



On Minimum Wage: Mind the Gap

By Jack Temple
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Just 24 hours after Senate Republican Leader Mitch McConnell (R-Ky.) [warned](#) that raising the minimum wage to \$10.10 per hour from \$7.25 would deal a “devastating blow to the very people that need help most,” Gap Inc. [announced](#) it would raise employees’ minimum pay to \$10 per hour by next year.

In striking contrast to the alarms sounded by McConnell, Gap chief executive officer Glenn Murphy emphasized the benefits of this pay raise for the company’s lowest-paid workers. He described it as a “strategic investment to do more for our employees” — one that will help “attract and retain a skilled, enthusiastic and engaged workforce.”

If there’s a lesson in the recent tug-of-war over the Congressional Budget Office’s [report](#) estimating the impact of a federal minimum wage increase, it’s that despite the dire predictions made by opponents of raising the minimum wage, many CEOs have already seen that higher wages are good for business.

For other major retailers have echoed Gap’s rationale. Costco, which supports Obama’s call for raising the minimum wage to \$10.10 per hour, starts its entry-level employees at \$11.50 per hour. This is significantly more than its closest competitor, Sam’s Club, which is owned by Wal-Mart. Costco also has almost double the sales per employee compared to Sam’s Club.

Similarly, the starting wage for full-time employees at the grocery retailer Trader Joe’s is between \$40,000 and \$60,000 per year — more than twice what many of its competitors pay. The sales revenue per square foot at Trader Joe’s is three times higher than the average U.S. supermarket.

Even Wal-Mart, a notoriously low-wage employer, said in a recent interview that a federal minimum wage increase would mean more money in the pockets of many of its customers. This could generate a boost in sales revenue that could “offset and maybe even exceed whatever impact you pay out to associates,” [according](#) to Wal-Mart spokesman David Tovar.

These big retailers are not the only business voices that see the value in paying higher wages. A national [poll](#) of small business owners last year found that 67 percent support raising and indexing the federal minimum wage, citing the benefits of increased consumer spending these higher wages could fuel.

It’s not only on the question of how pay raises will affect businesses that the rhetoric from minimum wage opponents tends to depart from reality. McConnell’s suggestion that a pay raise would somehow hurt low-wage workers would surprise low-income Americans themselves. According to [recent polling](#), they support raising the minimum wage by nearly nine-to-one.

If reducing job opportunities is really a concern, it's worth noting that the most recent and rigorous [research](#) on minimum wage finds that higher pay does not reduce employment. In fact, job seekers [support](#) raising the minimum wage as well, by a rate of seven-to-one.

Opponents of raising the minimum wage will likely continue to present themselves as advocates for U.S. businesses, or even low-paid workers, by issuing the same dire predictions of job loss they've repeated for the past century. But as companies like the Gap demonstrate for workers, businesses, and the economy as a whole, the only "devastating blow" that will be dealt by a long-overdue minimum wage increase will be to the credibility of these opponents.

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