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ACROSS THE U.S., WORKERS AT THE BOTTOM OF THE LADDER GET PAY RAISES

Competition for labor, minimum-wage gains and corporate action favor lowest-paid workers

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U.S. companies are giving raises to more of the nation's lowest-paid workers, and they are eager to trumpet the news.

For Americans in the bottom quarter of the income scale, who were left behind for much of the expansion, pay is rising at the fastest rate since the recession.

The gains appear to be driven by more competition for workers, minimum-wage increases and initiatives by companies from McDonald's Corp. to Nationwide Mutual Insurance Co. to J.P. Morgan Chase & Co., who have proudly declared that they would give their lowest-paid workers a boost.

While higher wages typically increase a company's costs, they can make it easier for companies to attract quality recruits and stem turnover, and some experts say the potential payoffs can extend beyond dollars and cents.

In the second quarter, weekly wages for full-time workers in the 25th percentile, those making about $13 an hour, were up 3.1% from a year earlier, according to Labor Department data. That's the biggest increase since 2009 and exceeds the growth rate for median earners, or those making about $20 an hour for full-time work.

The raises coincide with a decline in available workers for what are often less desirable jobs. The jobless rate has held at or below 5% this year, and the number of available workers per job opening is hovering near a 15-year low.

The gains at the bottom come alongside broader pay increases; in July, wages for all private-sector workers matched their strongest annual rate of growth in seven years.

The raises aren't being quietly slipped into paychecks. Instead, large employers are setting a public example, putting pressure on competitors to follow suit and reaping ancillary benefits in the form of good will from employees, customers and investors.

J.P. Morgan Chase Chief Executive Jamie Dimon used an op-ed piece in the New York Times last month to announce that his company would increase minimum pay for 18,000 workers to at least $12 an hour.

Starbucks Corp. Chief Executive Howard Schultz used a recent letter to employees—published on the company's public website—to tell workers about a minimum 5% raise this year. McDonald's, Wal-Mart Stores Inc. and Gap Inc. have made similar moves in recent years.

Nationwide said last September that it was increasing the minimum wage for its lowest-paid workers to $15 an hour from $10.50. About 900 workers at call centers in Des Moines, Iowa, and San Antonio got raises.

Competitive pressures and low unemployment in those cities was a factor, said Gale King, Nationwide's chief administrative officer.

"We knew our associates could walk out the door and find a job tomorrow," she said. By raising pay above the median wage for similar work in the area, Nationwide says it can attract better employees to serve customers.

The result: Turnover at the call centers has dropped and internal surveys show employee satisfaction has improved, even among workers who didn't receive a raise, Ms. King said.

The companies say increasing pay at the bottom of the scale can be a smart financial decision, leading to a more a stable employment base and lower hiring and training costs. It can also be a wise public-relations move.

"Baristas, bank tellers, these are people customers see as the face of the brand," said Kirsten Davidson, head of employer brand at job-rating website Glassdoor. "If a company is not talking about pay raises for those employees, that's a huge lost opportunity."

Such pay increases also hint at a corporate shift toward more profit-sharing, said Princeton economist Alan Krueger, a former economic adviser to President Barack Obama.

"It shows company wage policy is not fully dictated by the market," said Mr. Krueger. "That's one of those myths that the labor market is purely set by supply and demand." A solely market-driven company would set different wages in every city, not announce nationwide raises, he said.

Raises for lower-paid workers can make customers, and even investors, feel better about a company. That can be especially important for businesses targeted by protesters demanding a $15-an-hour national minimum wage.

Weekly wages in the leisure and hospitality industries, including restaurants, are advancing at nearly the same rate as for information workers, who earn three times as much, Labor Department statistics show.

Research firm TDn2K says turnover among hourly restaurant workers hasn't decreased since September 2013, and that turnover among restaurant managers is at its highest level in more than a decade.

"If you ask franchisees what the biggest issue they have right now is, it's finding people," Dunkin Brands Group Inc. Chief Executive Nigel Travis told investors last month.

In some cases, the announced raises will help keep workers above minimum wages that are climbing as new laws take effect. Since the start of 2014, 26 states have raised their pay floors, including California and New York, where lawmakers this year put minimum wages on a path to reach $15 an hour. The federal rate of $7.25 an hour has held steady since 2009.

Better pay for workers can lead to higher prices for consumers. Starbucks said last month it would raise the prices of certain drinks by as much as 30 cents. Mr. Travis said many Dunkin franchises also have increased prices.

Last year, McDonald's raised workers' pay by at least $1 an hour more than the prevailing local minimum wage at the roughly 1,500 restaurants it owns in the U.S. The company's lowest pay rate will reach more than $10 an hour this year.

Finance Chief Kevin Ozan said last month that crew turnover is down as a result. "I think it's fair to say labor pressures will likely continue in a lot of countries around the world, including the U.S.," he said.