



WAGES: Retail, Restaurant Benefits to Feel Pain of Wage Hikes; Increase in Minimum Wages Could Have Ripple Effect on Other Benefit Programs

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John Thompson was quoted in *Employee Benefits New* on January 7, 2015. The article “WAGES: Retail, Restaurant Benefits to Feel Pain of Wage Hikes; Increase in Minimum Wages Could Have Ripple Effect on Other Benefit Programs” discussed how numerous states and cities across the country voted during the midterm elections to raise their minimum wage, which has those in legal and retail predicting changes to other benefits that could occur as a result.

John explained that initial impacts will be felt in industries where traditionally there have been a higher proportion of minimum wage employees, such as the fast food, restaurant and retail sectors. But he noted that aftershocks could end up in other areas of the workforce.

“The thing that people miss in a lot of these debates about minimum wage increases is that unless an employer is ready to build a bunch of wage compression into its system, the impact of the minimum wage increase is going to ripple through an employer’s entire compensation system,” stated John.

Things such as the Federal Insurance Contributions Act tax, a federal payroll tax imposed on both employees and employers to fund Social Security and Medicare, may be indirectly increased as a result of the increased percentage of compensation smoothing many employers will have to figure out. It could be a burden to the entire industry, said John.

According to John, whose practice focuses on wage and hour law, employers will revisit what benefits they have or what levels of benefits they provide.

“If they’ve got a finite pool of compensation resources, and by law they must allocate more of those resources to wage rates, then it might well affect whether or what levels they adopt, or continue other benefits they might be providing,” John said.

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