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Abstract:
This paper examines the short and long-run effects of the highest federal minimum wage of the 20th century on wage earnings, employment, public assistance receipt, and wage inequality following the 1966 Amendments to the Fair Labor Standards Act (FLSA). These Amendments were the high water mark of almost 15 years of sustained real wage increases in the U.S. and, in addition to raising wages of covered workers by over 30 percent, added coverage for an additional 9.1 million lowest earning workers. Using the 1960 census and March CPS, we show that workers in lower earning states, occupations, and industries experienced significantly larger increases in wages following the 1966 Amendments. Using a two-sample, two-stage least squares procedure to rescale these estimates shows that the implied wage gains among workers affected by the Amendments are roughly 7 times those documented in Card (1992). We then examine the magnitude of disemployment effects reported by workers in the March CPS. At the mean, we find that a 50 percent increase in the share of workers affected by the minimum wage leads to no more than a 0.07 percentage point decline in employment and 0.02 decline in weeks worked over a decade.