

**Invited Testimony**  
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**Oregon Center for Public Policy**  
**In Support of Raising Oregon's Minimum Wage**  
**Senate Committee on Workforce**  
**April 13, 2015**

Chair Dembrow and members of the committee, thank you for the invitation to testify today.

As you know, there are a number of pending proposals to raise the minimum wage. The Oregon Center for Public Policy has focused on the proposals to gradually increase Oregon's minimum wage in three steps to \$15 per hour by 2018. SB 610 and HB 2009, pending in the House, accomplish that goal. At this juncture, because the bills as introduced are identical, anything we've written about one applies to the other.

I am going to discuss how a higher minimum wage might impact Oregon's economy and improve the economic security for hundreds of thousands of working Oregonians. In short, a graduated increase to \$15 over a three-year period creates a pathway to opportunity for many Oregonians and would be quite an accomplishment by the 2015 Oregon Legislative Assembly.

**There is precedent for such an increase**

Before I discuss the economic impact of the proposed minimum wage increase, I think it is important to put the proposal in perspective. There is precedent for the increase set forth in SB 610.

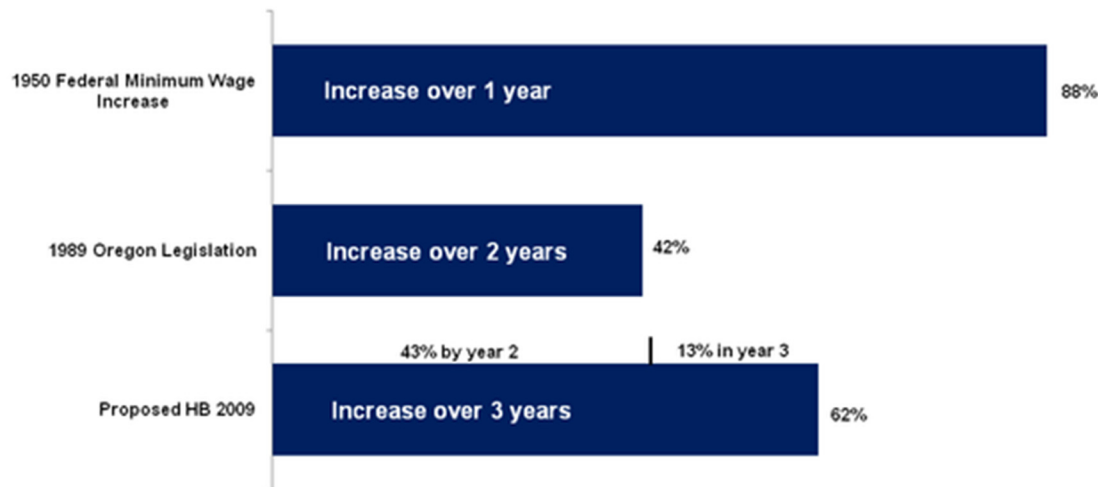
In 1989, Oregon lawmakers raised the minimum wage, which then stood at \$3.35, in three steps. By January 1, 1991, Oregon's minimum wage was \$4.75. That's a 42 percent increase over two years.

That order of magnitude is essentially the same as what SB 610 would do during its first two years. It would increase the minimum wage from the current \$9.25 to \$13.25 on January 1, 2017. That's a 43 percent increase.

When fully implemented in 2018, Oregon's minimum wage would be 62 percent higher than it is today. In the final step of the proposed increase, Oregon's minimum wage would rise just 13 percent.

## A Substantial Minimum Wage Increase Is Nothing New in Oregon

(Percent change in Oregon minimum wage by increase)



Source: OCPP analysis of Department of Labor data and HB 2009 proposal. Data for 1950 is from Economic Policy Institute analysis of Fair Labor Standards Act.

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The increase that will occur over three years is less than the increase Congress put in effect in 1950, when the federal minimum wage — which set the floor in Oregon at the time — jumped 88 percent.

With that perspective, let's consider the impact on the economy.

### Minimum wage raise boosts economic security and self-sufficiency

How would a higher minimum wage impact workers and their children?

Preliminary estimates show that 589,000 workers would benefit directly from the increase. That is the number of workers whose wages would go up as a result of the legislature lifting the wage floor. Another 114,000 workers would also likely see their wages increase indirectly as employers adjust overall pay ladders.

A \$15 per hour minimum wage would also improve the economic circumstances of many Oregon children. An estimated 350,000 children have at least one parent who would see increased income, directly or indirectly, as a result of increasing the minimum wage to \$15 per hour.

A higher minimum wage for parents could mean a lifetime of economic benefits for their children — and for our state. For low-income children, increases in family income tend to lead to higher academic achievement and increased earnings when the children become adults. Raising the minimum wage would provide a better future for Oregon children and create a more solid foundation for our economy.

Ultimately, raising the minimum wage would increase economic security and self-sufficiency for a broad group of Oregonians. That is a good thing for Oregon's economy, now and in the future.

### **Minimum wage increases have minimal impact on jobs**

What would raising the minimum wage mean for jobs in the state?

The impact of minimum wage increases on jobs is one of the most studied issues in economics. There is a great deal of research into what actually has happened when states have raised the minimum wage.

Based on the evidence, as opposed to conjecture based on economic models or theory, we can say that minimum wage increases have minimal impact — be it positive or negative — on jobs.

### **Oregon small businesses do fine with a higher minimum wage**

Finally, how would a minimum wage increase affect businesses, particularly small businesses? Understandably, the potential impact of the minimum wage on small businesses draws a great deal of attention. That issue is made a bit more complicated by the fact that there is no official or universally accepted definition of what constitutes a "small business."

A common definition, however, is a business that has less than 50 employees. Under that definition, out of the entire universe of jobs in Oregon, about 16 percent are jobs in small businesses that pay less than \$15 per hour.

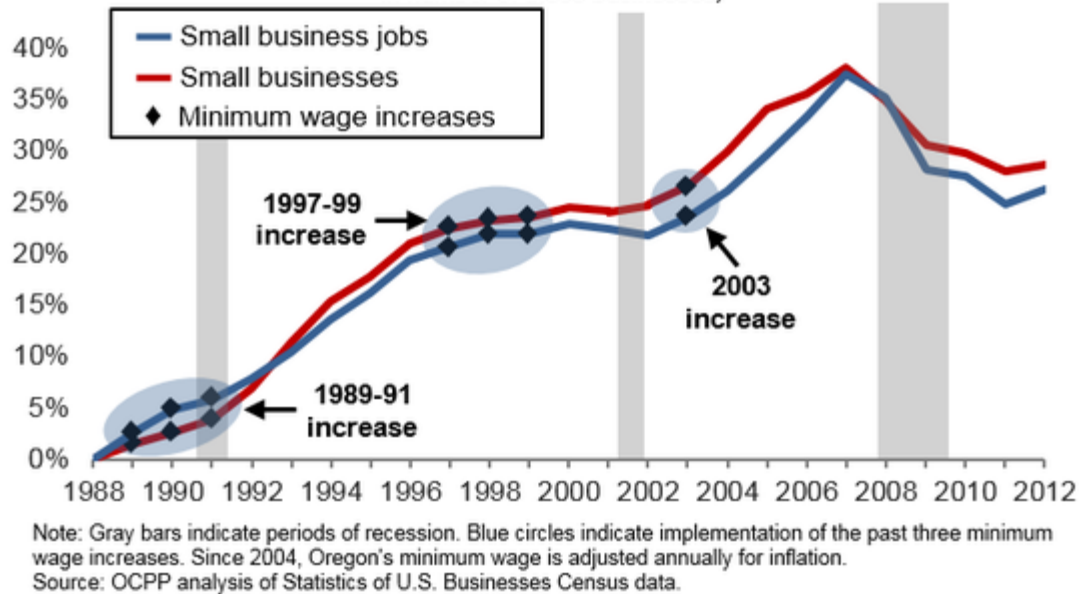
How has Oregon's small business sector fared under past minimum wage increases?

The Center recently looked at how Oregon's small business sector did following the three minimum wage increases enacted since 1989: the 1989 legislatively-enacted increase and the increases stemming from the 1996 and 2002 voter-enacted initiatives.

What we found was that following the three wage increases, the small business sector — in terms of both the number of establishments and the number of jobs — experienced mostly uninterrupted growth. Contractions appear to be tied to the business cycle, not to minimum wage increases.

## Recessions, not wage hikes, hurt small businesses

(1988-2012 percent change in number of jobs in businesses with fewer than 20 employees and in number of those businesses)



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What explains the fact that the small business sector seems unaffected by minimum wage increases?

Let me mention a couple of factors that are possibly at play here.

The first is that a minimum wage increase puts more money in the pockets of low-income workers, who tend to spend it quickly and locally. They will spend it on buying clothes and school supplies for their kids, on a car repair, on an occasional meal outside the home, or just meeting basic needs. Thus, a minimum wage increase provides what small businesses need most: customers with money.

The second factor is well-established in the research: a higher minimum wage yields savings to employers in the form of higher worker productivity and other efficiencies. For example, higher wages motivate employees to work harder and lead to less frequent worker turnover.

Oregon small business owners can expect such benefits from a higher state minimum wage.

### Conclusion

A higher minimum wage will increase economic security and self-sufficiency for more than half-a-million working Oregonians and their children. That would be quite an accomplishment by the 2015 Oregon Legislative Assembly. I respectfully urge your support for SB 610.