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Site selectors don't mind state raising minimum wage

But notion of inflationary link could pose problem for some

Denver Business Journal - by [Renee McGaw](#) Denver Business Journal

Raising Colorado's minimum wage to \$6.85 probably wouldn't hurt the state's ability to attract business, but indexing future wage gains to inflation would, according to several corporate site selection experts.

"Raising the minimum wage isn't bad, but tying it to inflation is a lethal solution," said Dennis Donovan, a principal at **Wadley Donovan Gutshaw Consulting**, a corporate location advisory firm based in Bridgewater, N.J. "It's very poor judgment and I'm shocked that they're even considering it."

Most of his firms' clients are major companies that already pay well above minimum wage, so the \$6.85 initial base wage specified in Amendment 42 wouldn't bother them.

"Passing a minimum wage that is above the federal level isn't necessarily a bad thing, and \$6.85 seems fairly reasonable, given Colorado's cost of living," Donovan said. "The killer is tying it to inflation. That is completely anti-business. Even merit pay isn't tied to inflation. Nobody just automatically gets raises; you have to earn them.

"Eventually wages will move up to the point where it will be difficult for a company coming in paying a decent wage for an unskilled job to find people, because minimum wage will be so high, and they will go elsewhere," Donovan said.

Angelos Angelou, present of Angelou Economics in Austin, Texas, a technology-based economic development consulting and site location firm, said, "It's not so much the financial impact

which is a matter of concern to businesses, but also the symbolic nature of the move, particularly when you index that minimum wage to localized inflation.

"While I can see the popularity of this measure among citizens, it doesn't really consider business conditions," Angelou said. "We have a free economy, and the nature of that free economy is for wages to be set up in the free market. Every time you try to legislate that, it sets the tone for a negative business climate."

But others said the impact of Amendment 42, if voters approve it, would be minimal.

"I don't see that it's going to hurt the chances of the state to attract investment from the outside on a higher-skilled job level," said Don Schjeldahl, vice president and director of the facilities location group at The Austin Group in Cleveland, Ohio. "I know that it impacts retail and lower-end service jobs. I hear those people crying about it. But that's not what really drives an economy. You don't really want to build an economy on service jobs."

His client companies pay salaries well above minimum wage, he said.

"We do represent companies that look to pay at the low end of the wage scale for some types of operations, such as food processing, but never as low as the \$6.85 level," Schjeldahl said. "And I'd say in general that if people are making more money, they spend more money and the economy gets stronger, and those places become more attractive."

So far, 23 states and the District of Columbia have enacted a minimum wage that is higher than the federal minimum of \$5.15. Voters in six states -- Arizona, Ohio, Nevada, Missouri and Montana, as well as Colorado -- will consider ballot issues in November that would create minimums between \$6.15 and \$6.85, with increases tied to inflation.

"A majority of states are moving toward a more reasonable minimum wage, because the federal minimum wage has been stuck at \$5.15 for so long," said Kevin Whelan, a Pennsylvania-based spokesman for the **Association of Community Organizations for Reform Now (ACORN)**, which has worked to put the minimum-wage issue on state ballots. "So Colorado would really not be doing something very different."

On the other hand, Chicago Mayor Richard M. Daley on Sept. 11 vetoed a city council plan to force large stores located within that city to pay workers at least \$10 an hour by 2010, with at least \$3 an hour

in benefits. The proposal was aimed at "big box" retailers such as **Wal-Mart** and **Home Depot**.

"I believe it would drive jobs and businesses from our city, penalizing neighborhoods that need additional economic activity the most," Daley said, according to The New York Times.

Wages are only one factor in corporate relocation decisions, said Spencer Schobert, a San Francisco-based manager with Deloitte Consulting of Atlanta's Global Expansion Optimization Group, who specializes in location strategy.

"There are typically two primary components companies from out of state would consider before locating an operation: costs and operating conditions," Schobert said. "While labor cost is certainly a key consideration for most operations, the state will not likely see a significant change in the number of operations looking to take advantage of wage arbitrage at the minimum wage level. Depending on the operation, operating conditions -- i.e. labor availability, timing, infrastructure, community support, appropriate real estate -- are often equally important, and the state has fared very well."

Indexing minimum wage gains to a local inflation indicator also probably wouldn't matter very much, Schobert said.

"Concerns with minimum wage increases, however the approach, are probably more significant for local businesses already paying at minimum wage," he said. "Any company looking to locate in the area would want to know that the wage increases are controlled and predictable."

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