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Amazon's New \$15 Minimum Wage Is a Shrewd Political Move

Amazon's [announcement](#) on Tuesday that starting November 1 every full-time employee working in the United States, and every temporary worker hired to meet the holiday crush, will be paid at least \$15 an hour is a smart political move for its owner, and it will cost the company almost nothing. The owner, anti-Trumper Jeff Bezos (also owner of the virulent anti-Trump *Washington Post*), is smoothing the feathers of socialist Bernie Sanders who has repeatedly criticized Bezos (whose net worth is estimated at \$165 billion) for allegedly paying his employees so little. Sanders said the announced wage increase is "not only enormously important for Amazon's hundreds of thousands of employees; it could well be, and I think it will be, a shot heard around the world."



It also pushed forward the agenda of the union-backed Fight for \$15 which has largely been languishing for the last six years.

And along the way, the move also puts pressure on Bezos' nearest competitors, Walmart and Target, to match his move. Walmart raised its starting pay to \$11 an hour earlier this year, while Target, currently paying \$12 an hour, announced plans to raise its starting wage to \$15 by 2020.

In addition, it puts pressure on weaker players in the retail sector, such as Sears, which has lost huge market share to its larger competitors and teeters now on the edge of bankruptcy.

The move is also going to put low-wage workers out on the street. The rise in wages coupled with the decreasing cost of robots brings the breakeven point ever closer to the moment when robots become more efficient and less costly than workers. Amazon knows that, as it is pushing the development of its Amazon Go cashierless stores.

But for small companies such as Micro 100 Tool Corporation out of Meridian, Idaho, such a pay raise would cost the company (which now employs about 100 skilled machinists making carbide cutting tools) \$270,000 a year. This is forcing the company to move ahead with plans to automate more of its production plant, putting some employees out on the street.

That's always been the dirty little secret of raising a minimum wage by force: It automatically puts workers not worth that much out of work. But socialists such as Sanders and enablers such as Bezos don't care. In fact, in the announcement the company noted that it is putting Jay Carney, a former Obama press secretary who now works for Bezos, in charge of lobbying Washington for a federal minimum-wage increase. The company already spends \$13 million a year in such lobbying activities,



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which will now be focused on that effort.

It's not likely to cost Amazon much to advance its political agenda. As the *New York Times* noted, Amazon has already been paying its full-time workers in its fulfillment centers more than \$15 an hour, with the median pay for all of its workers in the country approaching \$17 an hour. So only those workers on the margin will see an increase, with the company promising that those already making \$15 an hour or more will see a slight (unstated) increase as well.

The move, in the long run, could save Amazon millions in labor costs. David Bahnsen, chief investment officer at The Bahnsen Group, told CNBC's *Closing Bell* on Tuesday that Amazon "will not end up spending more in wages. They will end up hiring less people." He added, "Through time, they are going towards an automation process that's going to be hiring less people."

Any increase in wage costs are likely to be minimal and short-lived, a small investment with a big political payoff, said Bahnsen: "They can afford to pay this greater increase in wages and ... trade it in for [favorable] political optics."

Photo of workers at an Amazon fulfillment center: AP Images

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