

THE SPOKESMAN-REVIEW

Sue Lani Madsen: Higher minimum wage's ripple effects could include the education of a first job

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Initiative 1433 will likely qualify for the ballot, forcing the minimum wage debate statewide in Washington.

For the last month, I've interviewed more than 30 state and local candidates for public office at SpokaneTalksOnline.com for a podcast called "Meet the Candidate." Party and policy don't come up unless the candidate brings it up. I try to draw them out on their background, including the informal education gained from travel and work.

Voices brighten when asked about their first jobs. No matter what it was, a first job is a transformative experience. Being entrusted with a task and being paid for it changes how you see yourself, whether it's picking berries, managing a paper route, babysitting, pitching in at the family business or working a fast food counter. One candidate recalled how at age 8 he bought greeting cards off the back of a comic book and sold them door to door, with the Bank of Dad as his lender for seed capital.

Two themes kept recurring in our conversations. Many of the job opportunities that were essential parts of the education of this crop of candidates are now blocked by regulatory barriers. Of course we don't want 8-year-olds in factories changing bobbins on a spinning jenny, but we do need to make room for young labor entrepreneurs who want to pull weeds, or walk dogs or take out a loan from dad to buy and sell in a free market. We too readily deny children the opportunity to experience both the thrill and the drudgery of work.

Then there are those first real jobs, defined as one where you learn the difference between net and gross pay and meet your new best friend FICA. Those jobs are the ones most affected by artificially high minimum wage rates.

Progressive sources supporting higher minimum wage laws fail to address the question of who is going to pay for it. For most businesses, and particularly for small businesses, profit margins are low and going lower isn't a viable option. Business owners *will* adjust to higher mandated labor costs, and raising prices or cutting the number of employees are the simple choices.

Studies abound on the link between imposing higher minimum wages and layoffs. Statistics vary depending on the specific industry and labor market. There's a plethora of studies confirming negative or no effect on current employment, but few studies showing positive employment effects. Harder to capture is the number of jobs not created, the pre-emptive layoffs.

Raising prices defeats the goal of increasing purchasing power for workers. For the business owner, it can lead to lost sales and unsustainably reduced profit. Ironically for anti-corporate progressives, a higher minimum wage favors large corporations that can absorb short-term losses.

One of the best parts of being the boss at a small business is sitting down with a good employee and saying, "We're making a profit this year, and I'm giving you that raise because you've earned it."

It feels good to be magnanimous, but it's not all about the raise. There are two other key words in that sentence, profit and earned. Samuel Gompers, founder of the American Federation of Labor, famously said, "The worst crime against working people is a company which fails to operate at a profit." He realized that a company that doesn't turn a profit risks closing. No business, no job.

The second is earned. An employer will take on newbies who need training at a labor cost matching their ability, and retain trained workers by raising the wage as workers raise their skills. The free market-oriented Cato Institute cites research showing "nearly two-thirds of minimum wage workers move above that wage within one year."

As for those moving up, The Hamilton Project, a progressive-leaning think tank, acknowledges that states with higher than federal minimum rates, like Washington, tend to have more people clustered at or below 150 percent of minimum wage.

Hiring at a higher skill level raises the first rung of the employment ladder, the starter jobs. It also slows employee wage growth on the second and third rungs.

Washington voters like to be generous, but every initiative needs scrutiny beyond the feel-good slogans.