



## Why Isn't The FLSA Minimum Wage \$33 An Hour?

Insights

3.25.13

U.S. Senator Elizabeth Warren (D-MA) recently asked during a Senate committee hearing why the federal Fair Labor Standards Act's \$7.25-per-hour minimum wage has not already increased over time to the level of \$22 an hour. A professor appearing at the hearing opined that a case could be made for a current rate of \$33 an hour.

So why *isn't* the FLSA minimum wage more than 450% higher than it is today? Maybe the more relevant points to ponder in evaluating this are why President Obama proposed an increase to only \$9.00 per hour, and why those who criticized this as being too low are seeking to raise the minimum wage only to \$10.10 per hour – and even then to do so in three steps, instead of immediately (links to bills below).

### Not Explained By The Poverty Rationale

President Obama's stated reason for an increase, echoed in one form or another by many others, was that no one who works full-time should have to live in poverty. But the 2013 federal poverty threshold for an individual is a little less than \$11,500 annually, which would be achieved by working 40 hours a week at a wage rate of approximately \$5.53 per hour, or about 24% *less* than *today's* FLSA minimum wage.

By contrast, the current poverty level for a family of four is set at a bit more than \$23,500. A \$10.10 minimum wage (which under current proposals would not even be reached until 2015) would produce about \$2,500 *less* than that – only around \$21,000 annually at 40 hours a week.

And the Economic Policy Institute projects that over 47% of the workers who would be affected by a rise to \$10.10 per hour already have annual family incomes of \$40,000 or more – a range that *starts* at 170% of the family-of-four poverty threshold. EPI estimates that 30% of those family incomes fall into the range of \$60,000 or more, with nearly 21% at \$75,000 or more.

Whatever else one thinks about the proposed minimum-wage rates, they have no readily-apparent connection to poverty considerations.

### The More-Likely Explanation

Those who take the view that a jump in the minimum wage is ill-advised in the current economic climate do so for a variety of reasons, foremost among them being the prospects that such action will curtail future hiring and will increase already-high unemployment levels. Many critics of these

will curtail future hiring and will increase already high unemployment levels. Many critics of these concerns allow no room even for honest, good-faith, reasonable disagreement on the matter. The U.S. Labor Department has been so bold as to impugn opponents' veracity and/or intellectual rigor in e-newsletters labeling their concerns as being "myths" that are "false".

Nevertheless, the far-more-likely explanation for why the FLSA minimum wage is not already orders of magnitude higher than \$7.25, and why even most of those who propose to increase it do not advocate doubling or tripling it and doing so right away, is the awareness that in fact opponents' concerns **cannot** be summarily dismissed as "myths" or as being "false". These concerns must be especially troubling today, when indications are that employers are already contemplating reductions in their workforces and in their employees' hours worked for other reasons. Perhaps the unstated for-the-greater-good aim is to fine-tune an increase in the minimum wage to a supposedly "acceptable" level and kind of reduced and forgone employment.

[H.R. 1010.pdf \(252.68 kb\)](#)

[S. 460.pdf \(248.74 kb\)](#)