

## Raising Wages to Raise Profits

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The workers ringing up your meatballs and helping you find shelving units on your next trip to Ikea will have something to smile about starting next year: higher pay. The Swedish home furnishings giant [announced Thursday](#) that it will raise its minimum wage by 17 percent, with its average minimum wage jumping to \$10.76-- and workers in high-cost cities getting more than \$13 an hour.

Ikea joins a growing chorus of large corporations trumpeting pay raises for employees or abandoning long-held opposition to minimum wage increases. In February, Gap, Inc. announced it would raise minimum wages to \$10. And even fast-food companies like McDonald's and Subway, who have been hit with a wave of worker protests over low wages, have recently acknowledged the sky wouldn't fall if wages went up. [McDonald's recently said](#) it could manage an increase to \$10.10, as proposed by President Obama. And Subway CEO Fred Deluca dropped his long-standing position against the minimum wage, and [expressed support](#) for indexing the minimum wage to inflation.

Unfortunately, the trend of major employers supporting an increased minimum wage hasn't changed the minds of Republicans in Congress, who've vowed to fight legislation that would make life a little easier for millions of low-wage workers. Senate Minority Leader Mitch McConnell, who has filibustered minimum wage legislation, argued that raising the federal minimum wage from just \$7.25 to \$10.10 an hour would lead to job losses and hurt businesses.

Yet the companies that have raised wages on their own reject that logic. "We weren't swayed by any of those conversations," GAP CEO Glenn Murphy [told CBS News](#). "Our instincts are that when it's all said and done, this is a race for talent. And if we have the best talent in our office, in our distribution centers, in our call centers and mostly in our stores, then we're going to win. And we've got evidence already. Our applications to Old Navy since our announcement are up 20 percent."

Ikea echoed that sentiment today in its explanation about the move to raise wages at its stores; IKEA President Rob Olson said that Ikea will not cut staff, reduce hiring, or raise prices--and that IKEA expects the decision to actually benefit its bottom line in the long run.

It's not news that businesses that pay competitive wages enjoy greater productivity, attract more qualified candidates, and retain more of their workers, with better overall performance over time. Trader Joe's, which pays its employees a starting salary of \$40,000 - \$60,000 per year, has a sales revenue per square foot three times higher than the average U.S. supermarket. Costco, which supports Obama's push for a federal minimum wage increase, pays its entry-level employees a starting wage of \$11.50 per hour--significantly more than its competitor Sam's Club, which is owned by Walmart. Despite higher wages, Costco beats Sam's Club by almost double when it comes to average sales per employee.

Even Walmart itself, which pays employees notoriously low wages and has bitterly fought efforts at unionization, acknowledged recently that a higher federal minimum wage would mean more money in the pockets of many of its customers and higher sales revenues for Walmart. Walmart spokesman David Tovar [conceded](#) that the expected increase in sales could "offset and maybe even exceed whatever impact you pay out to associates."

The most comprehensive [economic research](#) to date confirms what Ikea, Gap, and even Walmart acknowledge: that increasing the minimum wage does not hurt businesses or cost jobs. Maybe that's why 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 higher wages could fuel. More and more business owners, from [billionaire CEOs](#) to mom-and-pop shop owners, are recognizing that paying workers poverty wages is only shrinking the middle class and leading to a widening gulf between the haves and the have-nots that hurts us all.

Perhaps the only question left is why minimum wage opponents doggedly cling to scare tactics and discredited myths to prevent millions of American families from earning a fair wage for honest work.

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