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BACKGROUND PAPER

Raising Wages by Changing Norms: Work Policy for the Long Game

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Decades of wage stagnation in the US 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 have contributed to growing income inequality. 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. Unions and other worker advocates experimented with new methods and targets of organizing in a period of the highest public support for labor unions in decades.

But another response to earnings inequality came from an unusual source: the private sector, where a growing number of major companies chose to raise their entry wage level—often substantially above statutory minimum wages. Companies do this by introducing—usually quite publicly—a voluntary minimum wage (VMW) across their entire companies. Prominent examples include the two largest private employers in the US, 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).

Why did these companies do it? And does it matter? In a recent publication in the *Quarterly Journal of Economics*, we take a deep dive into this question. 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 move in unexpected 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. But they only will do that—whether small, medium and large—if compelled to do so. **Voluntary initiatives by private companies may lead to one-off benefits for current employees, but broad coalitions of workers pressuring both corporations and government actors are needed to raise wage standards for all.**

[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.

Being nice: Voluntary minimum wages, 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. 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 A). VMW announcements increased during the pandemic and after, including 23 announcements by companies each employing more than 150,000 workers in 2021 alone.

Table A.1
Company-wide voluntary minimum wage announcements and sources

Company	No. Global Employees	Previous MW	New MW	Announce Date	Start Date	Coverage Details
Air Culinaire[1]	352		$15-$.	September 18, 2019	October 1, 2019	
Amazon[2,3,4,5]	1,100,000		$15-$15	October 1, 2018	November 1, 2018	Reg & Seasonal (FT & PT). ≈250K reg employees and ≈100K seasonal impacted. Even those making $15/hr will receive a raise. Already started increasing wages by 25 - 55 cents for fulfillment centers
Aquesta Financial Holdings[6]	70		$15-$.	December 21, 2017	January 1, 2018	
Ascension Healthcare[7]	150,000		$11-$.	May 22, 2015	July 5, 2015	
Assurant[8]	13,700		$15-$.	May 19, 2021	July 1, 2021	
BB&T[9]	55,126	$12	$15-$.	December 22, 2017	January 1, 2018	
BMO Harris Bank[10]	35		$15-$.	January 30, 2018	January 30, 2018	
Bank of America[11,12,13]	217,000	$15	$20-$.	April 9, 2019	March 1, 2020	United States
Bank of America[14,15]	217,000	$20	$25-$.	May 18, 2021	January 1, 2025	United States
Barclays[16]	1,624	$17	$20.5-$.	March 31, 2022	March 31, 2022	United States
Best Buy[17]	90,000		$15-$.	July 22, 2020	August 2, 2020	
CVS Health[18]	300,000	$9	$11-$11	February 8, 2018	.	
CVS Health[19]	300,000		$15-$15	August 4, 2021	July 1, 2022	Incremental increases beginning immediately,

[Create a Table like A.1 with just 15-20 major announcements and the first 5 columns].

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

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

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 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- (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 self-evidently great, 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 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.

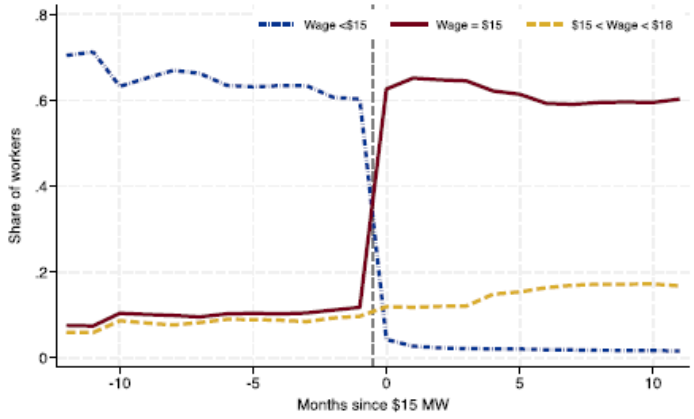


FIGURE II

$15 Voluntary Minimum Wage among Large Retailers

This figure plots changes in the hourly wage distribution at three large retailers (employment > 150,000) around the adoption of a $15 voluntary minimum wage. Depicted is the share of all hourly workers (including those earning $30 or more) below $15; at $15 up to, but not including, $16; and at $16 up to, but not including, $18, before and after the policy's implementation. *Data sources*: Large credit bureau.

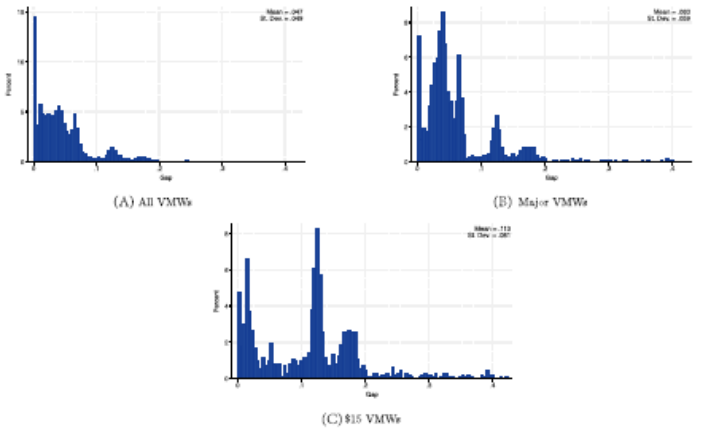
As a result of these shifts in the wage distribution, we estimate that adopting $15 VMWs increased overall average wages by about 7 percent and that some 3 million workers received wage increases arising from the VMWs in or study.

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.

[INSERT: TABLE THAT ILLUSTRATES OWN GAP VARIATION W/ CZ EXAMPLES]

5 Small own gap CZs **5 Medium own gap** **5 Large own gap CZs**

(Perhaps pick CZs from the modal groups of $15 MW in Figure III (below). For each, show the % of wages below the VMW prior to $15 VMW and the average wage of those CZs)



(A) All VMWs (B) Major VMWs

(C) $15 VMWs

FIGURE III

Distribution of Own-Gap Measure across Large Retailer CZs for All, Major, and $15 VMWs

This figure plots the distribution of the own-gap measure across large retailer CZs for all VMW events, major events, and $15 events (see equation (1) for the definition of the own-gap measure) The mean and standard deviation of the gap measure across all CZs in the included events is reported as well. *Data source*: Large credit bureau.

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 recreation 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 II? 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, new workers require training while losing workers means loss of company-specific skill 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 percent 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 add 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 accompany 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 advance 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 US.

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 helps to explain why these enterprises chose to implement lower wages uniformly: they arise from firm- rather than local-level considerations.

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[3] Wartzman; Lichtenstein

[4] Abernathy et. al. 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…

[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).

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 US. 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."

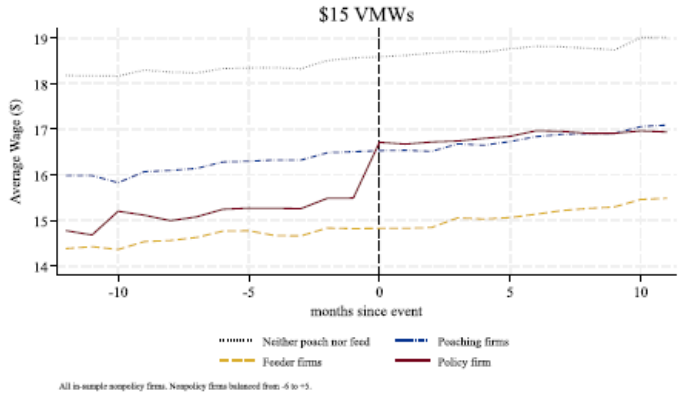


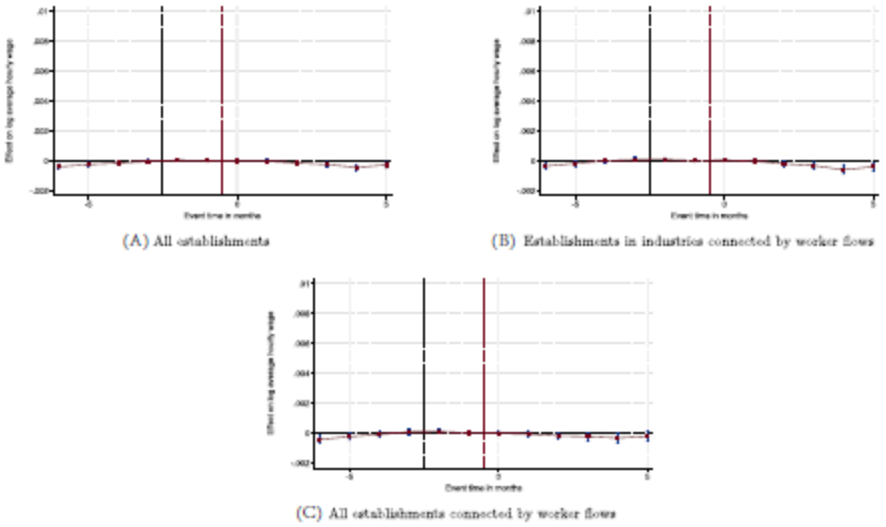
FIGURE VI

$15 VMW Large Retailer Wages versus Competitor Wages

This figure plots the average hourly wages at large retailers versus their competitors over a 12-month window around $15 VMW events. *Data source*: Large credit bureau.

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 the following figure that presents pre- and post- wage 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.



(A) All establishments

(B) Establishments in industries connected by worker flows

(C) All establishments connected by worker flows

FIGURE VII

Effect of Large Retailer $15 VMW on Other Firms' Wages, Large Retailer Gap

How can companies be so unresponsive? Walmart and Amazon are the number 1 and 2 employers in the US, 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 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 can their wages. 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 reflect their strategic incentives—like dominating the retail market where they compete.

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

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 to us 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 increases 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 US 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 percent of the workforce earns wages

[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).

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 them. [11] The figure below presents how employers affected by a minimum wage changed the distribution of wages in response. The figure charts whether the number of workers for a given wage "bin" (that is wages $1, 2, 3 above or below the new minimum wage) increased or decreased in frequency, all other factors held constant.

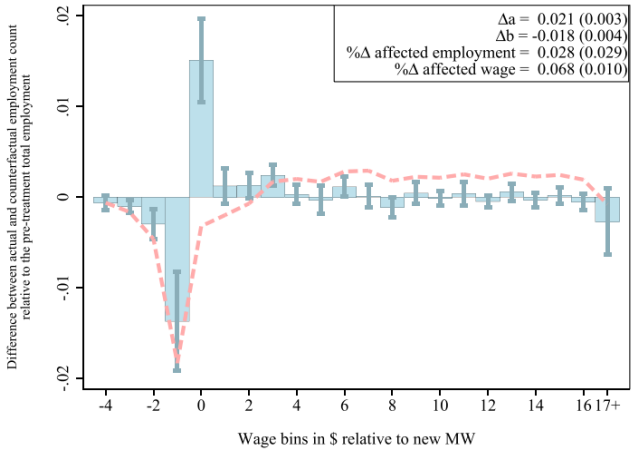


FIGURE II
Impact of Minimum Wages on the Wage Distribution

In response to a new minimum wage, employers dramatically decreased the percentage of jobs paid just *below* the new minimum (that is in bin "-1"). That change, however, was offset by increases in employment in the wage bin immediately above the new minimum (bin "1") and to a lesser extent in the two bins immediately *above* that. Overall, employment changed little pre- and post- the minimum wage change, even measured over five years.

That means 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.

[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.

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 recently demonstrated this behavior: after the United Auto Workers led a strike against the major 3 US automakers, Ford, GM and Stelantis agreed to major wage increases. Faced with UAW organizing campaigns at the US-based facilities, Toyota, Honda and Hyundai announced wage increases for their nonunion US 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.

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.

If we are serious about addressing earnings inequality

Our evidence suggests that modern labor markets are more complex than described by supply and demand stories. On one hand, the power of employers relative to workers makes wages more sticky than those models describe—there are many sources of "friction" that give even smaller companies some power in setting wages. This can have surprising results, such as leaving them an ability to maintain low wages even in the face of a major competitor upping its wage offers.

But large companies retain a power to set their wages in a unilateral manner—and in so doing reveal that they often keep wages below what they might be willing to offer in a sustainable way.

The adoption of voluntary minimum wages, the passing of mandatory minimums and the impact of unions on nonunion employers all make clear that businesses have a lot of room to move wages higher at present employment levels. Whether they will do so on their own or not depends on their direct stake in doing so. That means if we seek to raise wages of the bottom-end of the labor market, it will require a push and not internal enlightenment.

A new national movement that brings together worker and community organizations and advocates for higher wages at the local, state, and national level could be just the push we need.

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