In Washington, D.C., a boost for the bottom line

BY DON LEE STAFF WRITER, *LA TIMES*
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Gina Schaefer prides herself in taking care of workers. The owner of 10 Ace Hardware stores in the Washington, D.C., area pays her 215 employees at least $10.50 an hour. That's a buck more than the legal minimum in the capital city and much more than suburbs in Maryland and Virginia.

Going to $15 an hour, she says, might actually help in significant ways. She's learned from experience that paying more can boost the bottom line by leading to a happier, more productive workforce.

Before Schaefer voluntarily bumped up the starting wage by $2 an hour in 2011, she was replacing about 80% of her employees every year. That's since dropped in half, sharply cutting her training costs and boosting productivity.

But a higher minimum wage would cost Schaefer in other ways. With less turnover, the average age of her workers would probably tick up a bit from the 19-to-27 range today. And older workers are a little more costly, even if they are more productive and dependable.

Labor accounts for a hefty 20% of Schaefer's total expenses. If that rises and her sales don't, she says she would look at ordering more higher-margin products, like cheaper-priced tools. She would also probably raise some prices. To meet rising labor costs in the past, for example, she charged 10 cents more for duplicating a key, generating an added $10,000 in annual sales.

Schaefer, 44, says she also may have to increase how much workers pay for their healthcare premiums, now 20%. Company parties and other frills may go, too. And she and her husband, who manages the books, would probably take pay cuts. Nor does she rule out the possibility of cutting jobs.

Even so, she still thinks that going to $15 an hour makes good financial sense, as long as it's not raised too quickly. "If people are making more money, maybe they won't have to shop at Wal-Mart," she says, "and they'll shop at my store."