Quest
STAFFING SERVICES

THE BEST BY REQUEST

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Thank you for the opportunity to present opinions regarding increasing the minimum wage.

As a business owner with almost 30 years in the staffing industry, I have multiple reasons why I feel this is a bad idea for Oregon. However, in the interest of efficiency, I've narrowed the focus down to those that I feel are most compelling:

An increase to the minimum wage increases consumer costs

Artificially inflating the earning dollar increases the cost of living. An employee currently earning $10/hr as a gas attendant or deli worker will have an immediate impact to their employer's cost of doing business when the cost to employ them increases. The wage cost is also only a portion of the added expense. Worker's compensation, for example, is based on $100 of payroll. So, for every $100 earned by an employee, the company pays a set dollar amount based on their industry classification. An increase in hourly wage directly increases an employer's worker's comp costs, which further inflates the cost of paying that employee. When a company is forced to lay off employees due to the higher cost of doing business, the higher wages add to the amount paid in unemployment benefits, which increases the employer's unemployment percentage rate. All of these added costs, in addition to the increased wage, will be reflected in the price at the pump or in your next lunch. In 2003, Oregon's minimum wage law was changed such that the minimum wage is adjusted by the rate of inflation. The perpetual cause and effect of increased wages to increased cost of living is creating a reciprocating increase such that Oregon's minimum wage has gone up 10 of the last 12 years. At what point does it become excessive?

A healthy economy is driven by supply and demand – let employers and candidates influence what works.

Two years ago, while still embroiled in the recession, CDLA truck drivers would accept $15/hr for work. The reason is, companies were struggling with finding business so had to cut costs where ever possible. Because business was slow, distribution was minimal and there was a reduced need for truck drivers. As a result, truck drivers that were able to find work accepted a lower wage because a) they needed the work and b) the company was restricted in what they could afford. Fast forward to today and CDLA drivers are able to earn a starting wage of $20-25/hr, and companies are willing to pay this wage because business has improved such that the higher salary is justified! The supply/demand of the economy influences what companies can afford and what employees can expect. It does not need to be mandated by government. In fact, if the $15/hr minimum wage had already been in place during the recent recession, more businesses likely would not have survived.

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Oregon businesses would lose a competitive edge against similar industries outside of Oregon.

Today's market is made more challenging by internet trade. Businesses are not only competing against their industry neighbors, but also on a broader scale because of product availability through the internet. Increasing the minimum wage reduces the competitive edge Oregon companies might have because of this higher cost of doing business. The choice is to move to a business-friendly state or change their market strategy in a manner that represents starting over. Both of these options represent a loss of jobs.

Example: MuseumTour is an internet sales company located in Tualatin that sells educational toys that "extend the museum experience". They have established partnerships with museums throughout the United States where the museums contribute products to their catalog in exchange for a donation generated from their sales. Christmas is the high point of MuseumTour's year and the seasonal employees they hire earn below the proposed minimum wage. Increasing the wage to $15/hr creates a scenario that could make MuseumTour products less affordable compared to similar companies doing business outside Oregon. This would have a negative impact to their sales and potentially their desire to continue doing business in Oregon. Either of these outcomes would result in lost jobs.

Employee's should earn wages based on effort, not entitlement

Employees should be allowed the opportunity to impact their earnings potential through continued education, developing their skills and applying effort for the good of the company. Two months ago, Express Employment Professionals released a report revealing which markets have the most unfilled jobs. In many cases, these jobs remain unfilled due to a lack of qualified workers. Most of these jobs pay above minimum wage with a range of $11 to $30 per hour in fields such as manufacturing, accounting, medical services, administration, sales, engineering and information technology.

Bob Funk, CEO of Express, and a former chairman of the Federal Reserve Bank of Kansas City observed: *"Everyone knows there are millions of people looking for jobs, but what people don't realize is that there are often many jobs looking for people. If you have the skills that are in demand, you may be able to leverage that into a higher-paying job."*

Increasing the minimum wage reduces the opportunity for companies and candidates to negotiate wages based on merit. Businesses determine a pay structure that works for their budget, environment and required skills. When companies struggle finding qualified workers, they respond by increasing the wage to lure candidates to apply. Employees recognize higher salary as a benefit and incentive to remain committed to their employer. This appreciation will not exist with artificially increased pay, especially if it's provided to lesser skilled employees who have not exhibited the same level of value added effort. An employee's satisfaction with wage, when based on merit, skills and effort will enhance morale greater than that of an employee whose wage is based on their sense of entitlement by law.

Conclusion

I opened with the admission that I was limiting my arguments to a handful of reasons why increasing the minimum wage in Oregon is a bad idea. I didn't include the fact that large employers are already challenged by January's implementation and cost of the ACA mandate and it's poor timing to add increased wages as an additional burden to overcome.

It should be a given that the recession had a negative impact to many businesses, which means it is unnecessary to point out that business owners would appreciate time to recover from the challenge of persevering through the last several years.

I'm also assuming you are cognizant of the economic strain placed on Oregon's resources when unemployment is made greater by the loss of jobs coupled with a "Minimum Wage Gold Rush" from people moving to a state where the minimum wage is higher than any other state in the US.

But, if you disagree with the arguments I've presented, at least consider this:

> A wise man learns from their mistakes.
> A wiser man learns from others' mistakes.
> The wisest man learns from others' successes.

Seattle has led the way with a minimum wage program that is equivalent to what is being considered. If businesses are forced to cut workers due to the higher wage, this will be reflected in the unemployment rate. Or, if the population increases due to the "Minimum Wage Gold Rush", there will be increased pan handlers on street corners asking for money because unemployed people will have a harder time finding work. These conditions are easy to assess. So, postpone making a decision to see what happens in Seattle. Be wise and learn from their actions. Allow time to see what an increase to the minimum wage really accomplishes.

Thank you for your time and consideration.

Sincerely,

Melissa Craig
President, Quest Staffing Services
Regional Manager, Summit Staffing Solutions
A family owned and operated Oregon business since 1987!