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Central Pennsylvania

Raising the minimum wage: Retail expert calls increase too big, too abrupt

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Supermarkets and retail stores could come down with an economy-shrinking case of sticker shock should the federal minimum wage rocket to \$9 an hour by 2015.

A Harrisburg-based expert who specializes in supermarket and retail center feasibility studies said the proposed \$1.75-per-increase that would take full effect in little over two years is just too big and too abrupt for most low-margin businesses to swallow.



As a result, Bob Gorland, vice president in the Harrisburg office of Matthew P. Casey and Associates, predicted layoffs, fewer store openings and price increases passed along to consumers if President Obama's economic prescription for pay is enacted.

"You take that kind of increase and you are going to see some reaction, some layoffs, some increases in inflation," Gorland said of the proposed increase to \$9 an hour by 2015.

[Here are the arguments for and against the proposal.](#)

[A local business leader says don't do it.](#)

[But a Harrisburg labor economist supports the president's plan as a just reward for hard work.](#)

By contrast, Gorland said a series of smaller increases timed to reach the \$9 an hour minimum wage threshold by 2020 would be more in line with the current fragile state of

the economy and many businesses' tight balance sheets. The current federal minimum wage stands at \$7.25.

"If they went to \$7.50 or \$7.75, that would have minimal effect on the retail community, without seeing layoffs and what have you," Gorland said. "It's better to have some strategic, small bumps over time."

Of course, Gorland said many retailers – from Sheetz to McDonalds – likely already pay many employees above the federal minimum. This helps businesses retain dependable staff, reducing costly turnover.

Far from helping low-income families, Gorland predicted that the biggest beneficiaries of raising the minimum wage would be teens entering the work force for the first time and senior citizens re-entering the labor market to supplement fixed incomes.

Less clear is what would happen in the restaurant sector, where tipped wait staff and bartenders are governed by other wage rules, Gorland said. But for all retail-style businesses and restaurants, labor represents one of the single-biggest costs. So when wages rise, those businesses can either cut staff or increase prices. Gorland predicts a combination of both.

The bottom line: Consumers will be stuck paying at least part of the bill for raising the minimum wage.

"It would be offset with some slightly higher pricing to pay for it," he said, whether it be at a grocery store or a pharmacy. "If retailers need to tweak their pricing to reflect the higher cost, that would affect the consumers."

However, a spokesperson for Giant Food Stores said it was too early to judge the impact of Obama's proposal -- or even if an increase will come to pass at all.

"It is too soon to tell how the President's State of the Union proposal will translate into policy," said Chris Brand, Giant's public relations manager. "Giant has always believed in paying competitive wages and benefits so as to attract and retain quality workers."

A spokeswoman for Hershey Entertainment & Resorts also pronounced the president's pay proposal as premature.

"Until the minimum wage issue is finalized, it is awfully hard to speculate on how it will impact (us)," said Hershey public relations manager Kathy Burrows.

Others chiming in on Obama's State of the Union speech push to raise the minimum wage was the Pennsylvania Chamber of Business and Industry. Spokeswoman Lesley Smith labeled the move as adding another level of government regulation to put upon businesses, while increasing their uncertainty around costs. The result will be a chilling effect on hiring and growth.

"Businesses understand that in order to attract quality workers, they need to offer competitive wages," Smith stressed. "The problem with government mandated wages is that they do not consider whether a business can afford to pay that wage."

Smith noted that the last time Pennsylvania raised its minimum wage, a Philadelphia-area nonprofit summer jobs program had to eliminate an estimated 1,100 positions because it couldn't afford the costs of the increased wages. This time around, it would be small businesses bearing the brunt, she said.

"A minimum wage increase would fall hard on small businesses that continue to struggle in this economy and that still face uncertainty about what it is going to cost to operate their business moving forward," Smith said. "The options are reducing hours for existing workers, placing a freeze on hiring or laying off employees altogether. Less-skilled workers, some of the very people supporters of mandated wages say they want to help, would be harmed the most."

Frank C. Mellott, a driver-manager with the Carlisle Carrier Corp., said he's old enough to remember when \$9 an hour was a "really good wage." But he said making that amount the nation's new minimum wage wouldn't rescue the poor, as Obama proclaims.

"The problem is, the minimum wage was meant to be a floor," he said. "It was designed to set a minimum amount labor was worth. It applies to all. From the 16-year-old looking for a part-time job to folks like my now-deceased great aunt, who in her 80s got up 3 days a week so she could work at Burger King."

Even without the proposed increase in the minimum wage, higher costs have already made so many menial jobs disappear, Mellott added.

"Fast food places used to have a lot more folks on site at any given time," he pointed out. "Grocery stores used to have bag boys. Before self-serve, kids used to pump gas. Some of those jobs have been replaced with better technology or became obsolete. But some vanished because the minimum wage, on top of the hours restrictions for workers under 18, just made them too expensive."

Meanwhile, at Red Land High School, the idea of raising the minimum wage just doesn't compute for one economics teacher.

"Historically speaking, the minimum wage was not created to be a basis for middle class living, but to make sure that minorities, women and young workers were being paid a fair wage," argued teacher Jevon Ford, who warned of employee layoffs and higher costs for consumers if the rate is hiked.

Still, the higher minimum wage might not matter to many of Ford's students. As the issue exploded in wake of the president's State of the Union speech, the teacher polled students only to discover that most were making above the minimum, even at this early stage of their working lives.

"I have found that high schoolers without even a diploma are above the minimum wage right now," Ford said. "We need to help spur our economy, but not by this method."