HR and Employment Law News

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Most CFOs say minimum wage increases would cause them to reduce current workforce, says survey

The latest Duke University/CFO Global Business Outlook survey concerned the minimum wage, with nearly 75% of minimum-wage paying firms in the United States saying they would reduce current or future employment if the minimum wage is raised to $15 per hour.

The survey has been conducted each quarter for the last 20 years, making it the world's longest-running and most comprehensive research on senior finance executives. The latest survey results reflect what would happen as a minimum wage was increased incrementally.

At a $15 minimum wage, 41% would lay off current employees, while 66% would slow future hiring. Also, 66% of affected firms would reduce employee benefits at a $15 wage, and 49% would raise prices.

At a $10 minimum wage, about 20% say they would lay off current workers, 44% would slow future hiring, 20% would reduce employee benefits, and 43% say they would raise their prices.

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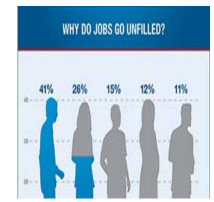

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An increase to $8.75 would affect fewer firms, but among those, 11% say they would lay off current employees, and 36% say it would slow future hiring.

While respondents generally indicated they could reasonably accommodate such a *modest hike* in minimum wage, they said it could also accelerate an ongoing shift away from labor and towards machinery.

While an increase in the minimum wage would benefit employees who retain their jobs, respondents said it would also help companies in some ways. Approximately half of effected firms think employee turnover would fall, and they would attract higher-quality talent. And 39% say productivity would increase if the minimum wage were increased to $15.

"The CFO respondents show the math is not as simple as 'increased minimum wages = immediate layoffs,'" said Dr. Campbell R. Harvey, a professor at Duke's Fuqua School of Business and a founding director of the survey, in a press release.

"It is more nuanced. CFOs reveal that increased minimum wages will lead to reduced hiring in the future and reduced benefits for current and future employees. While you might not see an immediate impact, corporations will find ways in the future to compensate for increased costs imposed by new regulations.

Harvey added that "raising the minimum wage gives robots a competitive advantage. Most companies with employees earning less than $10 per hour are investing in labor-saving techniques. CFOs are telling policymakers there is a significant unintended consequence: Some jobs will be replaced by robots, and this replacement is permanent."

On top of the ramifications of a possible increased minimum wage, CFOs in the United States, on average, believe there is a 31% chance of another economic recession. Driven in large part by slowing emerging economies and volatile financial markets and commodity prices, "the risk is relatively high around the world," says Dr. John R. Graham, a finance professor at the Fuqua School of Business and director of the survey. "The recession outlook has worsened significantly in the last 9 months."

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