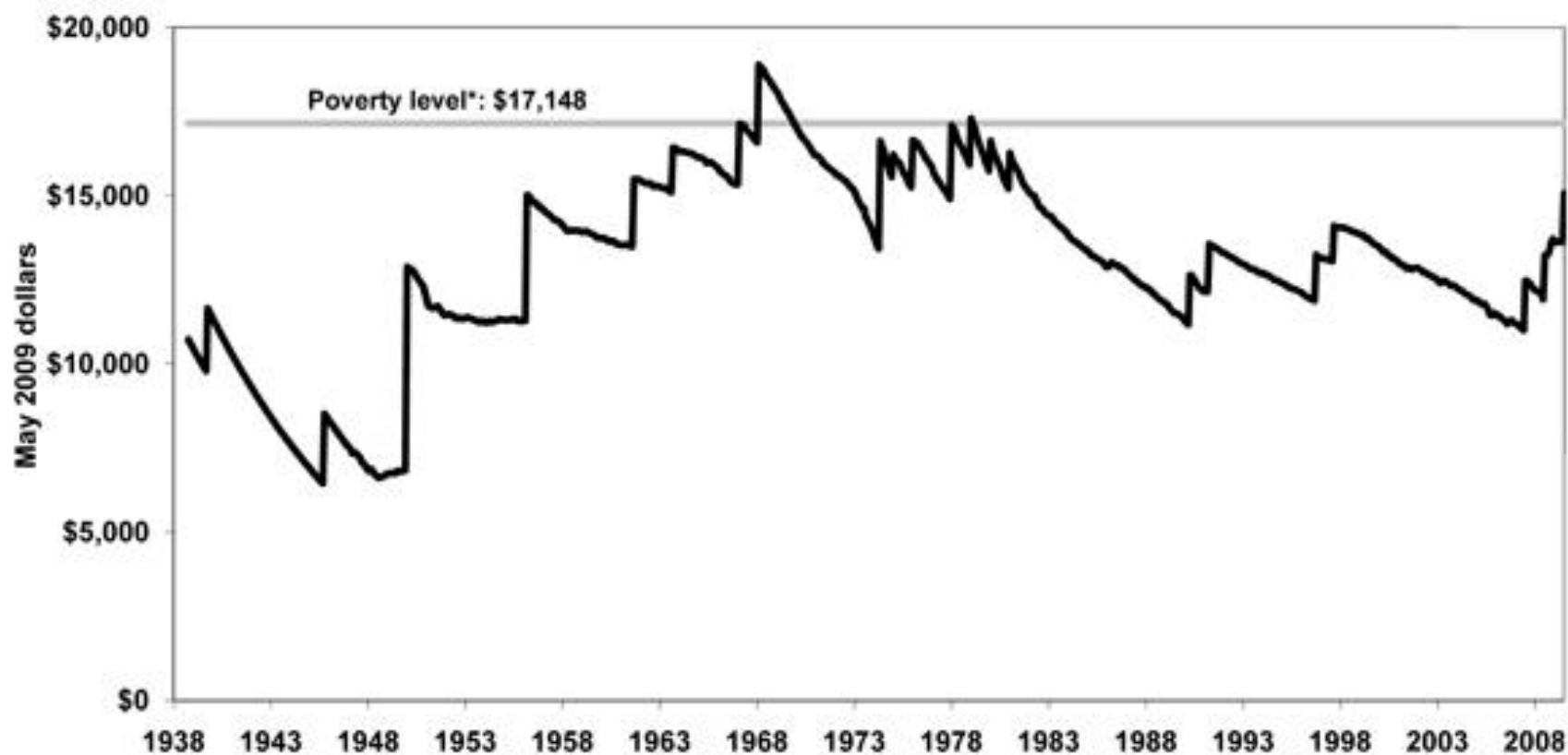


Figure D. Annual minimum wage earnings and poverty level for family of three



Note: The poverty level is composed of one adult and two children.
The poverty level for two adults and one child is roughly the same, \$17,132 in May 2009 dollars.
*2008 poverty thresholds from Census Bureau in May 2009 dollars.

Who Earns Minimum Wage?

- Young (under 25)
- Women
- Less educated
- Part-time
- Industries
 - Leisure and hospitality
- States with highest proportion
 - Texas
 - Alabama
 - West Virginia



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US versus EU Minimum Wage

