The reason walmart raised its minimum wage

Business, Company

Walmart, the world's largest retailer, will raise its base hourly wage to $9 beginning in April. By the following February, all employees will make at least $10 an hour.

But did the new tax cut actually make a difference? Would Walmart have still increased the worker pay and approved bonuses hadn't tax rates been cut?

Firstly, Walmart has already been raising wages, and began doing so well before the corporate tax cut passed. It first did so in a well-publicized move in early 2015, when it raised its minimum wage to $9 an hour. In 2016, it followed up with another increase to $10. The current increase simply continues a trend it started three years ago.

Secondly, there are reasons for Walmart to increase benefits even with absence of tax cut since there is a lot happening in labor market. With the current scenario where labor market around the country have grown tight and The nation's unemployment rate now at nearly 4%, at least some employers feel wage increases are necessary to attract and retain their best workers.

Thirdly, as many states and cities around the country raise their minimum wage requirements above the federal level (i. e. $7. 25 since 2009), if they want to stay enough above the legal minimum to distinguish themselves from other low-wage retail and fast-food establishments, retail corporation like Walmart are sometimes forced to raise their pay.

Fourthly, The Company has also rolled out three big new benefits—fully paid maternity leave of 10 weeks for full-time employees; fully paid parental leave for spouses of newborns, of six weeks; and up to $5, 000 to employees who want to adopt a child. These are “ sticky” benefits—the kind that might keep you from leaving Walmart just to earn 50 cents or $1 an hour more, or might woo you to Walmart in the first place.

Why would Walmart or any other employer choose to raise their costs?

Walmart is doing so because it has come to believe this is good for its bottom line. Economists have long argued that even within a narrow industry and region, employers have choices over their labor market strategies, and how to best compete. Some choose a “ low road” or low cost strategy, competing on the basis of the lowest labor costs possible, and tolerating the resulting high turnover and weak worker performance. Others choose a “ high road” strategy, investing in the skills and performance of their workers, and lowering worker turnover in the process.

Walmart is choosing to take a higher moral ground in its human resources policies. Tired of its reputation as a bad employer, and of the low-performing employees it was attracting, the company chose instead to raise pay and train more, betting that this approach would improve the firm’s performance and profits over time. According to me, Walmart executives believe this strategy is working, and will continue to implement it while encouraging other retail employers to do the same.

There are many market-based reasons for Walmart and other employers to raise worker pay and performance; they didn’t need a large corporate tax cut to minimize the wage. At least for now the huge fiscal costs and unequal benefits created by the new tax bill are clearly not justified by any gains it will bring to workers.