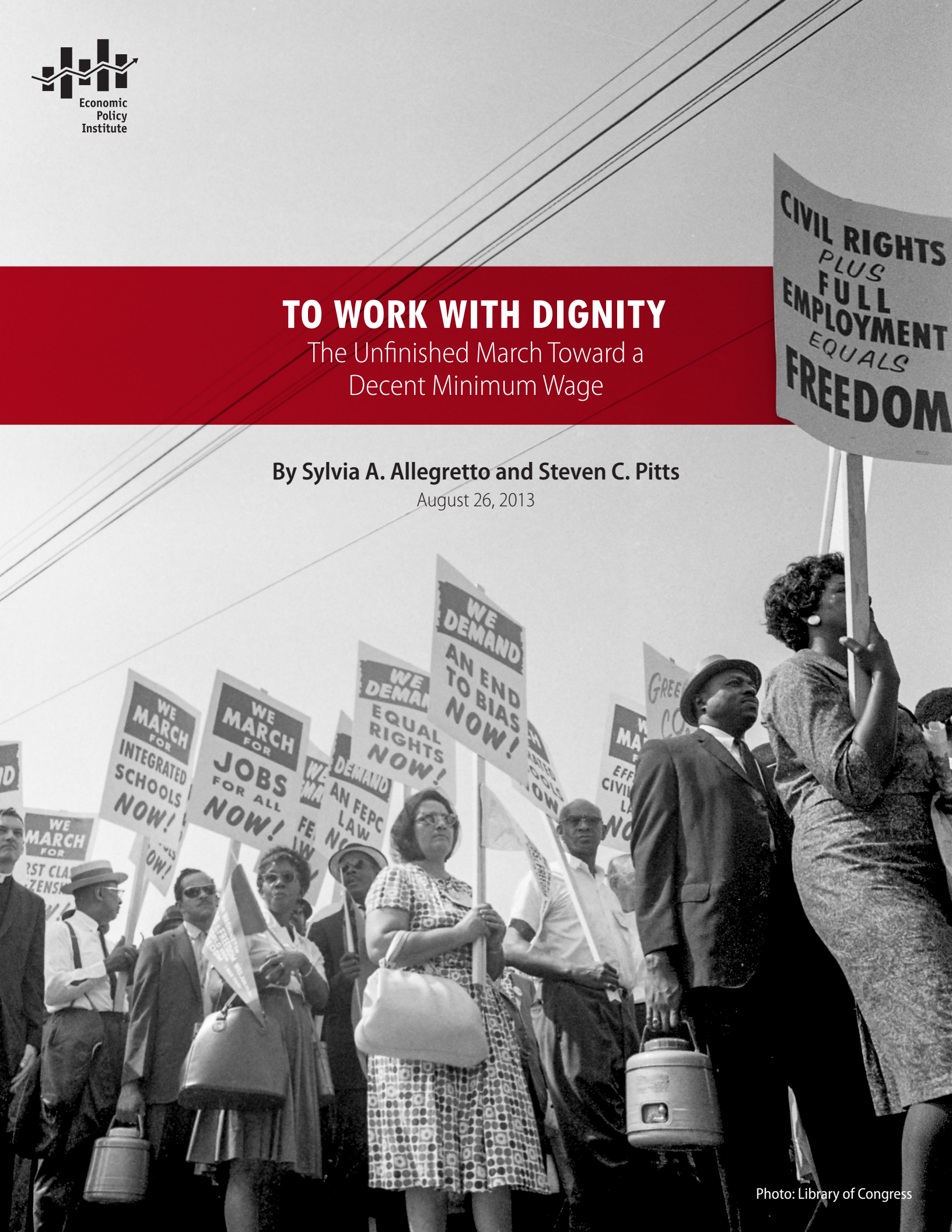


# TO WORK WITH DIGNITY

The Unfinished March Toward a  
Decent Minimum Wage

By Sylvia A. Allegretto and Steven C. Pitts

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Immediately after the Rev. Martin Luther King Jr. delivered his “I Have a Dream” speech at the March on Washington for Jobs and Freedom, Bayard Rustin, deputy director of the march, read off the marchers’ demands.<sup>1</sup>

As they did after each demand was read aloud, the crowd roared its approval when Rustin proclaimed,

We demand that there be an increase in the national minimum wage so that men may live in dignity.<sup>2</sup>

The demand for a higher minimum wage was part of a package of demands seeking economic justice for workers through government intervention in the labor market. At the time of the march about half of all blacks lived in poverty.<sup>3</sup> Due to discrimination in the labor market and the educational system, blacks were heavily concentrated in many of the lowest-paid occupations. An increase in the minimum wage, along with the other march demands, had the potential to lift a large share of the black population out of poverty.

This paper examines the context that gave rise to this particular march demand, presents historical trends in the real (inflation-adjusted) value of the minimum wage and the impact on black workers, and discusses some of the contemporary issues surrounding minimum-wage policies.

Key findings include:

- The 1963 March on Washington for Jobs and Freedom was the latest in a series of events and campaigns designed to bring the United States closer to achieving racial and economic equality.
- The demand for a higher minimum wage reflected the marchers’ belief that the wage floor at the time did not enable hard-working men and women to work and live in dignity, and that the remedy

would require direct intervention in the labor market.

- The passage of the Fair Labor Standards Act (FLSA) of 1938 was an important step, but it was flawed from the beginning as business elites and racist politicians coalesced to limit the coverage of workers in the act.
- The value of the minimum wage peaked in 1968 at \$1.60, which is about \$9.44 measured in today’s dollars; the current minimum wage of \$7.25 is 23 percent less than it was in 1968 in real terms.
- New research has shown that minimum-wage increases have not resulted in reduced employment and thus do not hurt the low-wage workers that the increases seek to help. Rather, higher wages reduce high turnover that is costly to employers; increase consumer spending, which boosts the economy; and help to reduce both working poverty and inequality.
- Female and black workers would particularly benefit from an increase in the minimum wage.
- An effective policy agenda to increase economic security for low-wage workers would:
  - Raise the federal minimum wage. The 1963 March on Washington called for a \$2.00 minimum wage, which is equivalent to \$13.39 today. The Harkin-Miller bill to increase the minimum wage to \$10.10 approaches what the marchers demanded.
  - Increase the \$2.13 subminimum wage for workers who rely on tips to at least 70 percent of the regular minimum wage.
  - Expand the FLSA to cover in-home care workers.

## The economic context of the demand for a higher minimum wage

The 1963 March on Washington took place during the second Great Migration when African Americans left the rural South after the Great Depression. As with the first Great Migration (1910–1930), blacks moved to the Northeast and Midwest regions, and, in greater shares than before World War II, to western parts of the United States. Some remained in the South but relocated in urbanized areas.

The migration was in part a response to both the mechanization of agriculture and subsequent sharp drop in the demand for farm labor, and the growing demand for manufacturing workers in the country's increasingly industrialized urban areas. But blacks were also fleeing the violence (the worst form of which was lynching) used to deny black political rights, destroy black wealth, and enforce an all-encompassing racial hierarchy. Cities in the Northeast, Midwest, and West exhibited a different type of racism, and this difference provided blacks greater—albeit still quite constricted—opportunities to achieve their dreams.

The migration from a predominately agricultural to a predominantly industrial economy changed the occupational distribution of black workers. In 1939, 41.1 percent of black men were employed as farmers or farmworkers. By 1959 (the year closest but prior to 1963 for which data are available) the share had declined to 14.3 percent. The share of black women working on farms also fell dramatically, from 16.0 percent in 1939 to 9.6 percent in 1959. There was an even

sharper decline in black women in domestic service occupations. In 1939, 60.0 percent of black women worked as domestics; by 1959, the share was 35.1 percent (National Research Council 1989, Table 6-1).

These occupational shifts led to large increases in black workers' average annual earnings, which rose 148.9 percent for black men and 130.1 percent for black women between 1939 and 1959. In comparison, white male and female average annual earnings rose 106.7 percent and 51.6 percent, respectively. However, these increases in black workers' earnings did not bring earnings parity; nor did they address the persistent issue of poverty. In 1959, black men earned 52.8 percent of what white men earned; black women earned 60.5 percent of what white women earned (National Research Council 1989, Table 6-5). That same year, over half (55.1 percent) of all black persons lived below the poverty line, while 18.1 percent of whites were in poverty (U.S. Census Bureau *Historical Poverty Tables*). For the marchers, an increase in the minimum wage was one way to address the high poverty rate among black Americans.

## The political context of demands for economic justice

The economic realities of low wages and persistent poverty were not the only context for the demand for a higher minimum wage. The political ground was shifting in response to many decades of civil rights activism in response to racial and economic injustices. While the popular narrative is that of a Southern-based civil rights movement that arose spontaneously in the mid-1950s, the modern civil rights movement (approx-

This is part of a series of reports from the Economic Policy Institute outlining the steps we need to take as a nation to fully achieve each of the goals of the 1963 March on Washington for Jobs and Freedom. Visit [www.unfinishedmarch.com](http://www.unfinishedmarch.com) for updates and to join the **Unfinished March**.



imately 1954 through 1973) had antecedents in earlier episodes of mass civil rights activism.<sup>4</sup>

For example, black activists fought for federal anti-lynching legislation as early as the late 1890s. During the 1930s, blacks mobilized mass demonstrations and boycotts of white-owned stores that wouldn't hire blacks in what were called "Don't Buy Where You Can't Work" campaigns. In the 1930s and 1940s, the National Negro Congress actively fought for racial justice in neighborhoods and workplaces and pursued economic justice by organizing black workers to join the new industrial unions such as the United Steelworkers of America, the United Automobile Workers, and the United Packinghouse Workers of America.

A. Philip Randolph, the founder of the Brotherhood of Sleeping Car Porters, a union of black men who worked on America's railways, threatened a march on Washington in 1941 to protest the expanding defense industry's refusal to hire blacks. The march was called off after President Franklin D. Roosevelt issued Executive Order 8802 establishing the Fair Employment Practices Committee, the nation's first federal anti-discrimination agency.

Also during World War II, black journalists spearheaded a "Double V" campaign calling for victory over fascism abroad and victory over racism at home. In short, in 1963, the March on Washington for Jobs and Freedom was the latest (and largest) of a series of actions against segregation and in support of the pursuit of economic justice.

## **Establishing a minimum wage: The Fair Labor Standards Act of 1938**

Why should any society enact laws that establish a minimum wage? A minimum wage creates a labor standard that establishes a wage floor below which no worker can be paid. A wage floor also reflects a soci-

ety's view of what a decent wage should be and hence, helps to shape labor norms.

State governments first explored passing minimum-wage laws in the early 1900s. The immense power of the economic elites in the late 1800s had created miserable conditions for workers and their families, as blacks were forced to work as sharecroppers in the South and new immigrants were crammed into slums in Northern cities. Workers responded in a variety of ways: Blacks *en masse* migrated from the South, and factory workers and their unions launched large waves of strikes. Progressives in the legislative arena responded to this turmoil by pushing labor market regulations including not just minimum-wage laws but laws on workplace safety and child labor.

Massachusetts enacted the first minimum-wage law in the United States in 1912. Between 1912 and 1923, 17 minimum-wage laws were passed. Then, in 1923, the U.S. Supreme Court, on appeal, declared that an act providing for setting minimum wages for women and children in the District of Columbia was unconstitutional because it violated a firm's "freedom to contract." However, a 1937 Supreme Court decision in another case effectively overturned the 1923 decision.<sup>5</sup> The 1937 ruling provided the constitutional authority to pass the Fair Labor Standards Act (FLSA) of 1938, a significant piece of New Deal legislation that established a national minimum wage (25 cents an hour), maximum workweek (44 hours), and prohibited general employment of children under 16.

The passage of the FLSA came at a price. As the bill traveled through the legislative process, more and more workers were excluded from coverage, starting with domestic workers. Supporters of this exclusion cited as the rationale the constitutional need to limit regulation to those industries involved in interstate commerce and thus subject to federal labor market intervention under the commerce clause of the U.S. Constitution. But the impact of this exclusion most

heavily fell on nonwhites and women, as they were disproportionately performing domestic work (Palmer 1995).

The exclusion of workers in agriculture—a sector clearly involved in interstate commerce—reflected the racial politics of the time. The New Deal coalition of liberal Republicans and Democrats of all ideological stripes dissolved as politicians from the South feared disrupting the racial hierarchy in Southern labor markets. Conservative Southern Democrats became increasingly worried that New Deal legislation would impose wage standards and labor practices that would hurt economic performance contingent on a racially stratified workforce. The definition of excluded agricultural workers was continually expanded as supporters of the bill attempted to win passage first in the Senate and then in the House. The final bill excluded virtually all agriculture workers from coverage; still, few Southern politicians voted for the bill.<sup>6</sup>

The FLSA did establish a national wage floor and codified the notion that all labor should be compensated decently, but it did so imperfectly. Since 1938, worker advocates have waged a constant battle to expand coverage to more workers and adjust the minimum wage to account for price changes over time. Since 1949 the FLSA has been amended seven times, which resulted in 18 total minimum-wage increases. The amendments also expanded coverage to include many nonseasonal/nonmigrant agricultural workers, retail and service workers, and state and local government employees not covered under the original 1938 law.<sup>7</sup>

The FLSA continues to be a work in progress. An important current campaign aims to expand coverage to in-home care workers. The 1974 amendment to the law extended coverage to certain groups of domestic workers but left uncovered workers who live with their charges. The Department of Labor is exploring possible changes to these regulations, and advocates are pushing the department to establish new regulations

that reflect the realities of the homecare labor market and protect live-in domestic workers (Covert 2013).

## The falling real minimum wage forges a pathway to poverty and inequality

At the time of the march, the federal minimum wage was \$1.15, and the demand was for a \$2.00 minimum.<sup>8</sup> A full-time minimum-wage worker would have earned approximately \$2,300 annually, which was not nearly enough to keep a family of four above the official poverty line of \$3,130.<sup>9</sup>

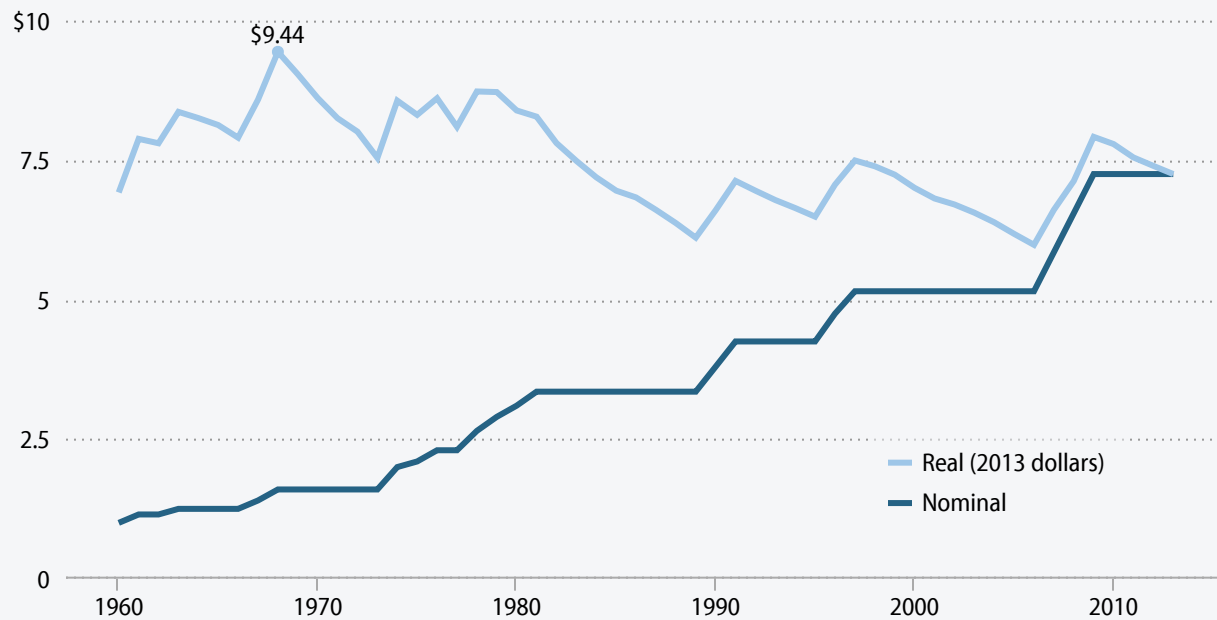
Unfortunately, more than a decade passed before the minimum wage reached \$2.00 (it was raised from \$1.60 to \$2.00 in 1974). While the *nominal value*—the legislated value of the minimum wage—has increased since 1963, the *real value*—the actual purchasing power of the minimum wage adjusted for price changes over time—has fallen. **Figure A** depicts changes in the nominal and real value of the minimum wage from 1960 to 2013.<sup>10</sup>

The irregularity of increases has led to lengthy spells when the real value of the wage floor fell considerably, particularly in two periods, from 1981 to 1989 and 1997 to 2007. As Figure A shows, adjusting for inflation, the current real value of the minimum wage is not near its 50-year high of \$9.44 in 1968, nor is it at its low of \$5.98 reached in 2006 after a decade of inaction. Given that the last increase was in 2009, the real wage floor is once again trending downward.

Figure A reports minimum wages as of December 31 for each year; thus the 1963 nominal minimum wage is reported as \$1.25 because the minimum was increased from \$1.15 that September. In today's dollars the year-end 1963 wage floor is worth \$8.37; thus, when changes in prices are taken into account, today's minimum wage of \$7.25 is worth less than the wage floor around the time of the march (\$7.25 versus \$8.37). Fur-

FIGURE A [VIEW INTERACTIVE on epi.org](#)

## Nominal and real federal minimum wage, 1960–2013



**Note:** Real values are as of December 31 of each year, in 2013 dollars adjusted using the CPI-U-RS.

**Source:** Authors' analysis of Fair Labor Standards Act and amendments

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thermore, had the \$2.00 minimum been instituted at the time of the march, today it would be worth \$13.39—a far cry from today's \$7.25.

Along with the downward trend in the real value of the minimum wage, there have been other important forces at work which have precluded many workers from sharing in the nation's long-run prosperity. Growth in productivity—how fast and efficiently goods and services are produced—along with an expanding economic pie are vital for workers to enjoy real gains in their standard of living. Consider that since the time of the march economic output has more than tripled (Bureau of Economic Analysis, Table 1.1.6), and productivity is up about 130 percent (Mishel et al. 2012, Figure 4U)—yet so many workers still struggle. Then again, a look further back into our history clearly demonstrates two distinct periods that are key to understanding important trends that greatly affect workers today.

From 1947 through the mid-1970s, workers' compensation and productivity grew at similar rates (Mishel 2012).<sup>11</sup> Yes, those with the highest incomes were getting richer, but most everyone else was also doing better. This was a period of broadly based prosperity. But since then, a growing divide between productivity growth and the growth of compensation has meant that workers (especially low-wage workers) no longer share in the gains from their ever more productive labor.<sup>12</sup> From 1973 to 2011, productivity increased by more than 80 percent, but the compensation of a typical production/nonsupervisory worker increased by less than 11 percent (Mishel et al. 2012).

The growing imbalance associated with the wedge between productivity and wages has also contributed to rising economic inequality. For example, from 1973 to 2012, the wages (adjusted for inflation) paid to low-wage workers (those at the 10th percentile—which

means workers who make more than 10 percent of all workers) fell by an average of 0.6 percent, and wages of the typical worker grew by just 3.4 percent. In contrast, wages of high-wage earners (workers who earned more than 95 percent of all workers) rose by 36 percent (unpublished EPI analysis of CPS ORG microdata). A strong minimum-wage policy would help to bring up the bottom and thus mitigate some of the growth of inequality.

The Great Recession and subsequent sluggish recovery with sustained high unemployment have only compounded the long-run effects of wages that have not budged for most workers and rising inequality. According to the National Employment Law Project, much of the post-recession job growth has been in low-wage occupations, while wages have dropped in low- and mid-wage occupations (National Employment Law Project 2012, 2013). These trends coincided more generally with a shift in the share of national income going to labor—it is the lowest it has been since 1966, and the share going to corporate profits is at a 63-year high (Schwartz 2013). A higher wage floor would assure that the benefits of a growing economy would be more broadly shared.

Unsurprisingly, today's minimum wage provides even less of a safeguard against poverty than it did in 1963. In 2012, the poverty line for a family of four was \$23,283 (U.S. Census Bureau 2012). Today a full-time worker making minimum wage earns about \$15,000 a year.

**Figure B** presents the poverty rate among individuals who were in the labor force at least 27 weeks in 2011—the working poor. One in 10 black men and almost one in six black women who were working were nonetheless in poverty. Greater shares of working women are in poverty than working men regardless of race and ethnicity. Although not shown in the figure, shares of workers in poverty in 2011—two years after the official end of the recession—were higher than

they were two years after the official end of the 2001 recession (7.0 percent compared with 5.3 percent) (U.S. Bureau of Labor Statistics 2005, 2013).

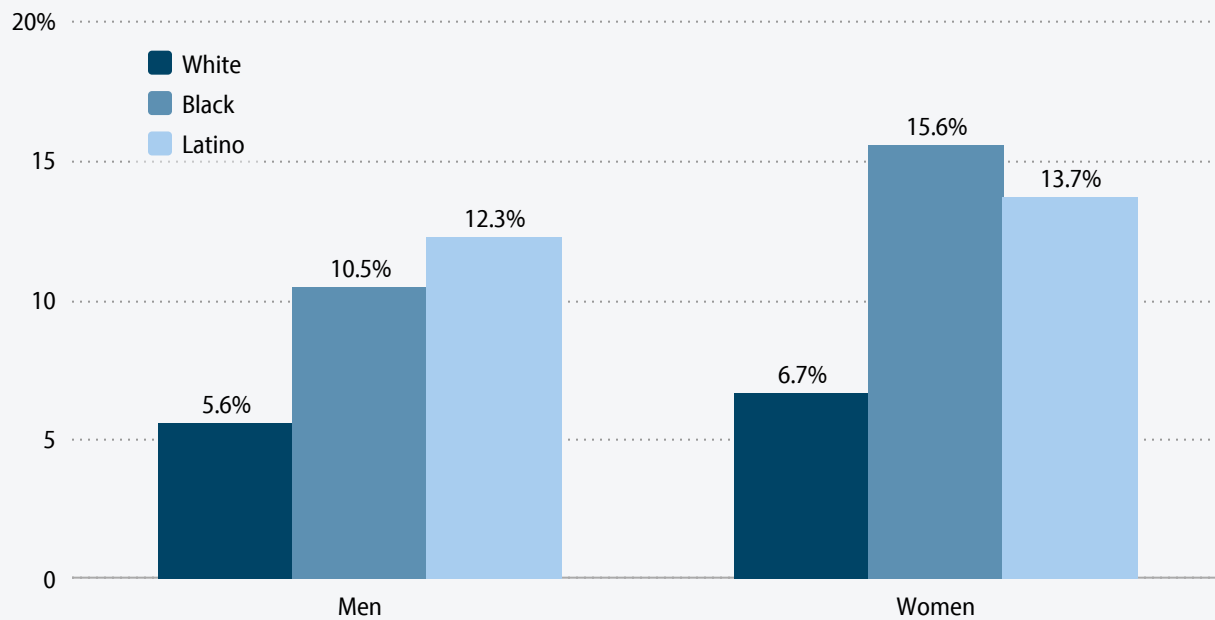
A falling real value of the minimum wage is not the only reason that the bottom has dropped out of the low-wage labor market. The erosion of effective labor laws, a decline in the reach of strong institutions such as unions, and an economy operating far below full-employment (full employment gives workers more power to negotiate better terms of employment) have also played a role. But a strong minimum-wage policy and the associated higher wage floor would help to mitigate these factors. For example, the falling value of the minimum wage over time has contributed to increased inequality; specifically, it explains more than half of the growth in the gap between wages of median workers and workers at the 10th percentile between 1979 and 2009 (Autor, Manning, and Smith 2010).<sup>13</sup> There is also evidence that, in conjunction with the Earned Income Tax Credit, minimum wages lead to moderate reductions in poverty (Dube 2013).

## **Blacks among those who would most benefit from a higher minimum wage**

The decades-in-the-making erosion of wages and compensation for low-wage workers, increasing inequality, and stubborn poverty have continued in the weak post-Great Recession recovery. Raising the minimum wage is an important component of aid to an ailing low-wage labor market. The minimum wage of countries in the Organisation for Economic Co-operation and Development (OECD) hovers around half the countries' median wage (Dube 2013). Throughout the 1960s and 1970s, the federal minimum wage was about half of the U.S. median wage; today it is only about 37 percent (Dube 2013).

In his 2013 State of the Union address, President Barack Obama called for increasing the federal min-

### Share of male and female workers in poverty, by race and ethnicity, 2011



**Note:** Data are from a sample of workers who worked at least 27 weeks in the year.

**Source:** U.S. Bureau of Labor Statistics (2013)

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imum wage from \$7.25 to \$9.00 and thereafter indexing it to inflation so that the minimum wage rises as prices rise. In March, Sen. Tom Harkin (D-Iowa) and Rep. George Miller (D-Calif.) introduced the Fair Minimum Wage Act of 2013. It would increase the federal minimum wage in increments to \$10.10 and raise the subminimum wage received by tipped workers (those who earn a portion of their wages in tips—we address the sub-wage in a coming section) in increments from \$2.13 until it reaches 70 percent of the federal minimum wage. Both the regular minimum and subminimum wages would be indexed to inflation. The Obama plan would bring the minimum wage to 44.7 percent of the median wage, while the Harkin-Miller plan would bring the minimum to 50.1 percent of the median.<sup>14</sup>

**Figure C** shows the shares of white and black workers who earned the minimum wage or less,<sup>15</sup> and shares

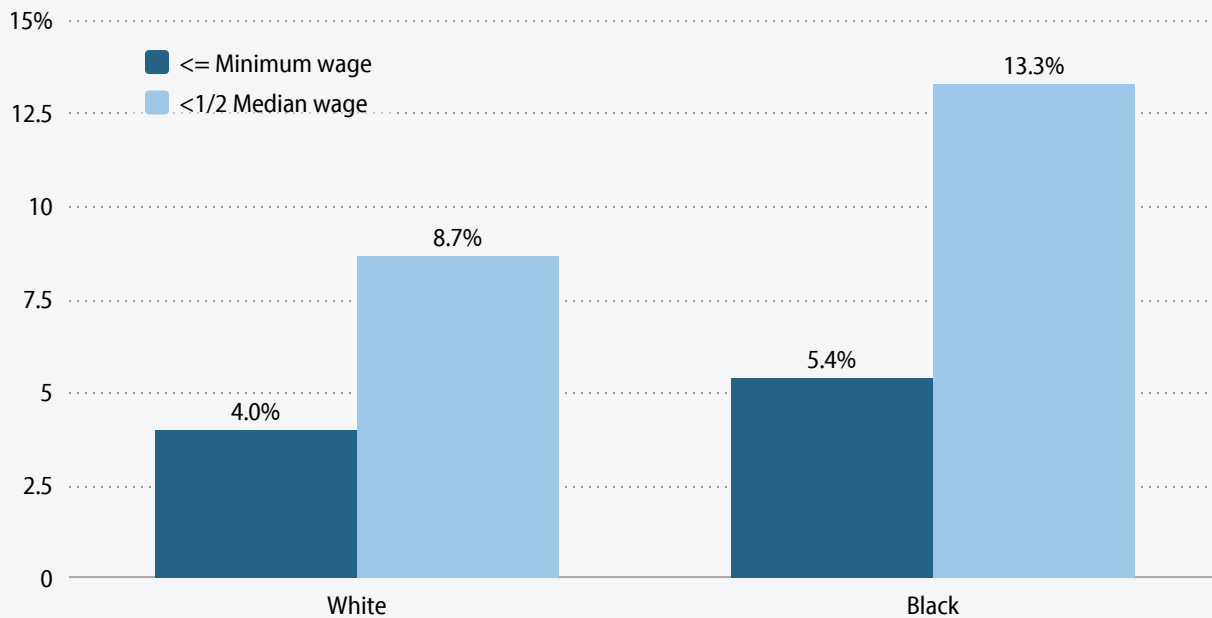
who earned less than half the median wage—both proxies for the low-wage labor market in 2012. Black and white workers would have benefited from a minimum wage set at half the median wage; it would have raised the wages of the 13.3 percent of black workers and 8.7 percent of white workers who earned less than half the median in 2012.

The above provides some insight into how a stronger minimum-wage policy would have affected workers in 2012. Looking ahead, a [report from the Economic Policy Institute](#) (Cooper and Hall 2013) provides a more detailed examination of the impacts of increasing the federal minimum wage from \$7.25 to \$10.10. The study found that a higher minimum wage would affect two sets of workers. Those earning less than the proposed new minimum wage would see a direct increase in their earnings as their employers comply with the law, while those earning slightly above the new wage



FIGURE C [VIEW INTERACTIVE on epi.org](#)

## Shares of white and black workers earning the minimum wage or less, and less than half the median wage, 2012



**Note:** Median wage data come from a sample restricted to workers with wages greater than zero, age 16–64, who are not self-employed.

**Source:** Median wage data come from Current Population Survey Outgoing Rotation Group microdata; minimum-wage data come from authors' analysis of Fair Labor Standards Act and amendments

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threshold would feel an indirect impact as employers increase their wages to maintain their position relative to the minimum-wage earners. This study also found that blacks and Latinos would be disproportionately affected by a higher minimum wage.

Combining the direct and indirect impacts, 14.1 percent of all workers affected by an increase in the minimum wage to \$10.10 would be black. This share is greater than the proportion of blacks in the overall workforce, which is 12 percent. Similarly, Latinos would constitute 24.6 percent of all affected workers, which is larger than their 16 percent share of the overall workforce. It is important to note that all racial and ethnic groups would benefit from the minimum-wage increase. For instance, white workers would make up

54.1 percent of all workers who would receive higher wages.<sup>16</sup>

### Minimum wages do not cause job loss

The benefits of a higher minimum wage are many. As shown in previous sections, minimum-wage increases can lift families out of poverty, provide a counterweight against growing economic inequality, and—by disproportionately affecting blacks, Hispanics, and women—help address race- and gender-based inequities. The benefits are often overlooked in a public narrative dominated by those who say that minimum-wage laws hurt the very people they intend to help. Their argument: A higher minimum wage would force

businesses to lay off workers—especially low-wage workers.

Many of these critics base their concerns on intuition rooted in Econ 101. The basic supply and demand model asserts that any intervention into the supposed “free market” will distort outcomes and, in the case of the minimum wage, reduce employment. In reality, low-wage labor markets are far more complex than the simple demand and supply analysis of a perfectly competitive labor market. Pathbreaking research by David Card and Alan Krueger in 1994 found no evidence that an increase in the minimum wage in New Jersey reduced employment differently than what occurred in neighboring Pennsylvania. Since then, the consensus among researchers examining minimum-wage laws and the labor market is that such laws have a clear positive impact on wages (so they do matter) and at most small impacts on employment—some positive, some negative (see, for example, Neumark and Wascher 2008).

A growing body of new evidence even calls into question the small, negative effects of minimum-wage laws found in past research. These new studies (Allegretto et al. 2013; Allegretto, Dube, and Reich 2011; Dube, Lester, and Reich 2010) not only document that minimum-wage increases have not caused employment losses, they also show why much of the previous research erroneously found small, negative employment effects. Allegretto et al. (2013), a far-reaching paper that used four data sets and six different approaches to estimate minimum-wage effects on employment, concluded that minimum-wage hikes in the range of those enacted over the past three decades did not reduce employment—estimated effects were small and statistically indistinguishable from zero.

In general, this research shows that when estimating the effects of minimum wages on employment, it is important to consider the correlation of minimum wages and changing employment patterns across the

country and other differences between states with high minimums versus those with lower ones.

It turns out that U.S. states with higher minimum wages differ systematically from other states. These dissimilarities include, but are not limited to, differences in business cycle variation, degree of inequality, political economy (for example, 88 percent of high minimum-wage states voted for Obama in 2008 versus 24 percent of low minimum-wage states), and spatial clustering. States with higher minimum wages—typically in the Northeast and West—have tended to be those with lower underlying growth in the demand for low-wage workers. Analyses that fail to account for these other factors will mistakenly attribute the low growth in employment to higher minimum wages, instead of the real causes (deindustrialization, technological change, bad weather, etc.). Indeed, as new research has shown, the apparent job losses documented in much of the previous literature tended to occur *before* the minimum-wage increase occurred—a telltale sign of flawed findings.

Schmitt (2013) in a recent meta-analysis summed up the recent body of research: “The weight of the evidence points to little or no employment response to modest increases in the minimum wage.” Even with the small negative effects found in some studies, total wages of minimum-wage workers would be higher, and therefore they would be better off with a raise in the wage floor.

In addition to refuting the empirical claims of the simple supply and demand model, new evidence has enhanced our understanding of labor market operations, specifically by revealing many ways in which the market may adapt to minimum-wage policies beyond the traditional pathway of lower employment. These “channels of adjustment” include small price increases, lower profits and dividends, higher productivity, lower turnover, and greater product demand (Hirsch, Kaufman, and Zelenska 2011; Schmitt 2012).

Worker turnover provides a concrete example of how minimum-wage increases can benefit workers and firms while improving the overall functioning of the low-wage labor market. Consider the workings of the real job market where firms hire and discharge workers on a daily basis and workers decide to leave a firm or stay on the job on a daily basis. In response to a higher minimum wage, fewer workers decide to leave for new jobs (reduced quits), allowing firms to reduce the number of new hires.

The restaurant industry provides a good example of this channel of adjustment. The industry is a large employer of minimum-wage workers, and it suffers from high and costly turnover. Constant vacancies require constant recruitment and training of workers, with all the associated costs. Recent research (Dube, Lester, and Reich 2011) has shown that increases in the minimum wage are associated with decreases in turnover rates—*overall employment does not decrease*, but the churning of workers slows as firms discharge fewer workers and workers decide to stay on the job longer. The net impact is little change in the overall level of employment. This is an important finding and should be a central point in minimum-wage debates.

Business owners also benefit from the “channel” of greater product demand—something they appear to understand. According to an April 2013 poll, two out of three small business owners agreed that a minimum-wage hike would make low-income consumers more likely to spend money, which would help increase demand for their products; the same share said it would help to alleviate pressure on taxpayer-funded government assistance programs that supplement low-wage workers’ earnings (Small Business Majority 2013).

Indeed, Cooper and Hall (2013) estimated that the additional \$51 billion in wages earned by the roughly 30 million workers affected by an increase in the minimum wage to \$10.10 would, through increased con-

sumer spending, boost U.S. gross domestic product by \$32.6 billion.

## States act in the face of federal inaction

Given the struggles of today’s low-wage workers, and the benefits of a strong wage floor along with the absence of negative employment effects, an increase in the wage floor would be good economic policy. In addition to the economics, many view an increase in the minimum wage as a policy of labor market fairness. A poll, conducted in July 2012 by the public opinion research firm Hart Research Associates, found 80 percent of the respondents agreed that the minimum wage should be raised to \$10.10 an hour: 92 percent of registered Democrats and 62 percent of Republicans supported the wage increase (Winograd 2013).

Even small business owners are in favor of an increase: As mentioned above, 65 percent of business owners polled in April 2013 reported that a higher minimum wage would help to increase demand for their products and help to alleviate pressure on taxpayer-funded government assistance programs needed to supplement low wage workers’ earnings.

Despite support from the public and business owners, the last federal action on minimum-wage policy was in 2009. Periods of federal inaction over the last five decades (Figure A) combined with the public support for higher minimum wages have spurred action at the state, city and, sometimes, local level.

Today, 19 states and the District of Columbia have state minimum wages higher than the federal wage floor.<sup>17</sup> In addition, cities—including Santa Fe (\$10.51), Albuquerque (\$8.50), San Jose (\$10.00), and San Francisco (\$10.55)—have local ordinances mandating wage standards above both state and federal policies. Minimum-wage increases are sometimes passed by ballot initiative—and often pass by signific-

ant margins due to the fairness aspect that surrounds them (Green and Harrison 2009). A ballot initiative to increase San Jose’s minimum wage from \$8.00 to \$10.00 an hour passed in November 2012 by a margin of 59.7 percent to 40.3 percent.

Many states (and some local jurisdictions) also annually index their minimum wages to inflation. The state of Washington was the first to do so in 2001. On January 1, 2013, 10 states adjusted their wage floors to keep the buying power of minimum-wage earnings from falling. At the very least, the federal wage should be indexed annually to keep its buying power from eroding.

## **From minimum to subminimum: The neglect of tipped workers**

The March on Washington’s demand for a \$2.00 minimum wage was part of a larger push to bring some dignity to work in the face of the absence of respect for workers manifested in the low minimum wage and the large number of workers not covered by the Fair Labor Standards Act. While subsequent amendments to the FLSA partly addressed many of these concerns, the politics of the minimum wage helped to create a subclass of workers: those who receive tips. When the FLSA was amended in 1966, the law was expanded to cover restaurant workers and other tipped workers, but a subminimum wage was established for this group of workers.

In 1966, the subminimum wage (also referred to as the “tipped minimum wage”) was set at 50 percent of the full federal minimum wage (Elder 1978). Over the next 30 years the ratio of the tipped minimum to the federal minimum wage varied—from as high as 60 percent to as low as 50 percent (Whittaker 2006). In 1996, amendments to the FLSA increased the regular minimum wage from \$4.25 to \$5.15 in two steps but froze the tipped minimum wage at \$2.13—where it had been

since 1991—in perpetuity. Thus the tipped minimum wage has been \$2.13 for nearly a quarter century.

The existence of this two-tiered wage system comes as a surprise to many. Customers often believe that their tips are a gift on top of a regular minimum wage—instead, customer tips, in part, subsidize the employer by reducing its wage bill. The rationale for the lower subminimum wage for tipped workers is the “tip credit” provision which allows employers to use tips, provided by customers, as credit toward a worker’s wage.

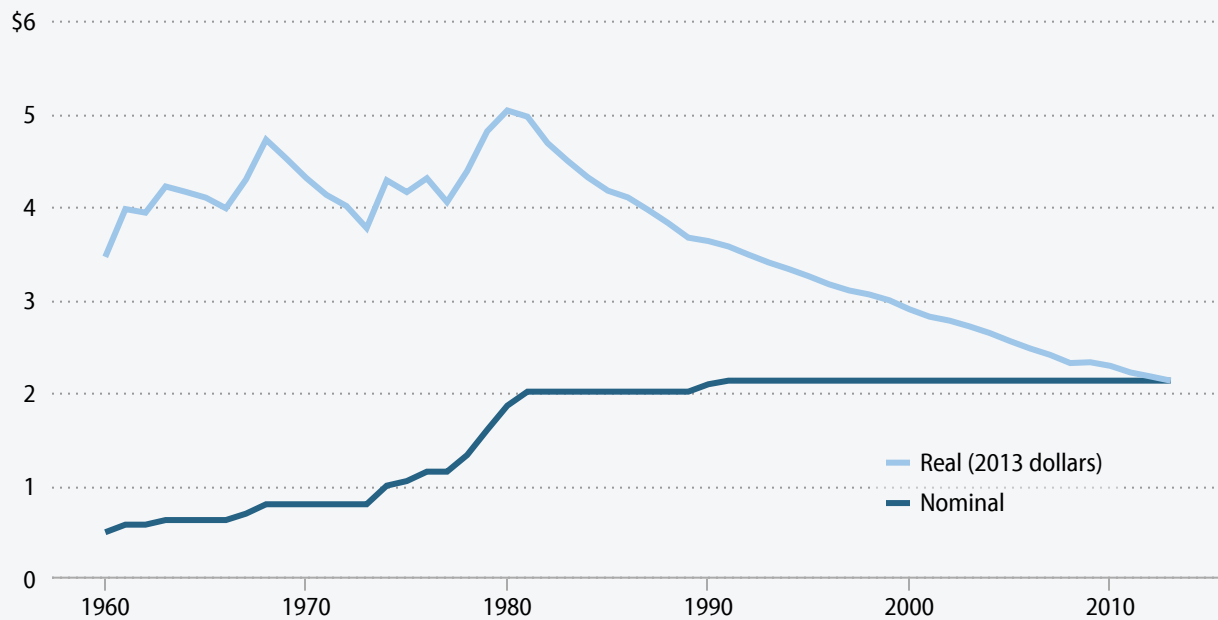
Today the federal tip credit is \$5.12, which is the difference between the regular minimum wage of \$7.25 and the \$2.13 tipped wage; the sum of tips and the employer-provided cash wage must equate to at least the regular minimum wage. If workers do not earn at least the regular minimum wage the employer must pay the worker the difference—although this rarely occurs in practice. Thus, while restaurant customers typically believe their tip is a reward to the worker for good service, in reality, the customers are paying part of the minimum wage instead of the employer.

The history of the nominal and inflation-adjusted (real) tipped wage is depicted in **Figure D**. As the long downward slope in the real tipped minimum wage indicates, it has actually languished for more than three decades.

The low tipped minimum wage is a racial and economic justice issue for two reasons. First, it disproportionately affects blacks. Just as some states have implemented regular minimum wages set above the federal level, many also set higher tipped minimum wages. However, black workers disproportionately reside in states that do not augment the federal tipped minimum wage. Over a third (39.3 percent) of all workers reside in states without higher tipped wages, but more than half (54.1 percent) of black workers live in those states.



## Nominal and real federal subminimum wage, 1960–2013



**Note:** Real values are as of December 31 of each year, in 2013 dollars adjusted using the CPI-U-RS.

**Source:** Authors' analysis of Fair Labor Standards Act and amendments

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Second, it means taxpayers in some states must subsidize higher rates of poverty. Poverty rates for tipped workers are generally higher than for non-tipped workers (14.5 percent versus 6.3 percent). Tipped workers who reside in states without tipped wages higher than \$2.13 are more likely to be in poverty (16.1 percent are in poverty) than tipped workers who live in states with tipped wages higher than \$2.13 (where 14.6 percent of tipped workers are in poverty). Moreover, the states that do not allow a subminimum wage at all have even lower poverty rates (12.1 percent) for their tipped workers (Allegretto and Filion 2011). The state tip credit status matters, but regardless, poverty rates are far too high for this group of workers.

When workers are paid such low wages, taxpayer-provided subsidies, such as food stamps, that help workers to make ends meet also pad the bottom line of the employer. At the very least, the \$2.13 federal tipped

wage must be increased. It should come as no surprise that inaction on this policy is, in large part, due to the influence of the restaurant lobby.

### The Unfinished March for an adequate minimum wage

The 1963 March on Washington called for a \$2.00 minimum wage—an increase of 85 cents from \$1.15. While the minimum wage has increased several times since then, the increases have not kept pace with rising costs, average worker wages, or productivity. At its best, the price-adjusted wage floor was \$9.44 (in today's dollars) in 1968, meaning the current minimum wage of \$7.25 is 23 percent less than it was in 1968.

Clearly, from the perspective of the minimum wage, the March on Washington for Jobs and Freedom is unfinished. We call for the following three actions:

- Increase the federal minimum wage. The march's demand for a \$2.00 minimum wage translates into a minimum wage in 2013 of \$13.39. The Harkin-Miller bill to increase the minimum wage to \$10.10 approaches what the marchers demanded.
- Expand FLSA wage and benefit protections to in-home care workers.
- Increase the tipped minimum wage so restaurant workers and others who now rely heavily on tips have the security of more reliable wages.

A higher minimum wage would increase the wages of our lowest-paid workers without reducing employment. A minimum-wage increase would benefit workers of all races. Whites would likely make up the largest share of workers with increased wages, but because Latinos, blacks, and women are disproportionately low-wage workers, they likely would receive disproportionate benefits. As the U.S. economy slowly recovers from the Great Recession, these changes would also help ensure that economic gains are widely shared, helping to mitigate growing inequality and stubborn poverty.

## Final thoughts

In 1963, the March on Washington for Jobs and Freedom put forth the demand for a higher federal minimum wage so working men and women could earn enough to live with dignity. The march took place during a time when a strong civil rights movement was leading a final assault on the last vestiges of legal segregation. It was also a time when the U.S. economy was resilient and a strong labor movement provided workers with a voice in the workplace and the strength to secure their fair share of the wealth they produced. The demand for a higher minimum wage reflected the reality that a better community for working people needed not only the activism embodied in these movements, but also progressive public policies to protect workers against the abuses inherent in a laissez-faire

economy. While the political and economic context has radically changed, those basic truths endure: A higher minimum wage is essential for a humane society, and vibrant movements for racial and economic justice are the prerequisite to achieve those policies.

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## Endnotes

1. An audiotape of Rustin reading the demands is available at <http://openvault.wgbh.org/catalog/march-777724-bayard-rustin-reads-the-demands-of-the-march>.
2. According to original march plans, the minimum-wage demand was the eighth and read:

“[What We Demand]...A national *minimum* wage that will give all Americans a decent standard of living.

Government surveys show that anything less than \$2.00 an hour fails to do this.” See the March on Washington, Organizing Manual #2 (<http://www.crmvet.org/docs/moworg2.pdf>).

3. Although exact shares of blacks in poverty are not available for 1963, an interpolation of the two closest years of data from the U.S. Census Bureau (1959 and 1966) suggests that about half of blacks were in poverty at the time of the march, compared with less than a sixth (15.3 percent) of whites. (The Census Bureau poverty tables provide a share of whites in poverty for every year from 1959 on; for blacks, data are provided for 1959, 1966, and every year thereafter.)
4. The literature on “the long civil rights movement” linking civil rights activism of the 1950s and 1960s with that of the 1930s and 1940s is vast. See Dowd Hall (2005) for an introduction to this topic. Sugrue (2008) provides examples of the Northern-based civil rights activism. Goldberg and Griffey (2010) present case studies of campaigns to integrate the construction industry. Jones (2013) details the role of black union leaders in civil rights activism leading up to the 1963 March on Washington for Jobs and Freedom.
5. The 1923 case was *Adkins v. Children’s Hospital of the District of Columbia*; the 1937 case was *West Coast Hotel Co. v. Parrish*.
6. See Katznelson (2013) pp. 264–272 for a discussion of the legislative debate over the Fair Labor Standards Act.
7. FLSA amendments often pass a series of minimum-wage increases over several years. The U.S. Department of Labor Wage and Hour Division website provides a timeline of amendments at <http://www.dol.gov/whd/about/history/whdhist.htm>.
8. The federal minimum wage was \$1.15 in August 1963 (at the time of the march) and was increased to \$1.25 on September 3, 1963.
9. Although the official poverty threshold was not established until 1964, the author of that threshold, Mollie

Orshansky, developed the threshold in 1963 (Fisher 1992, Table 1).

10. The exact real amount depends on what inflation adjustment is used. Throughout we employ the CPI-U-RS. See this post from the Center for Economic and Policy Research for different adjustments: <http://goo.gl/spUZO>.
11. For more information, see these charts from the Federal Reserve Bank of St. Louis, accessed July 16, 2013: <http://goo.gl/IjmeI>.
12. For more on productivity growth and worker compensation, see Mishel (2012).
13. See also Mishel (2013) for an overview of this issue.
14. These percentages assume no change from the current median wage between 2012 and the year the proposal would take effect.
15. Some workers earned less than the minimum wage either because their occupation was not covered by the FLSA, or because their employer illegally paid them less than the federal minimum. Additionally, measurement error (misreporting), which occurs at all levels of earnings, may account for a small share of reported wages below the minimum wage.
16. Black and Hispanic shares of the overall workforce are as of June 2013 and come from the Current Population Survey public data series.
17. The Department of Labor maintains a map of which state standards are higher than the federal minimum wage at <http://www.dol.gov/whd/minwage/america.htm>.

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