

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date October 20, 1949

To Governor Eccles

Subject: Fair Labor Standards Amend-

From Mr. Cherry

ments of 1949.

There is attached a copy of the conference report on the Fair Labor Standards amendments of 1949. This report was agreed to by both the House and the Senate prior to adjournment. Presumably the President will approve it.

The principal changes made in existing law are as follows:

1. Increases the minimum wage from 40¢ to 75¢ per hour.
2. Narrows the scope of the present law with respect to employees engaged in the production of goods for commerce. Under existing law, this work must be "necessary" to the production of such goods, whereas under the new Act such work must be "directly essential" to the production of such goods.
3. The meaning of "regular rate" of pay is clarified by excluding such items as gifts, certain payments for extra services or hours, and contributions for retirement plans.
4. The exemption of employees in retail or service establishments is clarified and broadened. In general, a retail or service establishment is exempt if it meets three primary tests -- first, over 50% of its sales by annual dollar volume of goods or services must be made within the State; second, not less than 75% of its annual dollar volume of sales of goods or services must not be for re-sale; and third, 75% of its annual dollar volume of sales of goods or services must be recognized in the particular industry as retail sales or services.
5. The child labor provisions are strengthened, the Act is extended to Puerto Rico and the Virgin Islands, and some administrative provisions are clarified.

A detailed and enlightening discussion of the changes made in the law commences on page 13 of the attached conference report. The discussion relating to retail and service establishments commences on page 23.

No change is made in the law with respect to its application to Federal Reserve Banks.

MCC