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“For \$7.93 an Hour, It’s Worth a Trip Across a State Line”
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By TIMOTHY EGAN

LIBERTY LAKE, Wash., Jan. 9 — Just eight miles separate this town on the Washington side of the state border from Post Falls on the Idaho side. But the towns are nearly \$3 an hour apart in the required minimum wage. Washington pays the highest in the nation, just under \$8 an hour, and Idaho has among the lowest, matching 21 states that have not raised the hourly wage beyond the federal minimum of \$5.15.

Nearly a decade ago, when voters in Washington approved a measure that would give the state’s lowest-paid workers a raise nearly every year, many business leaders predicted that small towns on this side of the state line would suffer.

But instead of shriveling up, small-business owners in Washington say they have prospered far beyond their expectations. In fact, as a significant increase in the national minimum wage heads toward law, businesses here at the dividing line between two economies — a real-life laboratory for the debate — have found that raising prices to compensate for higher wages does not necessarily lead to losses in jobs and profits.

Idaho teenagers cross the state line to work in fast-food restaurants in Washington, where the minimum wage is 54 percent higher. That has forced businesses in Idaho to raise their wages to compete.

Business owners say they have had to increase prices somewhat to keep up. But both states are among the nation’s leaders in the growth of jobs and personal income, suggesting that an increase in the minimum wage has not hurt the overall economy.

“We’re paying the highest wage we’ve ever had to pay, and our business is still up more than 11 percent over last year,” said Tom Singleton, who manages a Papa Murphy’s takeout pizza store here, with 13 employees.

His store is flooded with job applicants from Idaho, Mr. Singleton said. Like other business managers in Washington, he said he had less turnover because the jobs paid more.

By contrast, an Idaho restaurant owner, Rob Elder, said he paid more than the minimum wage because he could not find anyone to work for the Idaho minimum at his Post Falls restaurant, the Hot Rod Cafe.

“At \$5.15 an hour, I get zero applicants — or maybe a guy with one leg who wouldn’t pass a drug test and wouldn’t show up on Saturday night because he wants to get drunk with his buddies,” Mr. Elder said.

For years, economists have debated the effect that raising the minimum wage would have on business. While the federal minimum wage has not gone up for 10 years, 29 states have raised their wage beyond the federal minimum.

These increases, according to critics like Brendan Flanagan of the National Restaurant Association, are a burden on the small, mostly family-run businesses in fast food and agriculture that employ workers at the lowest end of the pay scale.

“We see the political momentum for this,” said Mr. Flanagan, a vice president at the association, “but we cannot ignore what our members are telling us, which is that it will lead to job losses.”

But the state's major business lobby, the Association of Washington Business, is no longer fighting the minimum-wage law, which is adjusted every year in line with the consumer price index.

"You don't see us screaming out loud about this," said Don Brunell, president of the trade group, which represents 6,300 members.

"It's almost a no-brainer," Mr. Brunell said, that the federal minimum should go higher. Association officials say they would like to see some flexibility for rural and small-town businesses, however.

Washington's robust economy, which added nearly 90,000 jobs last year, is proof that even with the country's highest minimum wage, "this is a great place to do business," Mr. Brunell said.

During a recession five years ago, the same group had argued that Washington's high minimum wage law would send businesses fleeing to Idaho. The group sent out a news release with a criticism of the law from John Fazzari, who owns a family-run pizza business in Clarkston, Wash., just minutes from the Idaho town of Lewiston.

But now Mr. Fazzari says business has never been better, and he has no desire to move to Idaho.

"To tell you the truth, my business is fantastic," he said in an interview. "I've never done as much business in my life."

Mr. Fazzari employs 42 people at his pizza parlor. New workers make the Washington minimum, \$7.93 an hour, but veteran employees make more. To compensate for the required annual increase in the minimum wage, Mr. Fazzari said he raises prices slightly. But he said most customers barely notice.

He sells more pizza, he said, because he has a better product, and because his customers are loyal.

"If you look 10 years down the road, we will probably have no minimum wage jobs on this side of the border, and lots of higher-income jobs," Mr. Fazzari said.

Job figures from both states tend to support his point. While Idaho leads the nation in new job growth, it has a far higher percentage of minimum-wage jobs than Washington. Minimum-wage positions make up just 2.4 percent of the jobs in Washington, while about 13 percent of the jobs in Idaho pay at or less than the proposed federal minimum wage, according to a study done for the state last year.

Part of the difference could be accounted for by a lower cost of living in Idaho and the higher percentage of technology, manufacturing and government jobs in Washington, economists say. Still, it is hard to find a teenager in Idaho who lives anywhere near Washington who is willing to work for \$5.15 an hour.

"Are you kidding? There are so many jobs nearby that pay way more than minimum wage," said Jennifer Stadtfeldt, who is 17 and lives in Coeur d'Alene, which is just a few minutes from Washington. She pointed out that Taco Bell, McDonald's and other fast-food outlets in her town were posting signs trying to entice entry-level workers with a starting pay of \$7 an hour.

The House today passed a bill increasing the minimum wage, and about 13 million workers would see a pay raise if the Senate and President Bush approve it. Mr. Bush has said he would approve

the wage increase so long as concerns of small-business owners were taken into account; the Senate has not yet taken up the bill.

Several studies have concluded that modest changes in the minimum wage have little effect on employment. A study two months ago by an economist at Washington State University seemed to back the experience of Clarkston and other border towns in Washington. The economist, David Holland, said job loss was minimal when higher wages were forced on all businesses. About 97 percent of all minimum-wage workers were better off when wages went up, he wrote.

But other business groups argue that an increase would hurt consumers and workers at the low end.

In a survey released on the eve of the November elections — in which voters in six states considered raising their minimum wages — the National Restaurant Association said restaurants expected to raise their prices and eliminate some jobs if the voters approved the measures. The initiatives all passed.

Here on this border, business owners have found small ways to raise their prices, and customers say they have barely noticed.

“We used to have a coupon, \$3 off on any family-size pizza, and we changed that to \$2 off,” said Mr. Singleton, of Papa Murphy’s. “I haven’t heard a single complaint.”