

Walmart Changes the Debate on Minimum Wage

By Rob Garver

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Walmart's announcement Thursday that it would raise its lowest-paid workers' wages to \$10 an hour by next year provoked a wide range of reactions in the public policy community, where a fight over President Obama's call to raise the minimum to \$10.10 has been raging for more than a year.

The retail behemoth said that it was raising wages in order to attract and retain good workers, despite the fact that it would take a short-term hit to its financial bottom line. But some in the policy community wondered if there might be a little more to it — and suggested that, whatever Walmart's motives may be, the company's move could sway the national debate.

Daniel Mitchell, a senior fellow at the Cato Institute who has argued against increases in the minimum wage in the past, said that in general, a company's decisions about what to pay its workers ought to be made without government interference. In this case, he said, the company's decision may be based on more than just business factors: "Normally I would say that what private companies are paying their workers should be totally irrelevant to the public policy process, but I suppose in this case it may be there is some PR-type benefit that Walmart expects to get."

Another possibility, Mitchell added, is that the company believes it is in a better position than its competitors to absorb a wage increase, and will become a public advocate for a federally mandated increase. "One would hope they wouldn't do that," he said. "But private companies have in the past used government coercion to screw over their competitors."

Jared Bernstein, a senior fellow at the Center on Budget and Policy Priorities, noted that the economic argument for the move isn't completely clear. "I know people are viewing it as signal of tightening job market but I'm not sure that's quite right," he said. "If that's the motivator, why commit to wage increases years down the road as opposed to just bumping up current wage offers?" Walmart executives said the hike, which will cost \$1 billion a year, would boost worker morale and improve customers' shopping experience, translating to long-term gains for the company.

Advocates of raising the minimum wage, who might have been expected to cheer the announcement, were underwhelmed. "Wal-Mart's statement that it will be raising wages for

many of its workers is obviously welcome on its face,” said Economic Policy Institute Research Director Josh Bivens in a statement. “Yet the excitement generated by this announcement really just highlights how beaten down expectations about wage-growth in the U.S. economy have become.

“Let’s be clear about this: wages rising should be the norm in the American economy and should happen all the time without fanfare. The fact that an announcement that some workers in one company might get a raise is treated as a newsworthy blockbuster shows just how far we have to go before we have an economy that is genuinely working for most Americans.”

Bivens also said that until there is evidence that Walmart workers’ wages will continue to at least keep pace with inflation, there is little reason to celebrate.

Others, like Bernstein, pointed out that the move will likely have important implications for the ongoing debate about the federal minimum wage.

“Given Congressional gridlock, we’ve already seen states take matters into their own hands,” he said. “Now we have a large, low-wage employer raising their own minimum wage. While I still think the federal increase is important, especially in the South where fewer states have acted, it will be less so if other states and firms continue to take such actions on their own.”

The Cato Institute’s Mitchell said the move could wind up blunting calls for the federally mandated increase, and pointed out that the vast majority of workers already earn more than the minimum and that employers will raise wages when business conditions merit such a move. “I believe the market works,” he said.

One way or another, workers across America hope Walmart’s move signals the start of a trend that will see others get raises soon, too.