

# LABOR CENTER REPORTER

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## FAIR LABOR STANDARDS AND MINIMUM WAGES

In passing the Fair Labor Standards Act (FLSA) in 1938, Congress noted that "labor conditions detrimental to the maintenance of the minimum standard of living necessary for health, efficiency and general well-being of workers" were widespread. One means of enforcing these standards was to introduce a level below which wages were not to be allowed to fall. As a result of a series of amendments to the Act this minimum wage now stands at \$3.10 per hour. The FLSA also stipulated the maximum length of the normal workweek, and set down conditions under which it would be permissible to employ children.

### The Record of the FLSA

How close have the FLSA and its later amendments come to achieving their declared goals? It is obvious that a standard of living that is to provide for the general well-being of workers must keep them out of poverty. Throughout the last twenty years, a person working at the minimum wage forty hours a week for fifty weeks a year earned less than the poverty level annual income for a family of four, as it is defined by the government. In 1979, for example, the poverty level income was \$6660. A full year's work at the going minimum wage would have earned the worker \$5800. This sorry state of affairs has become far worse in the late 1970s, when rampant inflation has eaten away at the already inadequate purchasing power of the low paid. Last year, prices rose about 13%. The minimum wage was increased by 8%. Next year it is scheduled to rise 6%, and most economists are predicting double-digit inflation again.

The number of workers covered by the FLSA is also inadequate. Presumably, it is in the spirit of the Act that every worker is entitled to the minimum wage, whoever he or she may work for. Yet only employers whose annual revenues are greater than \$275,000 are compelled by the FLSA to pay at least the minimum. As a result, only 75% of workers in wholesale, retail, white-collar and service occupations are covered. In many states, private household workers are completely unprotected. These occupations are notorious for the low wages they pay.

It is certainly true that the working conditions of the lowest paid would be much worse if the FLSA did not exist. However, as these glaring discrepancies show, we are still very far from a situation in which their wages are set by reference to an acceptable standard of living, instead of being the result of their low bargaining power.

### Political Priorities

Why have the goals of the FLSA been unattainable? From reading the Congressional debates that have preceded each attempt to raise the minimum wage, it is hard to come away with the impression that the central concern is supposed to be the living conditions of low wage workers. Disputes over the effects of proposed increases on inflation and unemployment repeatedly steal the limelight. Every time an amendment has been proposed, the idea is circulated that an increase in the minimum wage will result in the end of life as we know it. In the debate preceding the amendment of 1977, much energy and attention were devoted to a forecast by the

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Chamber of Commerce that the proposed hikes would, by the end of 1980, cause a rise of three percentage points in the inflation rate, and an increase in the jobless total by 2.7 million; that is, the unemployment rate would rise to 11%. This catastrophe, it was anticipated, would have its worst effect on teenagers.

Since the 1977 amendment came into effect, unemployment has continued its slow decline, and teenage unemployment rates have improved slightly. The government estimated that the increases added one quarter of a percentage point to the inflation rate each year. Experience with these minimum wage increases and earlier ones has demonstrated that they have little effect on the economy.

In this case, according to the FLSA, the effects on unemployment and inflation are largely irrelevant to the wage that ought to be set. Yet members of Congress seem unable to free themselves from the philosophy that if an increase in the minimum wage has any adverse effect, then it is a bad thing. What the economy does to the low paid always takes second place behind what the low paid might do to the economy. Testimonies submitted to Congress by representatives of labor and minority groups, arguing for a minimum wage formula based on the poverty level, always fall on deaf ears. Similarly, an early casualty of the 1977 amendment's passage through Congress was a proposal to index the minimum at 53% of the average hourly wage in manufacturing, in order to protect low-paid workers from inflation. This clause was voted down by a substantial majority, on the grounds that it would spark off an inflationary wage spiral. Another proposal, which was discussed at great length and failed in the House by only one vote, would have established a subminimum wage for teenagers, again on the grounds that the proposed hike would be detrimental to their employment prospects, and once again with no concern for the standard of living it would entail.

#### The Future of the FLSA

The last increase ordered by the 1977 amendment comes into effect in 1981. After that, another amendment must be passed, in order to secure further increases. It is obviously necessary that the minimum wage be linked to inflation. This is needed just to keep low-paid workers from becoming even lower paid. But besides indexation, much is required if the intent of the FLSA is to be more than an empty promise. The guiding principle in setting the minimum wage must be the standard of living it enables workers to attain, irrespective of the type of work they do. Thus the Act needs to be extended to cover all workers in small and large establishments alike, and the minimum wage must be made responsive, not to its feared effects on the economy, but to the level of the living wage.

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