



Amazon's Wage Hike Comes with Strings

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Amazon workers in the U.S.—full-time, part-time, temporary and seasonal—will earn at least \$15 an hour starting on Nov. 1, the online retail giant announced Oct. 2. But there's a catch or two, critics are pointing out.

First, the good news: Amazon said the wage hike would benefit "more than 250,000 of its employees, as well as over 100,000 seasonal employees" who will be hired for the holiday rush. "We listened to our critics, thought hard about what we wanted to do, and decided we want to lead," stated CEO Jeff Bezos.

Another positive: *Money* magazine's website reported that "Workers whose pay was already above \$15 per hour will get hourly raises of \$1, according to two people familiar with the matter who asked not to be identified discussing the company's compensation practices."

The move "shouldn't come as a shock—Amazon is in direct competition with other large-scale retail stores like Walmart and Target to employ the same group of workers, and these big-box retailers have been steadily raising wages over the last few years to attract and keep the best workers," said Michael Farren, a research fellow at the Mercatus Center at George Mason University in Arlington, Va. "Amazon hired 120,000 workers for the holiday rush last year and will be hiring even more this year, so the wage increase just makes economic sense, especially given the current low unemployment rate."

Amazon Giveth—and Taketh

Workers' enthusiasm over the company's announcement dimmed, however, when two days later the company said it would pay for the wage hike by eliminating monthly bonuses and stock awards for warehouse workers and other hourly employees.

The website MyNorthwest reported the details this way:

Before the raise, warehouse workers received anywhere from two to three Restricted Stock Unit (RSU) awards, vesting in full after two years. Sitting at around \$2,000 a share, Amazon stock is traditionally touted as a massive value-add for employees when determining base wages. On top of that, employees also received monthly bonuses through the company's Variable Compensation Pay (VCP) program, with the ability to earn up to 8 percent of their monthly income.

Time-based restricted stock units are a form of company stock, or equity, granted to eligible employees through a vesting plan. These units can only be converted to sellable shares if workers stay with their company for a particular length of time.

Raising base pay while eliminating incentive-based compensation could have advantages and disadvantages for Amazon's employees, said Ketan Kapoor, CEO and co-founder of Mettl, an HR technology talent-measurement firm. He said the pluses for low-wage workers are:

According to the website Yahoo! Finance, the typical Amazon worker received \$1,800 to \$3,000 a year through the company's variable compensation program, and these bonus earnings could double during peak months. An anonymous employee told the news site that while an additional \$1-an-hour raise adds up to \$2,080 a year in total earnings, employees "could have earned a few thousand dollars more from the incentive programs" that Amazon has axed.

Amazon responded in a statement that "because it's no longer incentive-based, the compensation will be more immediate and predictable" for hourly workers. Additionally, the company has disputed that overall pay for hourly employees would decline, according to several media reports.

"Although raising the minimum pay to \$15 is fair in the sense it is substantially higher than the regular U.S. minimum wage, Amazon should give workers a choice if they would rather be compensated with the \$15-per-hour base or with the previous variable plan," said Stacy Caprio, a financial blogger at fiscalnerd.com.

In its Oct. 2 announcement, Amazon said that it "will be working to gain congressional support for an increase in the federal minimum wage," which was set at \$7.25 per hour nearly a decade ago, and that it intends to "advocate for a minimum wage increase that will have a profound impact on the lives of tens of millions of people and families across this country."

That pledge provoked concerns among some free-market advocates.

"This is a tactic that economists call 'raising rivals' costs,' and it's intended to make it harder for business competitors to compete on the basis of lower prices," Farren said.

"Now that [Amazon] has raised its own per hour labor costs, it wants its competitors' labor costs raised too," blogged Ryan Bourne, an economist at the Cato Institute, a libertarian think tank. However, "some businesses face such tight margins that they could not possibly do what Amazon has announced."