

Amazon Boosts Hourly Wage --- Retail giant will raise minimum rate to \$15, fueling competition for holiday labor

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FULL TEXT

Amazon.com Inc. said it is raising the minimum wage it pays all U.S. employees to \$15 an hour, firing back at criticism over its compensation for warehouse workers and stoking competition for labor in the holiday-shopping period.

The new minimum wage will kick in Nov. 1, Amazon said Tuesday, covering more than 250,000 current employees, or more than 40% of its global workforce. An additional more than 100,000 seasonal-holiday employees will be granted the higher pay.

Exactly how big a financial commitment the announcement entails is difficult to assess. Starting hourly pay varies across Amazon's warehouses, though it is generally several dollars lower than \$15. Amazon is also giving hourly workers who made \$15 or more a raise, though it didn't specify the increase. But the company is doing away with certain incentive pay and stock compensation for hourly warehouse and customer-service employees, potentially helping offset the cost to the company of the wage increase.

Amazon, which has a market value of nearly \$1 trillion and revenue last year of \$178 billion, can absorb the added costs, analysts said. The goodwill gained with politicians and workers could outweigh any hit to profitability, and such a move gives Amazon a possible advantage in hiring tens of thousands of workers during a competitive holiday season and in a low-unemployment environment.

More broadly, Amazon's commitment provides fresh evidence that the strong job market is pressuring businesses to bid up wages for lower-skilled workers and spreading the benefits of a long-running economic expansion more widely. Meanwhile, politicians in several states have approved a boost to hourly pay. In California, the state's minimum wage is set to rise to \$15 an hour in 2022.

Amazon Chief Executive Jeff Bezos used the announcement to go on the offensive against rivals as well as politicians and others who have questioned the company's treatment of workers.

"We listened to our critics, thought hard about what we wanted to do, and decided we want to lead," said Mr. Bezos in a statement. "We're excited about this change and encourage our competitors and other large employers to join us."

Amazon's sheer size and market dominance have made it a corporate target of politicians on the left and right. Critics say the company mistreats its workers and doesn't pay its fair share in taxes; they also criticize it for its impact on the broader economy and traditional retailers.

Analysts said the wage changes are likely to result in a small ding to profitability. A 50-cent raise an hour across 250,000 employees, for example, would imply a posttax impact on operating profit of about \$200 million, or 1% or 2%, according to Colin Sebastian, an analyst with Robert W. Baird & Co.

But Amazon's revenue growth is so strong -- consistently hovering around 40% -- that it has managed to post record profits even in periods of heavy investments. In July, the company reported its quarterly profit topped \$2.5 billion for the first time on nearly \$53 billion in revenue.

Amazon's pay raise quickly won political praise. President Trump's chief economic adviser, Larry Kudlow, said at

the White House: "Good for them. I'm in favor of higher wages." Mr. Trump, a Republican, has been a big Amazon detractor, in part for its effect on other retailers.

One possible political convert is Sen. Bernie Sanders of Vermont, who has made Amazon and Mr. Bezos a favorite target in his messaging about wealth inequality. He recently introduced a bill, called the BEZOS Act, aimed at taxing big companies whose employees rely on federal benefits to make ends meet.

On Tuesday, Mr. Sanders struck a different tone. "What Mr. Bezos has done today is not only enormously important for Amazon's hundreds of thousands of employees, it could well be a shot heard around the world," said Mr. Sanders, who unsuccessfully sought the Democratic presidential nomination in 2016. "I urge corporate leaders around the country to follow Mr. Bezos's lead."

Amazon's announcement comes as the retail and logistics industries are kicking off their hiring for the year-end holidays, and experts in those fields say the e-commerce giant may have gained a leg up in competitive labor markets.

Minimum pay of \$15 an hour puts the online retail giant in the top 25% for starting wages for general warehouse jobs in the U.S., said Brian Devine, senior vice president of the logistics-staffing company ProLogistix. "This will impact every other company's ability to attract and retain workers."

U.S. retailers are already scrambling to find enough workers to staff stores. Target Corp. has said it plans to hire 120,000 seasonal workers. For their warehouses, United Parcel Service Inc. has said it would hire about 100,000 seasonal workers, while FedEx Corp. has said it would take on 55,000.

Amazon said its salary increase will cover part-time and temporary workers hired by agencies. It also covers recently acquired Whole Foods Market employees, where an effort is under way to unionize.

Wages in several low-skill occupations including warehouse workers, retail clerks and restaurant waiters are rising at a faster rate this year than overall hourly pay, according to Labor Department data.

Several large retailers have raised their minimum wages in the tight labor market. Walmart Inc., which employs 1.5 million people in the U.S., in January said it would raise starting hourly pay to \$11 for all U.S. employees. That followed a similar move by Target, which raised its starting hourly pay to \$12 in September, from \$11 last year, and set plans to lift it to \$15 by 2020.

Low-wage workers are more likely than higher-wage workers to jump from job to job for better pay when unemployment is low, economists said, making them among the bigger beneficiaries at this stage of a business cycle.

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Eric Morath contributed to this article.

Credit: By Laura Stevens

DETAILS

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