More Than a Million Low-Skilled Workers Just Got a Raise

Congress recently passed the Tax Cuts and Jobs Act, which temporarily lowers individual income taxes and permanently cuts corporate income taxes. This move has been celebrated by the business community with more than 125 companies announcing raises or bonuses for their employees.

But no good deed goes unpunished. Critics have decried the tax cuts as a “gift” for the wealthy and downplayed their role in benefiting workers.

Reported layoffs by big corporations such as Walmart and AT&T appeared amidst the good news of wage hikes and bonuses. This led some to believe wage hikes were being financed by cutting workers instead of cutting taxes. However, this view ignores economic scale and meaningful cost-benefit analyses.

SOURCE: USA Today

To illustrate this point, let’s examine the case of Walmart.

After the tax cuts were enacted, Walmart announced its plans to raise wages and offer one-time bonuses. During the same month, it also released news that 63 Sam’s Club stores would be closing. To some, this served as proof that the benefits of some employees came at the expense of others. However, such an assertion would be difficult to substantiate when considering the scope of changes

Walmart employs more than 1.5 million U.S. workers at its stores, Sam’s Clubs, eCommerce, logistics, and Home Office locations. In his note to associates, Walmart’s CEO revealed the company's plans to raise its minimum wage to $11/hour, offer one-time bonuses of up to $1,000, expand its paid maternity and parental leave policies, and offer $5,000 in financial assistance to employees seeking to adopt a child.

Contrast the aforementioned with the very real human costs associated with the elimination of 9,540 Sam's Club positions, which is less than 0.5% of all Walmart employees. (It is worth noting that some of these stores will be transformed into e-commerce distributions centers with their own sizeable workforces replacing a substantial portion of the lost jobs).

On the net, Walmart workers are substantially better off than they were before the tax cuts were passed and this should come as welcomed news regardless of your political views. Moreover, supply side tax cuts encourage business growth by lowering the cost of operating a business. This means that it is inaccurate to suggest that the recent closures are even remotely linked to tax reform.

When considering pay increases exclusively (not one-time bonuses), such as those announced by Walmart, Wells Fargo, Regions Bank, and U.S. Bank, the truth becomes clear – more than 1 million low-skilled workers received a raise attributed to corporate tax cuts within the first month of the implementation of the new tax structure.

It would be dishonest to say all corporate tax savings will be passed on to workers; that's just not true. Tax savings can be passed down to consumers in the form of lower prices; they can lead to job growth through expanded business investment; and, undoubtedly, some of the gains will go to shareholders. Nevertheless, arguments that claim recent tax cuts came at the expense of the working class are unlikely to pass economic muster.