Select® Workforce Specialists

www.select.com

The case for retaining quality workers with better wages.

Presented by Keith Wisner, Vice President, Supply Chain Analytics

> *In nominal (current dollar) terms, the federal minimum wage has risen from 25 cents an hour in 1938 to $7.25, where it has remained since July 2009. Legislated minimum wage hikes have occurred at irregular intervals while consumer prices have risen almost without interruption. Over time, this fact has consistently reduced the purchasing power of the minimum wage. In fact, if the minimum wage had only kept pace with inflation since 1968, it would now stand at $10.74 per hour.*

While the federal minimum wage has not increased in six years, many leading companies are increasing wages for hourly workers, convinced that higher wages—even for starting positions—will give them an advantage in worker productivity and retention.

The federal minimum wage has stayed at $7.25 an hour since the summer of 2009. Inflation, while relatively low in historic terms, has significantly increased consumer prices in the intervening years, reducing the buying power of hourly workers and putting new strains on their household budgets.

This dynamic, coupled with a labor market that has tightened considerably since unemployment peaked in 2009, has caused many top companies to increase hourly wages on their own, without a government mandate. These organizations believe higher wages will help them attract and retain higher quality workers and boost overall productivity. This development, in turn, is increasing the pressure on other companies to boost hourly wages as well.

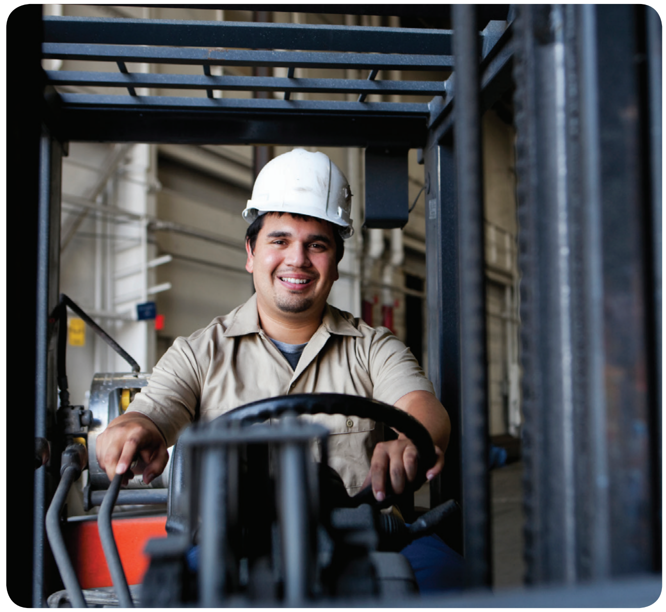
There is reason to think that increasing hourly wages will give employers an edge. After all, workers earning at or near the minimum wage have seen the real value of their paychecks diminish steadily as the cost of living has increased and as wages remain stagnant. In fact, the purchasing power of the minimum wage in the United States was roughly 50 percent higher in 1968—almost half a century ago.

Businesses now raising hourly wages are not doing so in a vacuum. Private sector leaders are looking at the economic landscape, the employment picture and their own needs—and making a calculated business decision to raise wage rates independently. The goal? Higher quality workers, less turnover and improved productivity.

The companies raising wages beyond the federal minimum wage include **some of the most successful and iconic businesses in the United States:**

- Walmart increased baseline pay to $9 per hour as of April 2015. The nation's largest retailer has publicly vowed to boost that wage by another dollar per hour in 2016.
- On January 1, 2015, IKEA established a similar wage floor of $9 per hour in the U.S. and will increase average minimum pay to nearly $12 an hour in 2016.
- Costco's starting pay is $11.50 an hour, with the club store's average employee earning $21 an hour, not including overtime.
- In-N-Out Burger, a West Coast fast food chain, starts employees at $10.50 an hour.
- At Whole Foods, workers earn a minimum starting wage of $10 an hour.
- As of July 1, 2015, McDonald's raised starting wages at all company-owned U.S. restaurants to no less than $1 more than the local minimum wage and gave employees personal time off. (Many locations already pay new hires substantially more than the minimum wage.)

"One recent study found that raises at major American companies increase productivity and performance, enhance customer service, reduce turnover and attract better job candidates."



Current research supports moves by employers to increase wages. One recent study found that raises at major American companies increase productivity and performance, enhance customer service, reduce turnover and attract better job candidates. Other research confirmed that higher wages gave companies an edge in recruiting and retaining workers while increasing overall efficiency as managers were able to ask associates to work harder and accomplish more per hour.

Many companies and business executives are reaching similar conclusions about higher wages. The latest CareerBuilder survey found that more than three-fifths of employers (62 percent) believe the minimum wage in their state should be increased. A majority of top company leaders (58 percent) share this viewpoint.

Select, a leader in light industrial staffing, is part of the EmployBridge portfolio of innovative supply chain workforce solutions companies, including transportation (ProDrivers), manufacturing (ResourceMFG), and logistics (ProLogistix).