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What is “Minimum” Wage?

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I've enjoyed my tenure at *Green Profit*, but it's time to tell the Big Boss he's wrong. Usually Chris Beytes is spot-on in his weekly *Acres Online* newsletter. However, on August 17, he shared that Golden State Bulb Company sold out/closed their California operations because of the state's new business and employment regulations. No argument.

In the Southeastern U.S. you'll see new factories and housing for all the jobs moved from the high tax/high regulation states. BMW manufactures “German cars” in America for global consumption, including Germany—but they're produced in South Carolina, a comparatively low regulation, “right-to-work state” with a minimum wage matching the \$7.25/hour federal rate.

Chris recommends you start raising your pay rates now before you're forced to by local government. That's valid, as far as it goes. A successful Massachusetts garden center planned to expand onto an adjacent lot. They grew about half what they sold and wanted to increase their production. When the legislature threatened to raise the minimum wage, which they did, the family reacted. The fear of failure was stronger than the appeal of success. They curtailed expansion and converted to mostly outside plant sources. Economists would applaud because the more efficient producer is now growing those plants. Easy for an economist to say, but what about those laid off by the new business model? The garden center isn't more profitable than before, but they don't feel as threatened by runaway personnel costs.

Here's where Chris Beytes and I differ. He thinks every employer will raise hourly rates, so you should also. Remember Mom asking, “If Freddy jumped off a bridge would you do the same thing?” The wiser consideration is: Wages per employee are going to climb. How can you make each person more productive to support these new costs? If prices and volume don't rise, employees will be fired. Who'll be gone and who'll be responsible for their duties?

Simply put, businesses must make economic sense or perish—and all their jobs with them. Consider: What unnecessary functions are your employees doing? What can be done faster/easier by others, including outside sources? Are you paying a specialist a higher hourly wage while she's doing menial work part of the time? What if you split that person with another garden center so she works a combined 40 hours a week? (Or could she work 25 hours a week for each of you and neither would have to pay overtime?)

I do agree with Chris that these increases are coming, despite numerous studies from impartial think tanks questioning their wisdom. One researcher bluntly asks, “How many robots get hired for each \$1.00 increase in the hourly rate? Automation is replacing employees because robots produce more per hour. Lower wages would make robots less competitive.”

The issue no one seriously discusses is: What’s the skill set needed to be productive at \$15/hour? How will the employees stay current in their specialty as they stay on the job and wages continue to rise? Minimum wage was intended for starter or training positions, earned while gaining skills worth more in the future. The current argument overlooks that. You can’t ignore the economic realities. Your focus is on results!

Chris Beytes is correct when he says, “Get ready for it.” Your employees must be productive at a higher pay level. What training, education and experiences will you make available—and which will they wildly embrace—to be productive BEYOND the minimum wage? Productive employees make you want to pay them way more than pre-set minimums. That’s the real win-win.

So let’s move this discussion to “being worth more than minimum wage.” **GP**

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