The Minimum We Can Do: Wage Floors in the U.S.

UNION PRIVILEGE LIAISONS’ CONFERENCE

April 16, 2015
Denver, Colorado

Sylvia A. Allegretto, PhD
Economist and Co-director,
Center on Wage & Employment Dynamics
University of California, Berkeley
Do not let any calamity-howling executive with an income of $1,000 a day, ...tell you... that a wage of $11 a week is going to have a disastrous effect on all American industry.

~President Roosevelt
The night before signing the 1938 FLSA
FLSA beyond MWs
1938 FLSA & a 25 cent MW

Source: Fair Labor Standards Act & amendments

Allegretto 2015
1966 FLSA & The Two-tiered System

Source: Fair Labor Standards Act & amendments

Allegretto 2015
1966 FLSA & The Two-tiered System

Source: Fair Labor Standards Act & amendments

Allegretto 2015
The Two-tiered System

Source: Fair Labor Standards Act & amendments

Allegretto 2015
Customer provided wage subsidy

- TC = 50%
- TW = 50%

- 1966
- 1970
- 1974
- 1978
- 1982
- 1986
- 1990
- 1994
- 1998
- 2002
- 2006
- 2010
- 2014

$0.00
$1.00
$2.00
$3.00
$4.00
$5.00
$6.00
$7.00
$8.00

$2.13
$7.25

71%
40%
29%

Allegretto 2014
Slip sliding away


Allegretto 2015
...some will win and some will lose

Wage Growth in the USA: 1979-2013

Source: BLS Current Population Survey data

Allegretto 2015
Gender matters

Restaurant industry is booming
Who are MW workers?

- Share of WF
- Within group MW share
- Share of all MW workers

Source: BLS CPS data
MW Policy $10.10

What should it be?

Source: Economic Policy Institute

Allegretto 2015
“One step up & two steps back”
~Springsteen

Source: Economic Policy Institute
States act when FMW erodes
States with TW > $2.13
Natural experiment
MW – TW = Tip Credit

Federal situation: $7.25
Nebraska: $8.00
Arkansas: $7.50
South Dakota: $8.50
Connecticut: $9.15
Washington State: $9.47

Tip Credit
Tipped Wage

$2.13 $2.13 $2.63 $4.25 $5.79 $9.47 $5.12 $5.87 $4.87 $4.25 $3.36

Allegretto 2015
Poverty rates

- Full TC ($2.13 TW)
- Partial TC ($2.13<TW<MW)
- No TC (No TW!)

All workers:
- Full TC: 6.7%
- Partial TC: 6.0%
- No TC: 6.7%

Tipped workers:
- Full TC: 16.1%
- Partial TC: 14.6%
- No TC: 12.1%

Waiters:
- Full TC: 19.4%
- Partial TC: 16.2%
- No TC: 13.5%

Unions & inequality

Middle class share of total income vs Union membership from 1973 to 2011.

...the great recession keeps on giving

Wage Growth in the USA: 2007-2014

Importance of wage floors

- More important as few workers have unions/bargaining power
- Four decades of declining wages
- Recent stagnating family incomes
- Significant increases in student loans
- Workers falling further behind amidst growing inequality
Can we raise the wage floors?

- Yes, both the MW and the TW
  - Natural experiment and credible academic studies

- Polls report 75% want $12.50 MW
  - 53% of Republicans agree
  - 71% support elimination of tipped wage

- Workers, activists & unions push forward
  - FFF $15 and right to collectively bargain
  - Restaurant Opportunities Centers
  - Unions support higher MWs
  - OUR Walmart
THANK YOU!

Sylvia A. Allegretto, PhD
allegretto@berkeley.edu
www.irle.berkeley.edu/cwed/allegretto.html
510 643-7080
Resources

- CWED http://www.irle.berkeley.edu/cwed/allegretto.html
- IRLE: www.irle.berkeley.edu/research/minimumwage
- The Economic Policy Institute: www.epi.org
- NELP: www.nelp.org
- DOL FLSA: www.dol.gov/dol/aboutdol/history/flsa1938.htm