Touted Developments Contradict Rationales For Minimum-Wage Increase (Updated 09 14 14)

Insights
9.12.14

UPDATED 09 14 14: The most-recent example of USDOL's public-relations campaign can be viewed at this blog post, which was published yesterday [Editor's Note: This link has since been disabled]. Imbedded in the post is a short video entitled, "Business Owners Say Raise The Wage".

Of course, nothing prevents the featured owners from acting upon what they advocate by immediately implementing a $10.10 minimum, and for credibility's sake they must surely already have done so. None of them explains why every other covered employer across the U.S. should be forced under penalty of law to go along with what they have *voluntarily* concluded is a desirable thing to do.

_____

A White House report [Editor's Note: This link has since been disabled] has extolled wage-rate increases by "state legislatures and governors; mayors, county executives and city councils; and business leaders" as supposedly being compelling reasons to raise the federal Fair Labor Standards Act's minimum wage to $10.10 an hour. A flood of public statements by the U.S. Labor Department (in apparent contravention of Congress's 2014 appropriations limitation) and numerous media discussions have been to the same effect.

But leaving aside for now the much-debated question of whether it is ever a good idea to have a legally-required wage floor of any amount, a different conclusion to be drawn from recent developments is that they militate *against* an increase in the FLSA's rate.

Geographically-Tailored Rates Are Preferable
It is abundantly clear that imposing a higher minimum hourly rate across the U.S. creates a Goldilocks-style situation: Even if in particular areas the level established is thought to be "just right", in many others the rate will be patently "too high," and in some it might even be "too low." Across 50 states and innumerable counties, cities, rural areas, and communities of every other description, there is simply too much variation in cost-of-living rates, prevailing labor-market conditions, the nature of job-producing activities, and a host of other relevant factors for the situation to be otherwise.

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.

Not surprisingly, then, state and local governments are reaching different conclusions about whether to set *any* minimum wage; whether to raise an existing minimum wage; to what level to increase an existing minimum wage; over what timeframe and in what increments to make the action effective, and so on. The officials involved are obviously more in touch with regional and local economies and other pertinent conditions and circumstances than Washington is, and they are more-directly accountable for what they decide to do. They are plainly better-positioned to make the necessary judgments and policy choices, and their decisions (unlike Washington's) will not affect the entire nation at a single stroke.

Employers Can *Choose* To Pay More

A number of businesses have made widely-publicized decisions to increase their lowest wage rates to $10.10 or even higher. The reasons given differ from one to another, but among them are the views that such increases:

- Will enhance employee motivation and morale and will make them "happy" so as to generate higher productivity;
- Will reduce turnover and absenteeism and related costs and will promote workers' physical and mental health;
- Will help the economy and will thereby be good for business;
- Are "the right thing to do."

Reasonable people can disagree about these propositions or philosophies and about the likely financial effects of acting upon them. Moreover, a business's management is of course free to make such judgments, to predict that the benefits for that enterprise will outweigh the costs, and to live with the eventual consequences. But the fact that some businesses have weighed their particular priorities and options and have elected to pay higher wage rates provides no support for:

- Precluding others from making independent determinations about these matters according to their own circumstances, reasoning, and judgments; or
- In effect, legally compelling all other employers to act in accordance with what a relative few have decided.

The Bottom Line

In the end, the White House's report and similar USDOL and media sentiments are based in substantial part upon the notion that what some governments and businesses have resolved to do should be imposed by law across the nation. But "everybody else was doing it" has never been a sound predicate for wise choices.

Instead, if anything, the current state of affairs should lead policymakers *not* to take a one-size-fits-all approach.

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.

Copyright © 2024 Fisher Phillips LLP. All Rights Reserved.