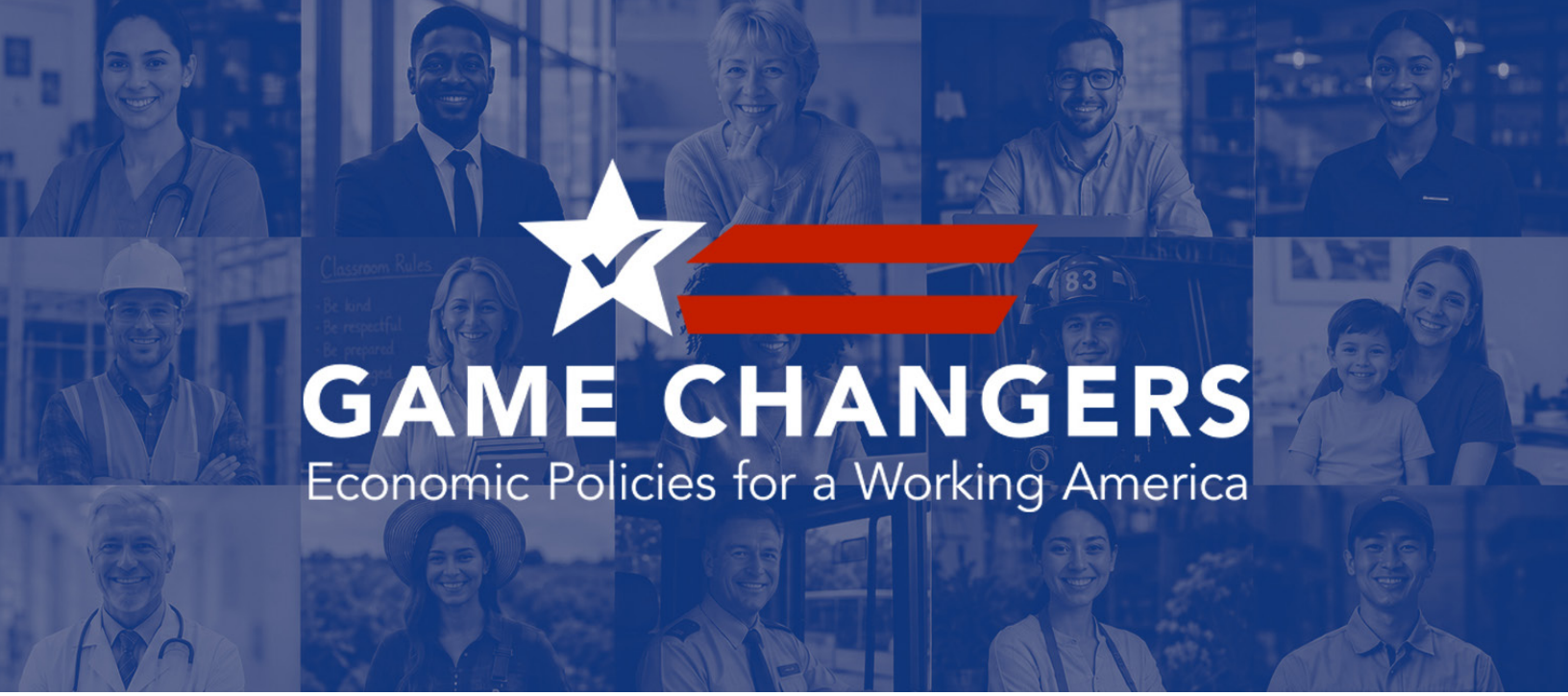


BACKGROUND PAPER / JULY 2026

Raising Wages by Changing Norms:

Work Policy for the Long Game

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RAISING WAGES BY CHANGING NORMS: Work Policy for the Long Game

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Executive Summary

Decades of wage stagnation in the U.S. can be traced to powerful economic forces arising from product and labor markets and changes in the economic organization of work. Sluggish wage growth at the bottom has contributed to growing income inequality and the inability of a significant fraction of households to meet their basic needs. It's hard not to connect the polarization and politics of the past decade with the fact that millions of workers have faced years of erosion in their economic position.

A more surprising trend since 2018 has been major companies adopting minimum wages for their workforce. Often touted as a socially responsible pathway to reducing inequality, fueled by business enlightenment, the wave of voluntary minimum wage adoptions offers important lessons about raising wages in lasting and sustainable ways. But not in the way or for the reason typically offered by their adopters.

In this backgrounder, we take a deep dive into this question. Our findings don't fit a simple tale of either enlightened corporate leaders "doing the right thing" or evil companies seeking to squeeze every penny from their workforce. Instead, our story rests on the reality that a company *seeks profit not beneficence in choosing to raise entry wages for its workforce*. Unilaterally raising wages regardless of local conditions demonstrates that big players can exercise their power in the market. But we also find that wage responses by medium and small firms that compete against them locally for workers do not necessarily move in the expected ways.

Our findings suggest there is much more room for raising wages at the bottom than traditional reasoning allows. We suggest doing this in a variety of ways. In addition to legislated increases in the

overall minimum, there are a variety of other policies (some already being implemented at the state and local level) that can raise wages for workers at the bottom.

Clearly the most direct measure is to substantially raise the federal minimum wage from its current abysmal level of $7.25. More than half of U.S. states have already passed minimum wages far above the federal level, with negligible impacts on employment. Going beyond even these levels, several states and localities have gone one step further: passing mandatory wage floors above even the state-level minimums for low wage sectors of the economy, such as the California state $20 hourly minimum for fast food workers and the $22 hourly minimum for restaurant and grocery delivery drivers in New York City.

Unions and worker advocates also offer models for pushing up the wage floor. Despite the long-term decline of union membership, collective bargaining agreements continue to show that unions not only raise wages for their own members, but also for nonunion employees in connected labor markets. The Fight for $15, a sustained social movement underwritten by the Service Employees International Union (SEIU) and undertaken by a wide variety of worker advocacy organizations, successfully anchored a target wage in the minds of nonunion workers in fast food and other low wage industries. It led not only to state minimum wage policies built on that target wage but an expectation among workers about a fair wage norm.

All these policies make it clear that businesses have a lot of room to move wages significantly higher at present employment levels. **Raising wages at the bottom-end of the labor market requires a strong and concerted push by government, unions and public pressure. Concerted efforts across these institutions can establish new norms of acceptable minimums. To attain them, a national movement that brings together worker and community organizations with public advocacy for higher wages at the local, state, and national level represents the sustained push we need to establish new norms of acceptable wages for all.**

Introduction

Wage stagnation dating back to the late 1970s in the U.S. can be traced to powerful economic forces arising from product and labor markets and changes in the economic organization of work. Sluggish wage growth at the bottom has contributed to growing income inequality and the inability of a significant fraction of households to meet their basic needs. It's hard not to connect the polarization and politics of the past decade with the fact that millions of workers have faced years of erosion in their economic position.

In the last decade, many state and local governments raised their minimum wages in response to these trends. Despite labor laws that make organizing difficult for workers and bargaining first contracts challenging even in the wake of organizing success, unions and other worker advocates have been able to organize workers at companies like Starbucks and Trader Joe's, in the video game industry, and in other tech companies. These victories occurred in a period where unions enjoy the highest public support in decades.

A more surprising trend since 2018 has been major companies adopting minimum wage for their workforce. Often touted as a socially responsible pathway to reducing inequality, fueled by business enlightenment, the wave of voluntary minimum wage adoptions offers important lessons about raising wages in lasting and sustainable ways. But not in the way or for the reason typically offered by their adopters.

In this backgrounder, we take a deep dive into the lessons from voluntary minimum wages for raising wages compared to government- or union-led minimum wage interventions. Our findings will surprise many and point to what we should –and should not – do if we want to address wage stagnation and earnings inequality.[1]

Our findings don't fit a simple tale of either enlightened corporate leaders "doing the right thing" or evil companies seeking to squeeze every penny from their workforce. Instead, our story rests on the reality that a company seeks profit not beneficence in choosing to raise entry wages for its workforce. Unilaterally raising wages regardless of local conditions demonstrates that big players can exercise their power in the market. But we also find that wage responses by medium and small firms that compete against them locally for workers do not necessarily move in the expected ways.

Importantly, our evidence reveals there is room for companies to share more of the value they create by offering higher wages to their workforce. Voluntary initiatives by private companies may lead to one-off benefits for current employees. But they only will do that – whether small, medium and large – if compelled to do so. **In order to significantly establish new, sustainable norms regarding socially acceptable minimum wages, our analysis demonstrates the need for federal, state, and local governments and active labor unions to do so. That, in turn, requires a broad coalition pressuring both corporations and government actors to raise wage standards for all.**

Learning lessons from voluntary minimum wage adoption, 2014-2024

Despite repeated efforts during the Obama administration, Congressional inability to raise the federal minimum wage, coupled with the challenges of organizing under current labor law, led unions and advocacy groups to launch the Fight for $15 campaign in 2012 to advocate for higher wages and union representation. Worker advocates, led by the Service Employees International Union, sought to bring attention to persistently low earnings among workers in fast food, retail, and other service occupations, despite a growing economy and low unemployment. The pandemic brought further attention to conditions facing frontline workers leading to political pressure to raise state and local minimum wages in the absence of federal legislation.[2]

In addition to advocating for state and local minimum wage adoption, the Fight for $15 campaign and union-organizing efforts put pressure on major companies that had either been long-term targets of organizing (Walmart) or more recent ones (Amazon) to raise their wages.

These pressures led to a surprising outcome: A growing number of major companies chose to raise their entry wage level voluntarily and in a very public way, often substantially above statutory minimum wages. Companies do this by introducing a voluntary minimum wage (VMW) across their entire companies. Prominent examples include the two largest private employers in the U.S., Walmart and Amazon, as well as other major retailers (Best Buy, Target, Costco, CVS, Home Depot), banks and financial institutions (Barclays, Bank of America, Citigroup, JP Morgan Chase), and restaurant chains (Chipotle, Starbucks).

In 2014, Walmart was one of several national retailers to announce a company-wide voluntary minimum wage, starting with a minimum of $9/hour across all locations and subsequently raising the floor to $10 in 2018 and $12 in 2021. Amazon made headlines when it announced the adoption of a VMW of $15/hour, effective October 2018. Many other major retailers, financial institutions, health care

providers and some manufacturers followed suit (see Table below for a list of VMW announcements between 2014 and 2021 among companies with more than 200,000 global employees). VMW announcements increased during the pandemic and after, peaking at 23 announcements by companies each employing more than 150,000 workers in 2021 alone.

Company-wide Voluntary Minimum Wage Announcements

Selected large employers

Company	Previous MW	New MW	Announce Date	Start Date
Amazon	—	**$15–$15**	Oct 1, 2018	Nov 1, 2018
Bank of America	$15	**$20+**	Apr 9, 2019	Mar 1, 2020
Bank of America	$20	**$25+**	May 18, 2021	Jan 1, 2025
Citigroup	—	**$15+**	Aug 28, 2019	Jun 1, 2019
Costco	$11.50–$12	**$15+**	Mar 29, 2016	Mar 29, 2016
Costco	$13	**$15+**	May 1, 2018	Jun 11, 2018
Costco	$14–$14.50	**$15+**	Mar 1, 2019	Mar 4, 2019
Costco	$15–$15.50	**$16–$16**	Feb 25, 2021	Mar 1, 2021
Costco	$16	**$16–$16**	Oct 19, 2021	Oct 25, 2021
CVS Health	$9	**$11–$11**	Feb 8, 2018	—
CVS Health	—	**$15–$15**	Aug 4, 2021	Jul 1, 2022
Home Depot	—	**$15+**	Feb 21, 2023	Feb 6, 2023
JP Morgan Chase	$10.15	**$11.87+**	Jul 12, 2016	Jan 1, 2019
JP Morgan Chase	$12–$16.50	**$11.87+**	Jan 23, 2018	Feb 25, 2018
Starbucks	—	**$15+**	Dec 12, 2020	Aug 1, 2022
Target	—	**$9–$9**	Mar 1, 2015	Apr 1, 2015
Target	$9	**$10–$10**	Apr 1, 2016	May 1, 2016
Target	$10	**$11–$11**	Sep 25, 2017	Oct 1, 2017
Target	$13	**$15–$15**	Sep 25, 2017	Jul 5, 2020
Target	$11	**$12–$12**	Mar 1, 2018	Mar 1, 2018
Target	$12	**$13–$13**	Apr 4, 2019	Jun 1, 2019
TJX Companies	—	**$20+**	Feb 26, 2015	Jan 1, 2016
Walgreens	—	**$15+**	Aug 31, 2021	Nov 1, 2022
Walmart, Inc.	—	**$9–$9**	Feb 18, 2015	Apr 1, 2015
Walmart, Inc.	$9	**$9–$9**	Feb 18, 2015	Feb 20, 2016
Walmart, Inc.	—	**$9+**	Feb 19, 2015	Apr 1, 2015
Walmart, Inc.	$9	**$9+**	Jan 20, 2016	Feb 20, 2016
Walmart, Inc.	$9–$10	**$11–$11**	Jan 1, 2018	Feb 17, 2018
Walmart, Inc.	$11	**$11–$11**	Sep 2, 2021	Sep 25, 2021
Walmart, Inc.	$11	**$12+**	Sep 3, 2021	Sep 25, 2021
Walmart, Inc.	$12	**$12+**	Jan 24, 2023	Mar 1, 2023
Wells Fargo	$12–$16	**$12+**	Jan 5, 2017	Jan 8, 2017
Wells Fargo	$13.50–$17	**$15+**	Dec 20, 2017	Mar 1, 2018
Wells Fargo	$15	**$15+**	Mar 4, 2020	Dec 1, 2020
Whole Foods	—	**$15–$15**	Oct 1, 2018	Nov 1, 2018

Source: Complete sourcing for each VMW announcement can be found in Derenoncourt and Weil (2025), On-line Appendix, Table A.1.

Companies have not been shy about publicly explaining their decision to raise entry wages for their workforce voluntarily. A few examples are illustrative:

> **Target:** "Our team is at the heart of our strategy and success, and their energy and resilience keep us at the forefront of meeting the changing needs of our guests year after year. … We want all team members to be better off for working at Target, and years of investments in our culture of care, meaningful pay, expanded health care benefits and opportunities for growth have been essential to helping our team members build rewarding careers." Melissa Kremer, Chief Human Resource Officer, Target, 2022 (here).
>
> **Bank of America**: "Providing a competitive minimum rate of pay is foundational to being a great place to work," said Sheri Bronstein, chief human resources officer at Bank of America. "By investing in a variety of benefits to attract and develop talented teammates, we are investing in the long-term success of our employees, customers and communities." Sheri Bronstein, Chief Human Resource Officer, Bank of America, 2023 (here).
>
> **Home Depot**: "This investment will help us attract and retain the best talent into our pipeline," Ted Decker, President, Chairman and CEO, Home Depot, 2023 (here).
>
> **Amazon**: "In 2018, Amazon raised its starting wage for all U.S. employees to at least $15 an hour. We've seen the positive impact this has had on our employees, their families, and their communities." ("Why Amazon Supports a $15 Minimum Wage" (here). [In video on that page, Amazon manager says "We listened to our critics and decided we want to lead on pay."]

These explanations beg the question, if it's so evidently great for your business, why wait until now to do so? Shouldn't attracting "…the best talent into our pipeline…" (Home Depot) or providing "…positive impact…for our employees…" (Amazon) drive ongoing wage decisions?

A second question is raised by these explanations: The hundreds of VMWs adopted by major companies in recent years apply across the board—that is, the same minimum (e.g., $15 per hour) pertains regardless of whether the entry job is in a high wage market (New York City) or low wage market (Jackson, Mississippi). If companies adopt voluntary minimum wages to attract and keep workers, why not tailor them to particular labor markets?

Finally, if VMWs are so beneficial, why did many of the companies adopting them fight against state or federal efforts to raise the minimum wage (e.g., Walmart), or engage in virulent and protracted anti-union fights (e.g., Starbucks and Amazon)?

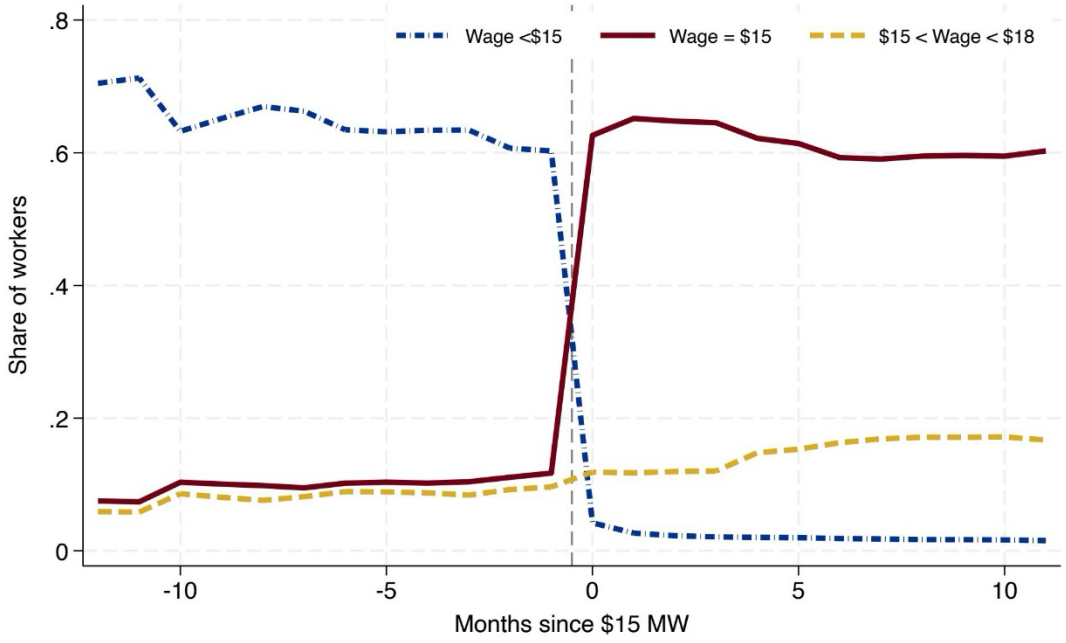
Why they actually do it

One explanation for these actions is what economists call "cheap talk." Companies are simply announcing publicly what they have already done. Publicly declare you are putting in place higher wages when you have already done so for most of your workforce and get the accolades for doing so.

Our study shows that is certainly not the case. In all the companies that we study, voluntary minimum wages are accompanied by significant increases in the profile of wages they offer. In fact, in every major instance, we document dramatic shifts in entry wages at the time of the adoption announcement.

For example, the following figure portrays what happened to the wage distribution of companies before and after adopting the VMW of $15. The red line represents the percent of workers receiving $15, jumping from less than 10% of workers prior to adoption of the VMW to about 65% of workers immediately following the adoption (at time "0" in the figure). At the same time, the percent of workers earning below $15 plummets from about 65% of workers immediately before the $15 minimum wage was adopted to less than 5% right after.

FIGURE 1: $15 Voluntary Minimum Wage among Large Retailers



Source: Derenoncourt and Weil, 2025, Figure II.

As a result of these shifts in the wage distribution, we estimate that adopting $15 VMWs increased overall average wages by about 7 percent and that some 3 million workers received wage increases arising from the VMWs in or study.

Because VMWs were adopted on a company-wide basis, workers in some parts of the country received sizeable boosts in their wages while others who worked in parts of the country where VMW company average wage levels were already relatively high did not.

But if VMWs raise wages significantly, it also means they are costly to the companies adopting them. Some of the above public statements explaining the reasons for VMW adoption imply they arise from corporate beneficence. Or, a re-creation of Henry Ford's enlightened self-interest justification for raising wages at his company in the 1920s: providing his workers sufficient earnings to purchase the vehicles they were producing.

Typically, we think of wages and employment moving in opposite directions in terms of labor demand – higher wages lead companies to hire fewer workers. But what about when a company unilaterally

chooses to raise its wage structure in the manner depicted in Figure 1? In this case, higher wages arise from internal incentives and not external market conditions. In particular, wages have important impacts on workforce turnover – i.e., reducing the number of workers quitting that otherwise requires hiring new workers to replace them. Turnover affects the bottom line because finding new workers costs money. But even more importantly, new workers require training while losing workers means loss of company-specific skills and experience. By keeping trained workers and reducing the need to hire new ones, productivity increases. And higher productivity helps offset higher wages.

This relationship plays out for the VMW adopters. We document almost 10% reductions in workers leaving the company for the companies that adopted $15 VMWs. Those companies also hire fewer new employees following adoption. As a result, net employment increases for the VMW companies – we estimate that for every 10% increase in average wages, the companies end up with about 6.4% more workers. So VMWs payoff, with a net effect allowing VMW companies to grow.

But even that's not the whole story. The VMW policy also complements the business strategies of some of the VMW adopters. Take the case of Walmart.

Walmart was the poster child of "low road" human resource strategy: pay workers just enough to keep the employment you need, and, if necessary, bear the high turnover that accompanies low wages. That policy was a centerpiece for Walmart under Sam Walton and his immediate successors.[3] But that policy began to run into headwinds from another anchor of Walmart's profitability: inventory management. In the 1980s and 1990s, Walmart transformed retailing by using information and advanced logistics to minimize their exposure to inventory risk, an innovative strategy sometimes called "lean retailing."[4] By using real-time information on purchases as the basis of replenishing its store offerings, the company gained huge cost advantages over competitors saddled with back rooms and warehouses filled with unsold inventory, ordered well in advance of real time sales. This inventory management advantage allowed Walmart to grow and expand the scale advantages of its inventory management advantage. Increasing scale also conferred it bargaining strength with suppliers. Over two decades, it became the largest employer in the U.S.

But over time, the low wage/high turnover approach started to erode its core strategy: store level inventory control, from keeping shelves stocked, backrooms clear and customer scans accurate – all essential to inventory management – began to erode. This led to review of the wage strategy and a new chapter at Walmart: raise pay (including entry wages) and reduce turnover.[5]

A similar story unfolded at Amazon. As at Walmart, for more than a decade, Jeff Bezos pursued a strategy focused on raising productivity in fulfillment centers through technology and unrelenting focus on labor productivity – and a policy that thought that workers should be quickly screened to see if they could handle the stress of the high pace of fulfillment centers. In a variety of settings, Bezos argued for policies (including wages) that would ensure that fulfillment center workers who failed to advance in the company would stay a maximum of three years.[6] Once again, that approach was rethought in the wake of annual turnover at fulfillment centers of over 130% and growing rates of injuries as well as a protracted union organizing effort. In a final letter before he stepped down as CEO, Bezos wrote: "I think we need to do a better job for our employees."[7]

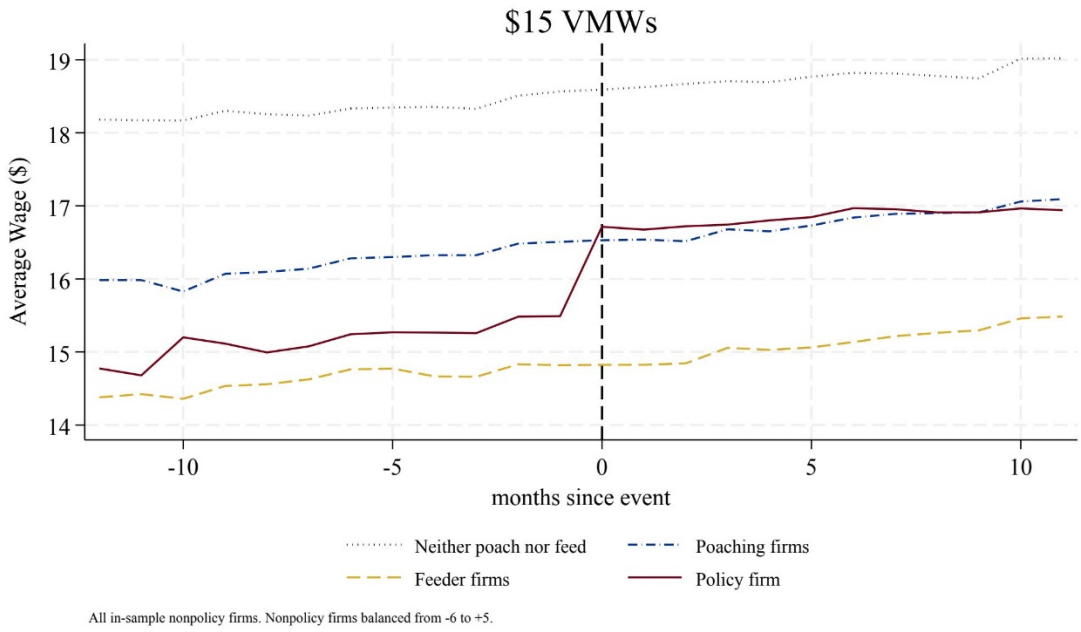
Make no mistake – that these large companies could raise wages unilaterally reveals their market power. But they do so as part of larger profitability objectives. Business-wide strategies also help to explain why these enterprises chose to implement lower wages uniformly: they arise from firm- rather than local-level considerations.

So maybe it's in their own interest, but doesn't it raise wages of other workers too?

If VMWs truly boosted wages of the companies that adopted them, then how did those dramatic increases impact other companies in their local labor market? It would seem that any company recruiting similar workers would need to respond to wage boosts by the big players in their local markets. After all, Walmart and Amazon are the #1 and #2 employers in the U.S. So if the big players do it, all the rest in the markets where they compete must do so, too.

VMW adoption does have an impact on the wage levels of adopters relative to other companies in the local labor markets where they operate. The following figure compares average wages of VMW adopters in comparison to other companies: "Feeders" are companies that lost workers to the VMW adopters prior to the announcement of the new entry wage; "Poachers" are companies that hired workers away from the VMW adopters prior to their announcement. The following figure illustrates that the increase in average wages by the VMW adopters (red line) changed their position relative to other companies – particularly with respect to "poachers": VMW companies increased the gap in wages between them and "feeders" while matching the average wages paid by "poachers."

FIGURE 2: $15 VMW Large Retailer Wages versus Competitor Wages

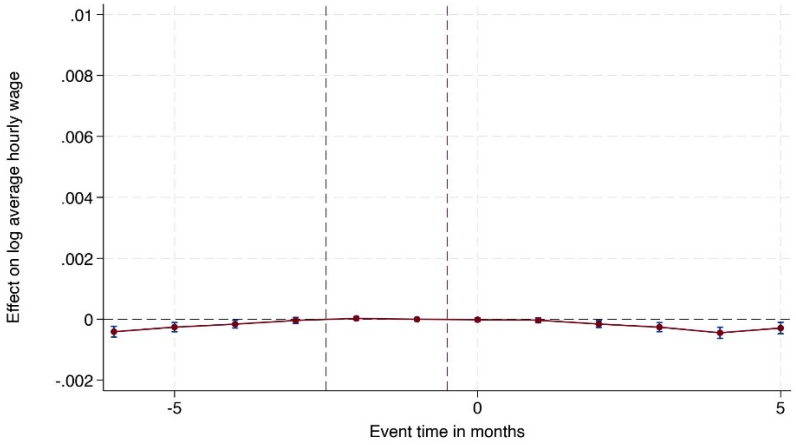


Source: Derenoncourt and Weil, 2025, Figure VI.

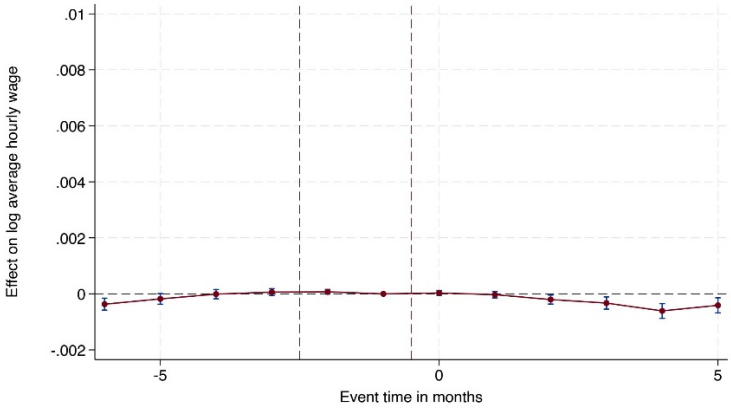
Given that realignment in relative position, one might expect a wage response from both feeders and especially poachers. Our results on that front: Not so much. In fact, not at all.

We find that no matter how carefully we define the boundaries of competition – within industry, occupation, size, or where companies were poachers or feeders, there is no evidence of wage responses associated with the VMW adoption event. This is depicted in Figure 3 that presents pre- and post-wage

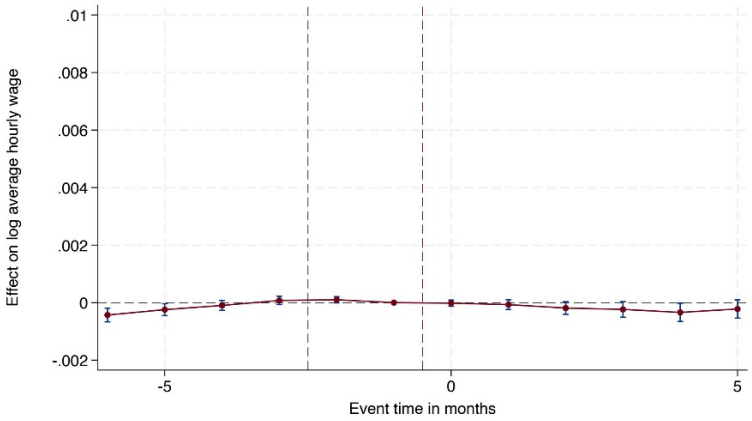
FIGURE 3: Effects of Large Retailer $15 VMW on Other Firms' Wages



(A) All establishments



(B) Establishments in industries connected by worker flows



(C) All establishments connected by worker flows

Source: Derenoncourt and Weil, 2025, Figure VII.

increases by different groupings of employers in response to the introduction of VMWs in their local area. If you see little or no change, your eyes are not deceiving you.

How can companies be so unresponsive? Walmart and Amazon are the number 1 and 2 employers in the U.S., together employing some 4 million workers. But they compete in a world populated by 6.4 million firms, 8.3 million establishments and 136 million employees.[8] They are big players on the national stage. But the local labor market contains multitudes, and in those multitudes are other companies who move and respond with their own, albeit smaller, domain.

Wages are sticky because workers, particularly workers at lower wage levels, are reluctant to quit their jobs. Although companies must adjust to competitive conditions in pursuing profitability, employers can adjust more than their wages can. So that means your competitor's introduction of a generous compensation policy still leaves you options to respond short of raising your wages. In particular, our study finds that other companies can maintain their current wages by finding enough workers still willing to work at current levels. So rather than "poaching" workers from the VMWs, they hire from other employers (who also have not changed their wage levels). In the face of VMWs, the margin of adjustment for other companies – even those who hired from the adopters in the past – becomes where you hire, not wages themselves.

So does that mean size doesn't matter and that labor markets are competitive after all?

To be clear, the absence of wage "spillovers" in local labor markets doesn't mean that big employers don't exercise labor market power. The very fact that major companies have so much latitude in increasing their wages at every facility they own unilaterally says a lot about their market power. Corporate focus on national-level wage policies rather than micro-level market consideration reflects their strategic incentives – like dominating the retail market where they compete.

But our results also show that raising wages at the low end of the earnings distribution cannot depend on the beneficence of big players. "Doing well by doing good" is still driven predominately by the first part of that phrase. Our data and analysis suggest that the wave of voluntary minimum wage increases reflects what is in the best interests of these companies, not mere generosity.

Labor economists have come to recognize that while wage setting occurs in the context of markets with supply and demand, wage decisions are also affected by frictions in the labor market that give them the upper hand in setting them. Workers paid in the lower wage end of earnings tend to have more limited work alternatives, information about opportunities and/or a more restricted ability to move relative to workers who earn more.

These characteristics that narrow options for workers increase the relative bargaining power of employers. That means in the face of unexpected changes in local conditions (such as other companies in their local area raising their wages) a company can choose to adjust to a "wage shock" without increasing wages.

As noted above, we find significant confirmation of this local labor market power held by even smaller firms. Rather than raising wages, companies that formerly hired from the VMW adopters now find their workforces among other companies whose wages have similarly not increased. That's because as big as a major retailer might be as a whole, local labor markets have lots of other companies – and the

stickiness of people at those companies allow them to be less responsive in their wage response to the big players.

If beneficence isn't enough, what do we do about wage stagnation?

Our findings on why VMWs don't lead to spillovers to other companies also provide insight into how local wages *can* be increased. If the relative labor market leverage held by even smaller companies with respect to their workforce allow them to resist increases from one company, what happens when *many* players in the local market are forced to respond to a shock?

One obvious example is economic upturns that raise labor demand across the board. This is what happened in 2021 as the economy began to recover from the pandemic. As more and more businesses sought to hire workers – many of whom had newfound leverage arising from pandemic-relief – employers had trouble hiring workers at current wage levels because others in the same labor market faced the same dilemma. If everyone competes for workers, the only response is the one they avoided in the face of VMW increases: raise wages.[9]

A second example is mandatory, not voluntary, minimum wage increases. The failure of the U.S. Congress to raise the federal minimum wage despite effort to do so by the Obama and Biden administrations has left it at $7.25 since 2009. Less than 2% of the workforce earns wages below it. Where the Congress failed, many states moved in, leading to 30 states and the District of Columbia with minimum wages well above the federal level.[10]

Unlike VMWs, government minimum wages shift up the wage structure of all firms in a covered labor market. A rich empirical literature documents state and local minimum wage increases on wages, employment, turnover and other outcomes. A recent study provides a direct comparison with our work. Studying successive state increases between 1979 and 2016, Cengiz and collaborators examine the impact of these events on the distribution of earnings above and below the new minimum wage.[11] For each minimum wage increase, the authors estimate the number of workers predicted to be in a given wage "bin," defined as wages $1, 2, 3 above or below the new minimum wage, holding all other factors constant.

They find that in each successive new minimum wage level, employers dramatically decreased the percentage of jobs paid just *below* the new minimum. That change, however, was offset by *increases* in employment in the wage bin immediately above the new minimum and to a lesser extent in the two bins immediately above that. This means that although overall employment changed little pre- and post- the minimum wage change, the distribution of wages shifted upwards as a result of the mandated minimum.

In other words, employers who had previously paid workers at the former minimum wage were able to adjust their wage structure upward and still maintain the same overall employment. These results suggest that employers exercised their market power to keep wages lower than they could have been but found ways to adjust to the higher levels when forced to do so by government policy. And, unlike the case of VMWs, most firms moved their wage structure upward.

Company wage response to union organizing also contrasts with our findings on VMWs. Here, companies face the choice of what to do with their wage structure when faced by a possible threat of

unionization at another company. **Unlike VMWs, union organizing at one firm induces wage response by others in their relevant labor market – even if they are not the targets of union organizing efforts.**

Major automakers demonstrated this behavior in the most recent round of national bargaining. After the United Auto Workers led a strike against the major 3 U.S. automakers, Ford, GM and Stelantis agreed to major wage increases. Faced with UAW organizing campaigns at the U.S.-based facilities, Toyota, Honda and Hyundai announced wage increases for their nonunion U.S. workforces.[12]

This response tracks with findings of recent studies that even after decades of decline in unionization, the threat effect of union organizing remains a potent force for nonunion wage setting. Fortin, Lemieux and Lloyd estimate that during the period 2000-2017, in an area of about 30% union density (measured as the percent of workers represented by a union) a 1 percent increase in unionization rates raised wages for nonunion men in that area by about 3.5 percent. Remarkably, that union threat effect was about equal to what it was during the period 1978-1988 when unions represented a much larger fraction of the workforce.[13]

This behavior once again suggests that employers are happy to pay lower wages until forced to respond. Here, it is the idea of a union getting a seat at the table that induces wage bumps by nonunion employers seeking to stay that way.

Establishing a new minimum wage norm—and sustaining it over time

Private sector organizations set wages and other work practices reflecting cost and production considerations and business strategies given market competition. Large companies retain a power to set their wages in a unilateral manner. In so doing, they often choose to keep wages below what they might be willing to offer in a sustainable way. Because even small employers retain some power relative to those working for them, even they can maintain low wages even in the face of a major competitor upping its wage offers.

But work norms are also set with boundaries set by government, unions, worker advocates and community standards. In 1938, the Supreme Court recognized those boundaries for the federal government when it upheld Washington state's minimum wage for women, arguing that workers in labor markets ".... are in an unequal position with respect to bargaining power."[14] That opinion set the groundwork for New Deal laws that not only set the minimum wage and overtime rules, but also the basis for union recognition. As a result, employers set their policies under rules and norms that led to increasing income equality for almost 50 years.[15]

When Franklin Roosevelt sent the Fair Labor Standards Act to Congress in 1937, he noted that the proposed law would create a minimum standard that the country should be capable of giving to "all our able-bodied working men and women a fair day's pay for a fair day's work…A self-supporting and self-respecting democracy can plead no justification for the existence of child labor, no economic reason for chiseling worker's wages or stretching workers' hours."[16]

The decades-long tilt of the labor market towards business power requires concerted efforts to establish a new minimum wage norm reflecting the economic realities facing working people—and ongoing efforts to continue to move it upward.

As the above paper demonstrates, universally applied policies like government-mandated minimum wages change the wage structure across the labor market. They do so by removing concerns about one's competitors defecting from the standard. Unions have complementary impacts on wage levels through spillover effects beyond those under contract.

Government minimum wages should establish norms reflective of what working households need. Unions, worker advocates and continuing public pressure through political pressure should push those norms upward over time so they reflect the growth of economies in the structure of wages. We have the mechanisms in place to do so:

- Substantially raising the federal minimum wage frozen in place from 2009 from $7.25 (its lowest real value in 77 years) to a level reflective of baseline needs of working households and then indexing that standard so it moves in line with that standard.[17]
- Ongoing state- and local-efforts to raise minimum wages above the federal level. Such efforts allow minimum wage norms to reflect local economic realities as well as keep upward pressure on the wage structure (including at the national level).
- Sectoral efforts that provide additional upward pressure for particularly vulnerable workers who face more volatile economic conditions given the places they work. The California Fast Food Minimum wage[18] and the New York City Delivery Worker Laws[19] represent examples of such policies.
- Union drives to organize workers in low wage sectors that directly improve conditions for unionized workers and have positive ripple effects to other workers in their sectors and labor markets. This requires public policies supporting worker rights to exercise basic rights at work, including the right to organize.

The above interwoven policies would establish strong and socially informed minimum wage norms and then allow their ongoing upward adjustment to follow economic growth. To advance this agenda, a new national movement, emulating but going beyond the Fight for $15, would bring together workers, community organizations and the public. **Building a cross-cutting understanding of the social need for minimum wage that reflect the needs of working families across the economy is essential for the creation of new norms for the workplace.**

Endnotes

[1] Our study uses 20 major voluntary minimum wage events to estimate their impacts on the company adopting them and on the behavior of companies operating in proximity of those companies in local areas. The comprehensive payroll data, covering the entire study period comes from a credit bureau and a payroll company. Because of the proprietary nature of the data, we cannot publicly identify the specific companies in our study, but they represent major VMW adopters of this period. See Ellora Derenoncourt and David Weil, "Voluntary Minimum Wages: The Local Labor Market Effects of National Retailer Policies." *Quarterly Journal of Economics*, vol., August 2025. for details.

[2] David Rolf, *The Fight for $15: The Right Wage for a Working America* (New York: New Press, 2015).

[3] See Nelson Lichtenstein, *The Retail Revolution: How Walmart Created a Brave New World of Business.* (NY: Metropolitan Books, 2009).

[4] Frederick Abernathy, John Dunlop, Janice Hammond and David Weil. *A Stitch in Time: Lean Retailing and the Transformation of Manufacturing.* (NY: Oxford University Press, 1999).

[5] Interesting to note during the pandemic, many companies dealt with high turnover by raising wages. One company that did not face this was UPS whose union drivers and distribution center workers were paid well above median wages. See Rachel Premack, "Why Walmart Pays its Truck Drivers Six Figures." Freight Waves, 1/23/24.

[6] Brad Stone, *Amazon Unbound*, (NY: Simon and Schuster, 2021), pp. 219-220.

[7] Jason Del Rey, "Jeff Bezos Seems to be Reckoning with his Legacy in the Wake of the Amazon Union Drive." *Vox,* 4/15/21 (Here); Jason Del Rey, "Leaked Amazon Memo Warns the Company is Running Out of People to Hire." Vox, 6/17/22 (Here). In 2024, Amazon announced further increases in its wage structure, raising wages for all hourly workers by $1.50 per hour (internal Amazon announcement, here).

[8] US Census Bureau, 2022 *Statistics of US Businesses Annual Data*, (Here).

[9] See David Autor, Arindrajit Dube, and Annie McGrew, "The Unexpected Compression: Competition at Work in the Low Wage Labor Market," Working Paper no. 31010, National Bureau of Economic Research, Cambridge, MA, 2023. (Here).

[10] Economic Policy Institute, Minimum Wage Tracker, July 1, 2025 (Here).

[11] Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, "The Effect of Minimum Wages on Low-Wage Jobs," *Quarterly Journal of Economics,* vol.134 (2019): 1405–1454.

[12] Nathaniel Meyersohn, "'UAW Bump': Toyota, Honda and Hyundai are Raising Wages." CNN, 11/14/23.

[13] Nicole Fortin, Thomas Lemieux and Neil Lloyd. "Labor Market Institutions and the Distribution of Wages: The Role of Spillover Effects. *Journal of Labor Economics*, vol.39, no. S2 (April 2021), pp. S369-S412. See also Ihsaan Bassier. "Collective bargaining and spillovers in local labor markets," *CEP Discussion Papers*, dp1895, Centre for Economic Performance, London School of Economics. (2022).

[14] *West Coast Hotel Co. v. Parrish*, 300 U.S. 379 (1937), at 399. The Court also argued "The fact that employers were oppressing and exploiting women and taking advantage of their weak bargaining position obviously implies that these employers were receiving wealth to which they were not entitled to…" and therefore did not represent a redistribution or taking."

[15] To ensure Congressional passage at the time, however, the Roosevelt administration acceded to the demands of Southern Democrats who required that Black workers be largely excluded from those New Deal protections by exempting industries like agriculture, hospitality and private services where those workers represented a disproportionate share. The expansion of the Fair Labor Standards Act in 1965, along with the Civil Rights Acts of that year belatedly extended those protections to large number of Black workers and contributed significantly to the reduction of the Black / white earnings gap. See Ellora Derenoncourt and Claire Montialoux. "Minimum Wage and Racial Inequality." *Quarterly Journal of Economics*. vol.136, no. 1 (2021): 169-228.

[16] Franklin D. Roosevelt, "Message to Congress on Establishing Minimum Wages and Maximum Hours." May 24, 1937. (As compiled online by Gerhard Peters and John T. Woolley). *The American Presidency Project* https://www.presidency.ucsb.edu/node/209566. (Here).

[17] One reasonable proposal by the Economic Policy Institute and others is to index the minimum wage to be two-thirds of the national median wage would place the federal wage at about $17.70 in 2026, $20 in 2030 and $25 by 2038. It could be indexed

to that target by amending the Fair Labor Standards Act. See Ben Zipperer, "Setting High Standards for a Federal Minimum Wage." Economic Policy Institute. May 21, 2026. (Here).

[18] The Fast Food Minimum Wage law (AB 1228) requires a minimum wage of $20 per hour. It took effect on April 1, 2024 (Here). Consistent with studies cited in this backgrounder, research by Sosinky and Reich finds that the imposition of the fast food minimum wage has had minimal employment effects and have raised prices primarily to higher income customers. See Denis Sosinsky and Michael Reich. "A $20 Minimum Wage: Effects on Wages, Employment and Prices." Center on Wage and Employment Dynamics Working Paper, University of California, Berkeley, September 2025. See also Arindrajit Dube, "Labor Market Effects of California's $20 Fast Food Minimum Wage." NBER Working Paper, 35171, May 2026. Dube finds small employment effects arising from the minimum wage increase as well as substantially higher reduction in separation rates for workers, particularly among large fast food employers. In an early study of the impact of the law using worker survey data, Schneider, Harknett and Huey reported similarly significant increases in earnings and nominal effects on employment and also found that the law had minimal effects on staffing, scheduling reductions in fringe benefits or wage theft. See Daniel Schneider, Kristen Harknett and Kevin Bruey, "Early Effects of California's $20 Fast Food Minimum Wage." The Shift Project Report, October 2024 (Here).

[19] Added protections for delivery driver wages and tips are codified in a number of New York City Local Laws adopted in 2026 (Here).