

Working in America

In 2011, 3.8 million workers in the United States received wages at or below the Federal minimum wage, which stands at \$7.25 an hour and has not risen since 2009.¹ This wage amounts to \$15,080 for a full-time year-round worker, which is approximately \$8,000 below the poverty threshold for a family of four. The minimum wage stood at 28 percent of the mean wage for full-time workers in 2011, which was near the lowest proportion compared to other OECD countries.² Available estimations of minimum and subminimum wage workers are likely to be understated, however, due to the fact that some occupations—most of which are still characterized by low-wages—are exempt from the provisions of the Fair Labor Standards Act (FLSA). These exemptions include direct care health workers, some agricultural workers, domestic workers, and others.

The Federal minimum wage for workers who earn a portion of their wages in tips has stood at \$2.13 an hour since 1991.

Under the FLSA, employers are permitted to pay workers below the minimum wage if they typically receive tips. These tips (also referred to as “tip credits”) allow employers to use the tips that workers receive towards the employers’ minimum wage obligation. Since the establishment of the tipped minimum wage in 1991, its value has fallen by 36% in purchasing power.³ The FLSA mandates that in cases where the wage in tips does not reach the minimum wage requirement over the course of a full work week, the remainder must be paid by the employer. However, it is understandably difficult to ensure that this rule is enforced due to the fact that workers may not report wage violations for fear of losing their livelihoods. Moreover, many workers are unaware of their right to earn the full minimum wage. Hence, the responsibility to understand and follow this law rests with employees, who must keep track of their tips per week and then ask their employers to make up the remainder. In 2009, out of all official wage theft complaints of

The Federal minimum wage has a purchasing power that is 30% lower today than in 1968 using the Consumer Price Index.

¹ Bureau of Labor Statistics, United States Department of Labor, “Characteristics of Minimum Wage Workers: 2011,” March 2, 2012.

² Organization for Economic Co-Operation and Development, “Minimum relative to average wages of full-time workers,” accessed February 14, 2013: <http://stats.oecd.org/Index.aspx?QueryId=7219>

³ Nayak, Rajesh and Paul Sonn, “Restoring the Minimum Wage for America’s Tipped Workers,” National Employment Law Project, August 2009.

this sort to the U.S. Department of Labor's Wage and Hour division, only 30% resulted in later compliance investigations.⁴

In 2011, the states with the highest proportions of hourly-paid workers earning at or below the Federal minimum wage were Georgia, Mississippi, and Texas. These rates all fell between 8 and 10 percent of hourly-paid workers. The rate of subminimum wage workers is difficult to measure for several reasons, including undocumented workers, exceptions to FLSA, wage theft, and others. Conversely, the states with the lowest percentage of hourly-paid workers with wages at or below the Federal minimum wage were Oregon, California, Washington, and Alaska at rates below 2 percent.⁵ Nineteen states and Washington, D.C. have laws that establish minimum wage requirements above the Federal level.

In 2011, the industry with the highest proportion of workers earning hourly wages at or below the Federal minimum wage was leisure and hospitality at a rate of 22 percent. This accounted for nearly half of all hourly-paid workers who received at or below the Federal minimum wage. Most of these workers work in restaurants and other food services. As a result, many of these workers made up the remainders in tips.⁶

Minimum wage earners are older and more likely to support families than is commonly believed. In a study examining the impact of an increase of the Federal minimum wage to \$9.80, 88 percent of the affected workers would be at least 20 years old. The older share of minimum wage workers varies across geographic region, with the highest proportion working in the District of Columbia at 94 percent of affected workers being at least 20 years old.⁷

Women would benefit from a hike in the minimum wage at a disproportionately greater rate than men. In 2011, 2.4 percent of hourly-paid workers overall received wages at or below the Federal wage standard, according to official payroll reports. Conversely, of female hourly-paid workers, 3.2 percent received wages at or below the Federal minimum wage, while the rate stood at 1.7 percent for male hourly-paid workers.

Recently, President Obama proposed raising the Federal minimum wage to \$9 in incremental stages by 2015 and indexing the wage to inflation thereafter in order to ensure that the purchasing power of the minimum wage does not fall over time. His administration predicts that the plan would directly impact the wages of approximately 15 million low-wage workers.⁸ The initial goals of this Federal wage regulation when it was introduced during the Great Depression were twofold: **to keep workers above the poverty threshold and stimulate consumer spending in order to recover the economy.**⁹

⁴ United States Department of Labor, "Performance and Accountability Report," 2009, pp. 104. http://www.dol.gov/_sec/media/reports/annual2009/2009annualreport.pdf

⁵ Bureau of Labor Statistics, 2012.

⁶ Ibid.

⁷ Hall, Doug and David Cooper, "How raising the Federal minimum wage would help working families and give the economy a boost," The Economic Policy Institute, August 14, 2012.

⁸ The White House, Office of the Press Secretary, "Fact Sheet: The President's Plan to Reward Work by Raising the Minimum Wage," February 13, 2013, <http://www.whitehouse.gov/the-press-office/2013/02/13/fact-sheet-president-s-plan-reward-work-raising-minimum-wage>

⁹ Ibid.