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Impact of a $12 an Hour Minimum Wage On the State of Oregon

Fewer Jobs, Reduced Employment

Prepared for the
Oregon Neighborhood Store Association

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Executive Summary

Economics International Corp. has been retained by the Oregon Neighborhood Store Association to evaluate proposals to increase the Oregon minimum wage to $12 an hour, effective January 2016. During 2015, Oregon's Legislative Assembly is expected to consider several proposals that would raise the minimum wage, with some proposals hiking the minimum wage to as high as $15 an hour. The analysis provides the following findings.

- **A minimum wage increase to $12 an hour would reduce Oregon employment by approximately 52,500.** The reduced employment would result from some workers losing their jobs and some workers being unable to find a job. Others may be discouraged by the reduced employment opportunities and exit the labor force. A steeper hike would produce even bigger reductions in employment.

- **Most economic evidence indicates that increasing minimum wages are associated with reduced employment.** A comprehensive review of the research by the Congressional Budget Office finds that the negative impacts are felt through wide portions of the economy with youth employment disproportionately damaged. For example, studies find that a 10 percent increase in the minimum wage would be associated with a 1 percent to 4 percent decrease in teenage employment. CBO's analysis is based on an increase in the federal minimum wage. State-level impacts are likely to be larger as many employers operate in a national labor market and can shift staffing across state lines.

- **A $12 an hour minimum wage would likely *reduce* total wage income in the state.** A minimum wage increase would take income from one group of Oregon workers in order to benefit another group of Oregon workers, without increasing—and likely *decreasing*—total Oregon wage income. While some employees would see a modest increase in their annual salaries, tens of thousands of Oregonians would be unable to find employment and would have no wage income.

- **A steep minimum wage increase would reduce employment through business closures and reduced hours of operation.** Some employers respond to a minimum wage increase by reducing their use of low wage workers. Some employers respond to a minimum wage increase by passing on some of the increased costs to consumers in the form of higher prices. Many businesses do not have the flexibility to adjust staffing or raise prices—these businesses would close locations or reduce hours of operation.

About the author

Eric Fruits, Ph.D. is president and chief economist at Economics International Corp., an Oregon based consulting firm specializing in economics, finance, and statistics. He is also an adjunct professor at Portland State University, where he teaches in the economics department and edits the university's quarterly real estate report.

Dr. Fruits has been engaged by private and public sector clients, including state and local governments, to evaluate the economic and fiscal impacts of business activities and government policies. His economic analysis has been widely cited and has been published in *The Economist*, the *Wall Street Journal*, and *USA Today*. His research has been published in top-tier academic journals, such as the *Journal of Law and Economics* and the *Journal of Real Estate Research*.

Dr. Fruits has been invited to provide analysis to the Oregon legislature regarding the state's tax and spending policies. His testimony regarding the economics of Oregon public employee pension reforms was heard by a special session of the Oregon Supreme Court. He has conducted previous research on the impact of minimum wage indexing on youth employment and on skilled nursing/assisted living facilities.

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Economics International Corp. has been retained by the Oregon Neighborhood Store Association to evaluate proposals to increase the Oregon minimum wage to $12 an hour. Our research focuses on the employment impacts of the proposed minimum wage increase. The upcoming legislative session will likely consider proposals that would hike the minimum wage to as high as $15 an hour. A steeper hike would produce even bigger reductions in employment.

1 Introduction and Background

During 2015, Oregon's Legislative Assembly is expected to consider several proposals to increase the state's minimum wage. For example, Oregon Labor Commissioner Brad Avakian has indicated that he will propose in the upcoming legislative session that the state increase its minimum wage to $12 an hour.[1] Other proposals would hike the minimum wage to as high as $15 an hour.

Figure 1 shows that since the early 1990s, Oregon's minimum wage has exceeded the federal minimum wage. In November 2002, Oregon voters passed Measure 25, which increased Oregon's minimum wage to $6.90 per hour effective January 1, 2003. In addition to the increase, the ballot measure requires the state to adjust annually the minimum wage for inflation based on a rise in the consumer price index. In January 2015, Oregon's minimum wage increased 15 cents to $9.25 an hour, or $2.00 more than the federal minimum wage. Assuming the federal rate remains unchanged, an increase to $12.00 an hour would make Oregon's minimum wage 65 percent higher than the federal rate (Figure 2).

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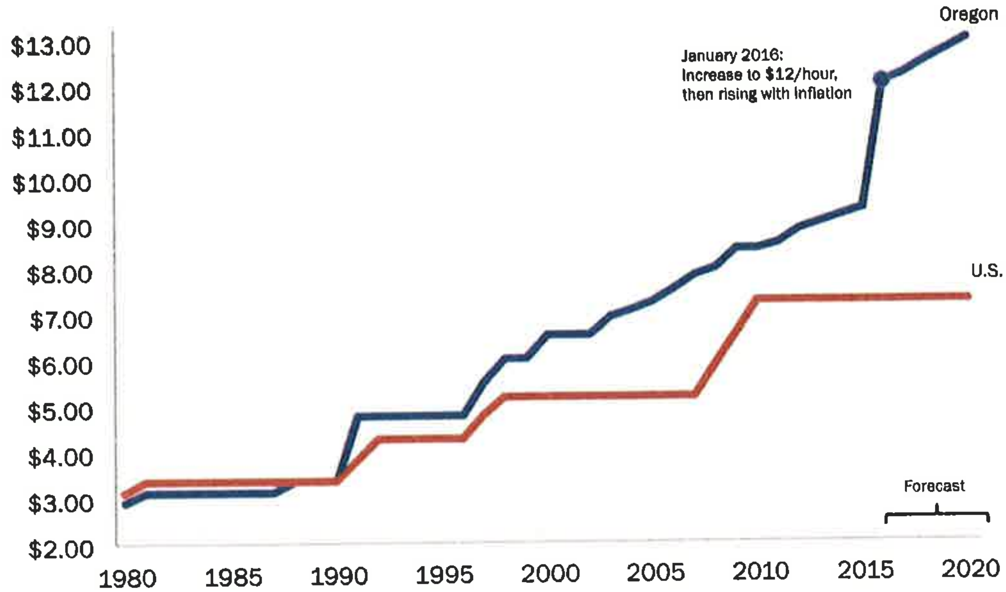
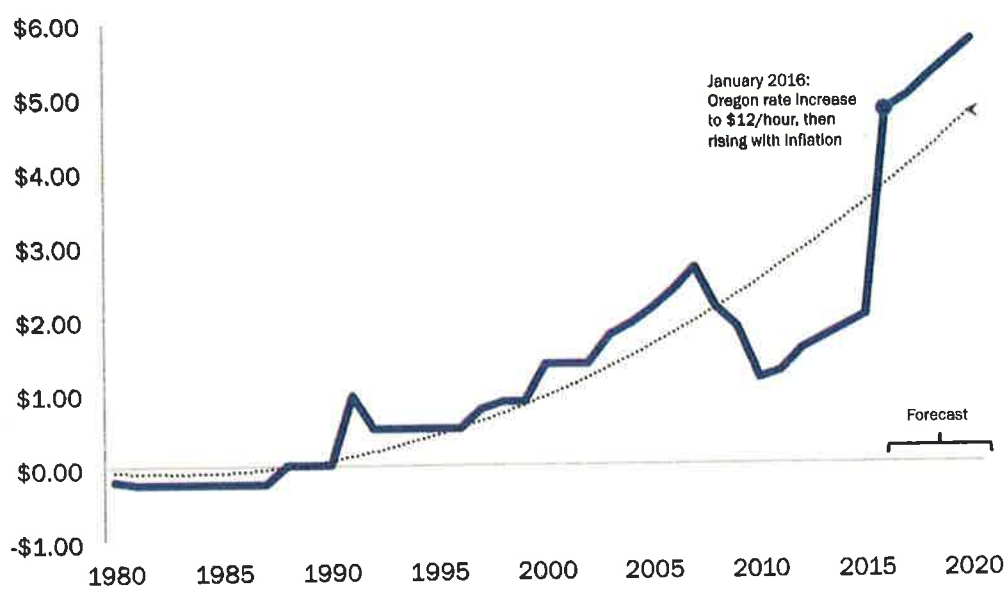
[1] See, for example, Glucklich, E. (2014). Labor chief to seek boost in Oregon minimum wage. *Register-Guard*. September 18. "Oregon Labor Commissioner Brad Avakian stopped short of explicitly advocating for a $12 minimum wage. But he said meager increases based on inflation don't reflect the disparity between employee pay and the cost of feeding a family."

Figure 1
Minimum wage, Oregon and Federal



Source: U.S. Bureau of Labor Statistics; Tax Policy Center

Figure 2
Difference in Oregon and Federal minimum wage
Oregon wage minus Federal wage



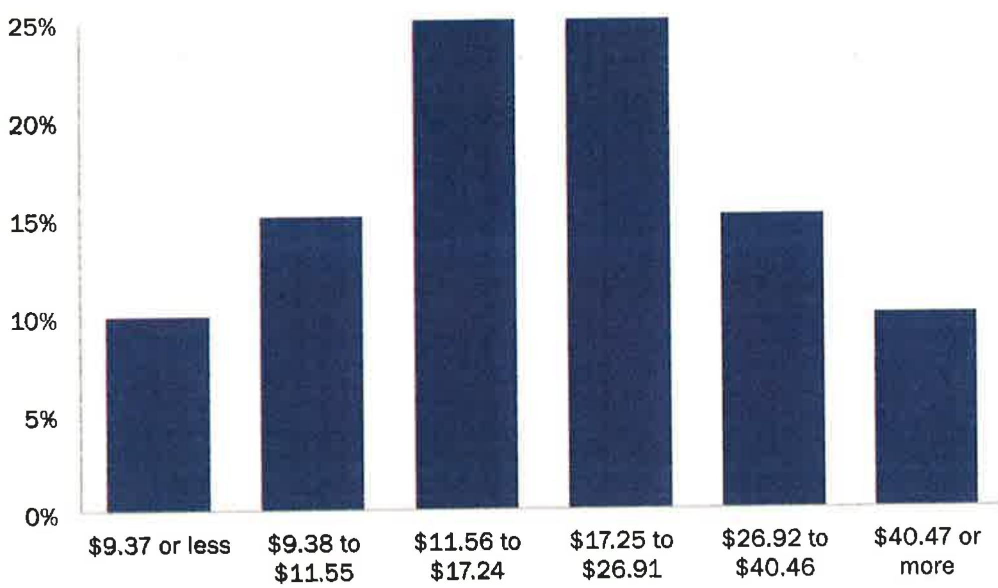
Source: U.S. Bureau of Labor Statistics; Tax Policy Center

The Oregon Bureau of Labor and Industries reports that approximately 142,000 Oregon workers—about eight percent of the state's workforce—would be affected by the 2015 minimum wage increase.[2] Current Population Survey data provided by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics report that fewer than one in six minimum wage earners are employed full time. CPS data also show that one-third of minimum wage earners are single adults and fewer than 15 percent are single parents. In other words, just over 1 percent of Oregon's workers are single parents earning minimum wage.

In most families with a minimum wage earner, the worker at minimum wage is not the only source or even the primary source of family income. That is one reason why CPS data report the average income for an Oregon family with a minimum wage earner is approximately $42,000 a year, or roughly double the federal poverty level for 2014 for a family of three or four. In addition, a large portion of families in poverty have no one working and thus would not benefit from an increase in the minimum wage.

Figure 3

Distribution of Oregon hourly wages and salaries, 2013



Source: U.S. Bureau of Labor Statistics

[2] Oregon Bureau of Labor and Industries (2014). Avakian announces 2015 minimum wage increase for 141,000 workers. Press release. September 17.

While minimum wage earners currently represent a fairly small share of the state's employment, the proposal to raise the minimum wage to $12 an hour would affect a large portion of the state's workforce and could have significant impacts on employment and incomes. For example, information provided by BLS indicates that by 2016, approximately 25 percent of Oregon workers—about 450,000—would be employed in a job paying $12 an hour or less (Figure 3).[3] Indeed, many positions that are not typically considered "low wage" would be affected by the proposal, including veterinary assistants, non-emergency ambulance drivers, chauffeurs, and child care workers.

Oregon persistently has had one of the highest unemployment rates in the U.S. In many of the past 30 years, Oregon has ranked in the top 10 states for unemployment. In addition to the state's high and annually increasing minimum wage, several other factors explain Oregon's persistently high unemployment. For example, Oregon has a reputation for rigid employment laws and health insurance mandates that add to firms' costs of growing their workforces. In addition, Oregon has had relatively high rates of in-migration, adding to competition for employment opportunities. The additional costs of employment associated with state regulations also contribute to Oregon's lagging wage income growth relative to the U.S. as a whole.

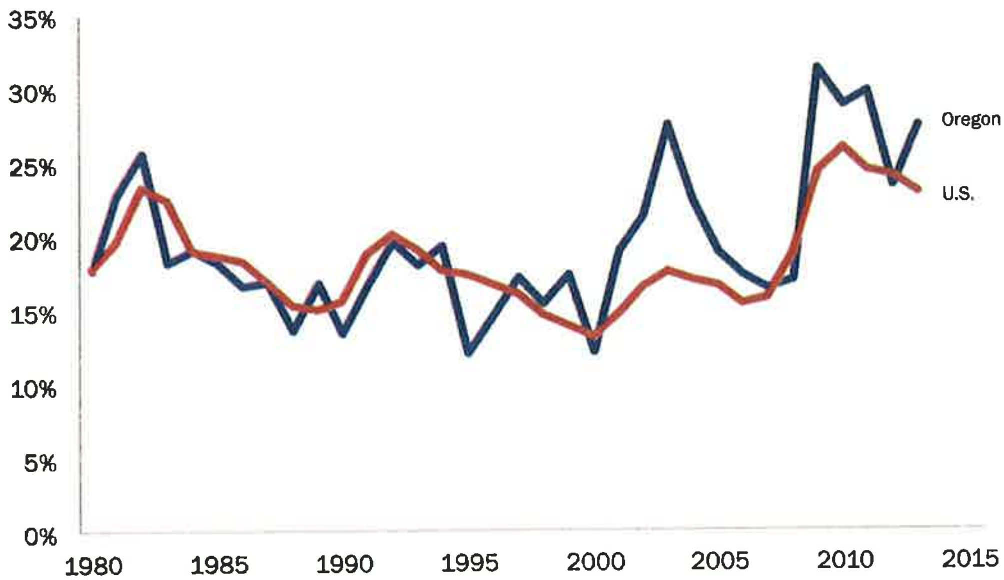
Employment opportunities for the youngest members of Oregon's working age population are exceptionally bad. Since the last recession, unemployment among the state's 16–19 year olds has been 25 percent or higher. While Figure 4 gives the impression that unemployment among members of this age group roughly tracks U.S. trends, Figure 5 shows that, in fact, the employment situation has worsened over time. The figure shows that since the 2001 recession, Oregon's unemployment among 16–19 year olds worsened relative to the U.S. as a whole and is currently four percentage points higher.

Similarly, Figure 6 gives the impression that labor force participation among Oregon 16–19 year olds is following the same downward trend experienced in the U.S. as a whole. However, Figure 7 shows that Oregon's labor force participation has worsened since the mid-1990s, dropping steeply in the 2001 recession. Thus, not only has Oregon's young labor force shrunk relative to the rest of the country, those that are in the labor force increasingly are having more difficulty finding employment. A higher minimum wage would only worsen the state's youth employment situation.

[3] United States Bureau of Labor Statistics (2014). May 2013 state occupational employment and wage estimates Oregon. http://www.bls.gov/oes/special.requests/oesm13st.zip.

Figure 4

Unemployment rate, ages 16–19, Oregon and U.S.

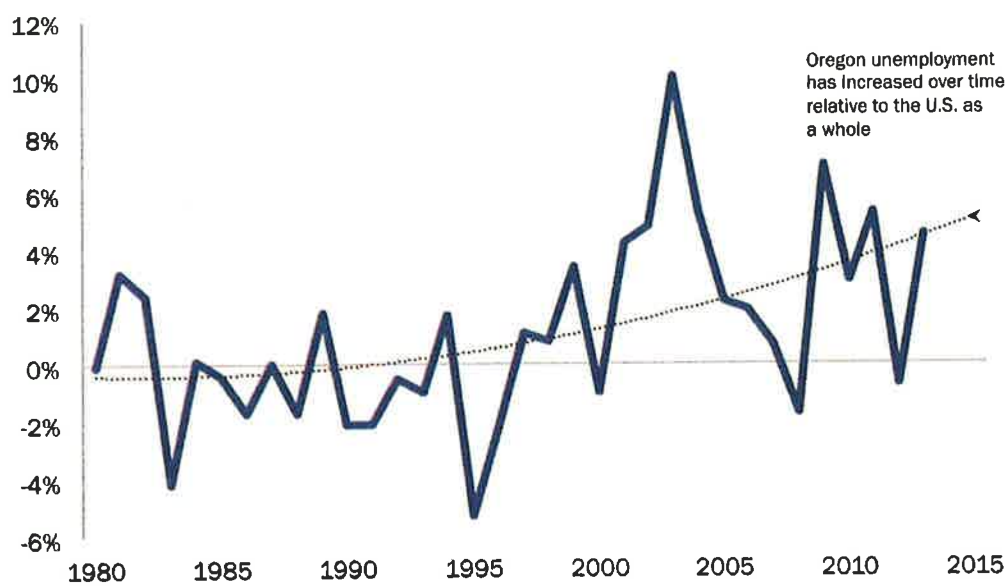


Source: Oregon Employment Department; U.S. Bureau of Labor Statistics

Figure 5

Difference in Oregon and U.S. unemployment rate, ages 16–19

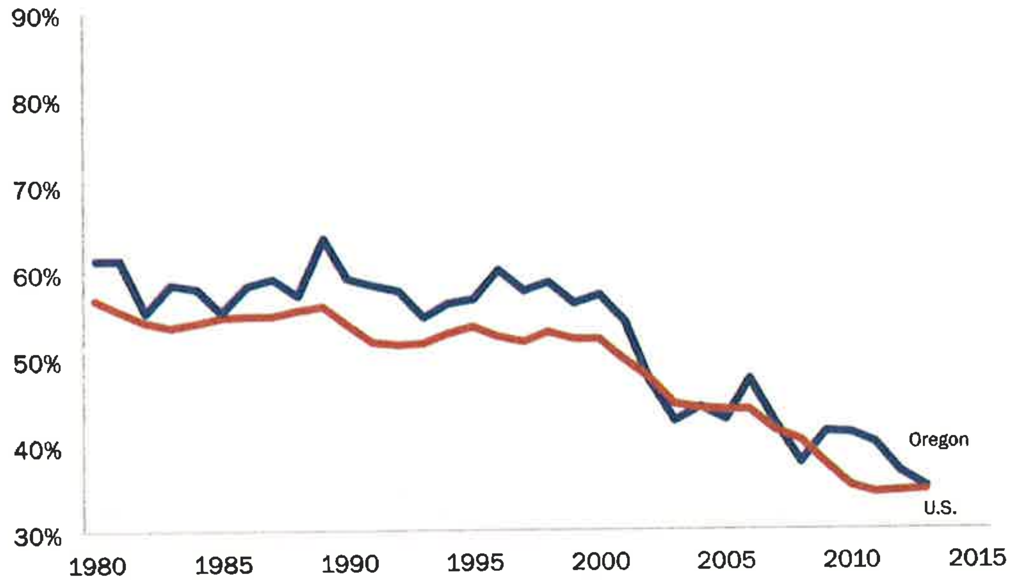
Oregon rate minus U.S. rate



Source: Oregon Employment Department; U.S. Bureau of Labor Statistics

Figure 6

Labor force participation, ages 16–19, Oregon and U.S.

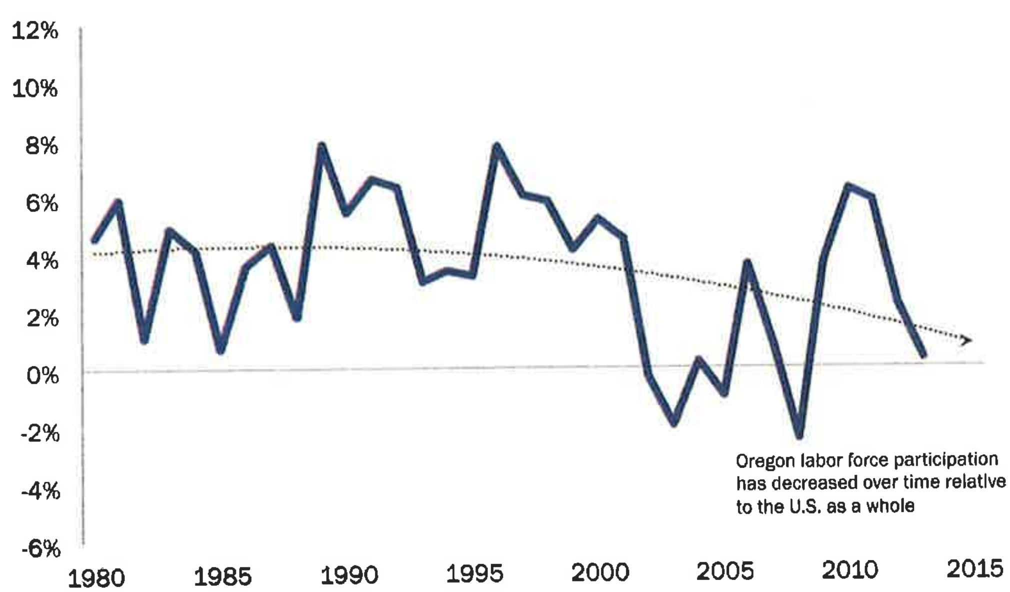


Source: Oregon Employment Department; U.S. Bureau of Labor Statistics

Figure 7

Difference in Oregon and U.S. labor force participation, ages 16–19

Oregon rate minus U.S. rate



Source: Oregon Employment Department; U.S. Bureau of Labor Statistics

In addition to a worsening employment situation in the state, wage and salary incomes in Oregon have not kept pace with the U.S. as a whole. Figure 8 shows that both Oregon and U.S. wage and salary income per worker has increased over time, masking the widening gap in Oregon's average incomes relative to the U.S. as a whole.

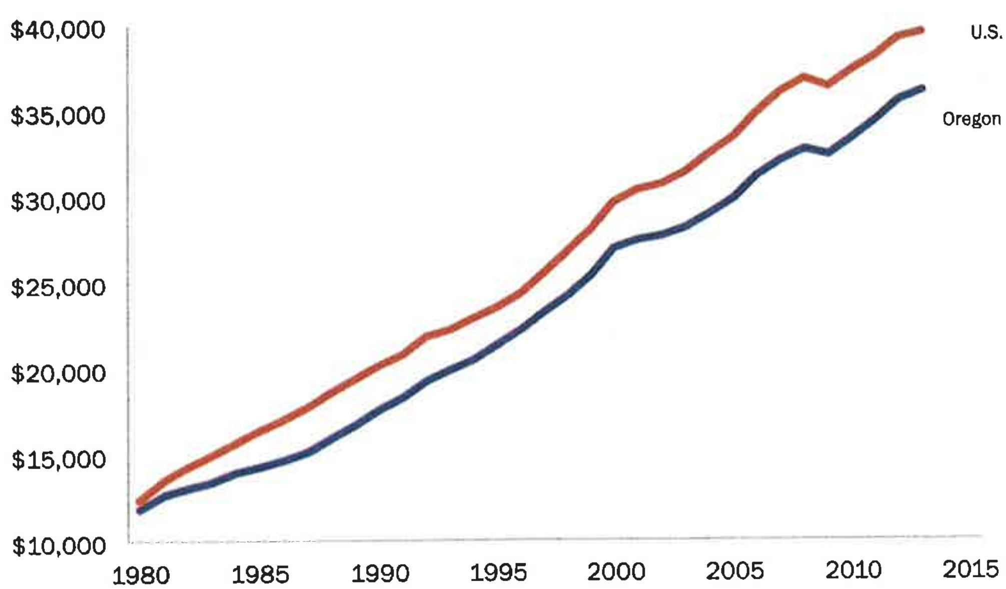
Figure 9 shows that in 1980, the average Oregon employee had about $500 less in wage and salary income than the U.S. average. In 2013, the gap had widened to $3,360, despite the high and annually increasing minimum wage. In 2013, average wage and salary income per worker in Oregon was 8.5 percent below the U.S. average.

While many factors contribute to Oregon's sluggish income growth, Figure 10 suggests that the state's ever-rising minimum wage is not boosting income growth. In fact, the figure indicates that as Oregon's minimum wage grew, state-wide wage income slipped further behind the U.S. as a whole.

For Oregon, it appears that the ever increasing minimum wage has not reversed the steady worsening of the state's poverty rate. Figures 11 and 12 show that from 1980 through 2000, Oregon's poverty rate was 1.4 percent lower than the U.S. average. From 2001 to the present—in the face of high and annually increasing minimum wages—the poverty rate has worsened to 0.6 percent lower than the U.S. average.

Figure 8

Average wage and salary income per employee, Oregon and U.S.

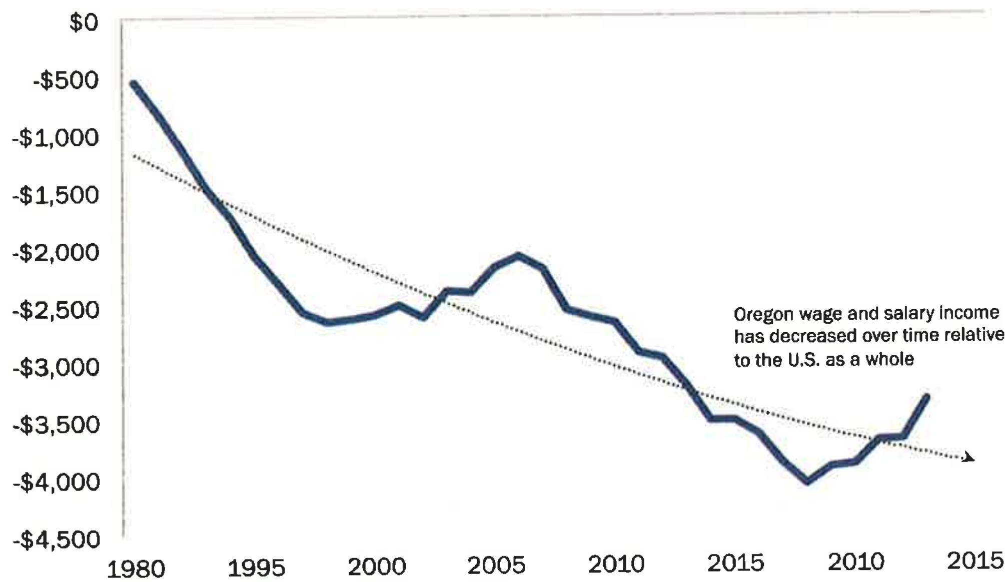


Source: U.S. Bureau of Economic Analysis

Figure 9

Difference in Oregon and U.S. average wage and salary income

Oregon average minus U.S. average

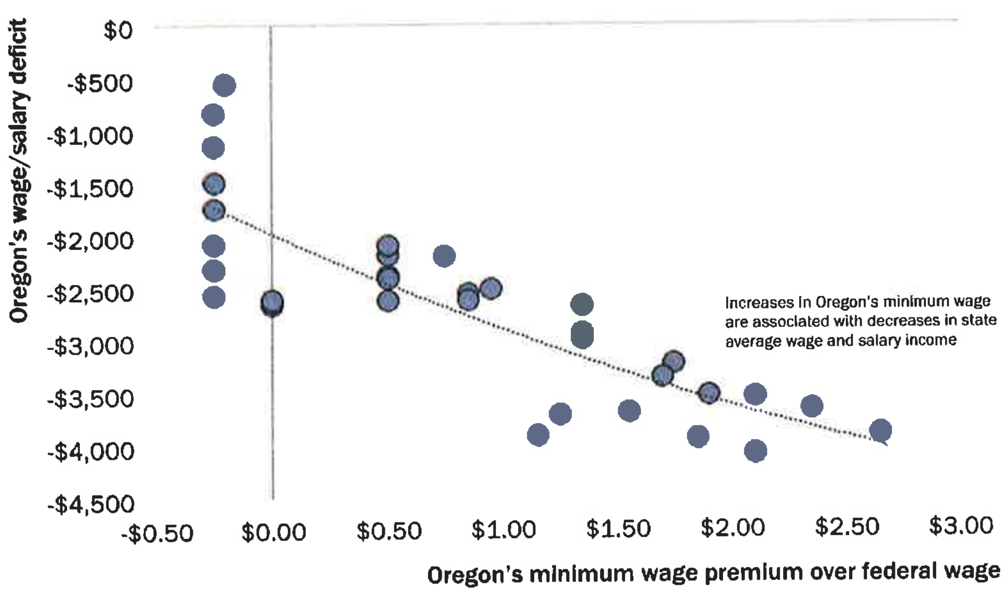


Source: U.S. Bureau of Economic Analysis

Figure 10

Increasing Oregon minimum wage associated with decreasing incomes

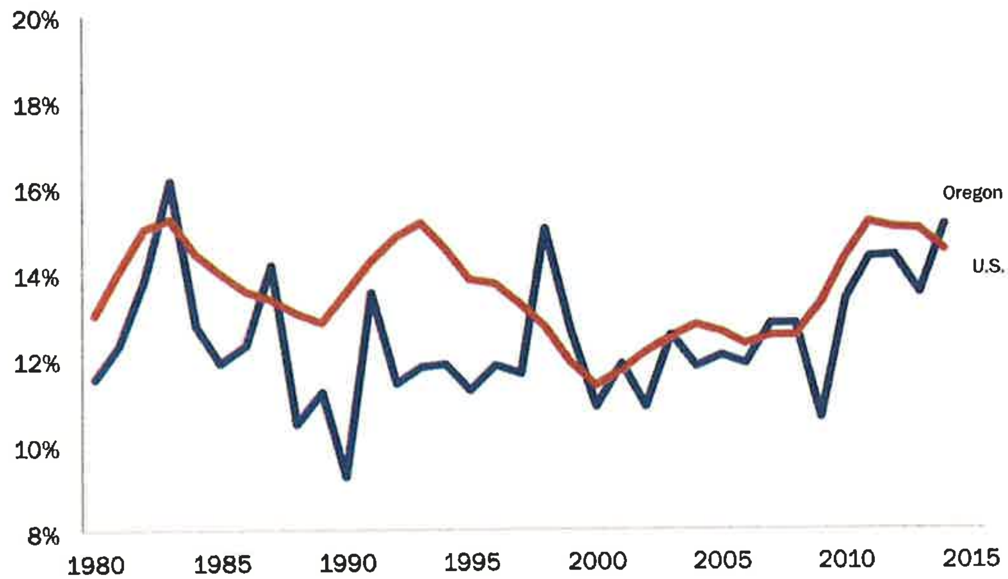
Oregon wage minus Federal wage



Source: U.S. Bureau of Labor Statistics and Bureau of Economic Analysis; Tax Policy Center

Figure 11

Poverty rate, Oregon and United States

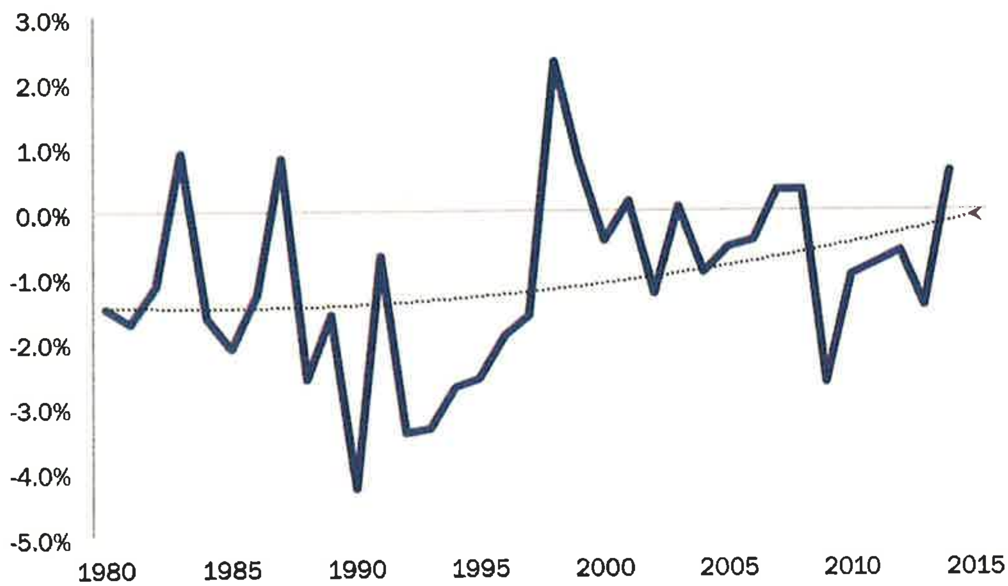


Source: U.S. Census Bureau

Figure 12

Difference in Oregon and U.S. poverty rate

Oregon rate minus U.S. rate



Source: U.S. Census Bureau

2 Previous research

Traditional economic analysis indicates that increasing the minimum wage reduces employment in two ways:[4]

1. **Higher wages raise the cost of low wage workers relative to other inputs that employers use to produce goods and services**, such as machines, technology, and more productive higher-wage workers. In addition to the increased cost of wages, a minimum wage increase increases payroll taxes paid by employers. In Oregon localities with paid time off ordinances, an increase in the minimum wage increases the costs associated with the paid time off mandates.

   Some employers respond by reducing their use of low wage workers and shifting toward those other inputs. For example, banks have replaced human tellers with ATMs and several fast food chains are experimenting with ATM-style ordering and payment systems. Most major supermarkets and many other retailers have replaced human checkout clerks with automated self-checkout. In other cases employers have increased employee and owner workloads in response to a higher minimum wage. For example, an Idaho resident who crossed the border to take advantage of Oregon's higher minimum wage as a waitress reported that in Idaho she had to cover only three tables, but had to cover five tables at the Oregon restaurant.[5]

   While some businesses have flexibility trading off staff, technology, and machinery, many businesses do not have such flexibility. For example, convenience stores, gas stations, and video lottery delis already operate with the smallest possible number of staff. A substantial increase in the minimum wage would lead these establishments to reduce their hours or close locations.

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[4] For a more complete summary of previous literature, see United State Congressional Budget Office (2014). The effects of a minimum wage increase on employment and family income. Pub. No. 4856.

[5] "But [the restaurant] Mackey's owners also told [the waitress] that she would have to work harder than before for that money. Higher labor costs meant getting rid of the dishwasher, for one thing, said Angena Grove, who owns the restaurant with her husband, Shawn. And whereas Ms. Lynch covered three tables at a time in her old Idaho job, Mackey's waitresses, with the owners helping out, cover five." Johnson, K. (2014). Crossing borders and changing lives, lured by higher state minimum wages. *New York Times*. February 15.

2. **Higher wages increase the cost to employers of producing and selling goods and services.** The employers pass on some of those increased costs to consumers in the form of higher prices. Because of higher prices, consumers end up purchasing fewer of the goods and services. The employers, in turn, produce fewer goods and services, so they hire fewer workers. For example, a restaurant may raise its menu prices to pass on a minimum wage increase. In response, fewer customers visit the restaurant or order less once there. Because of reduced sales, the restaurant owner may shorten the hours of operation and, in turn, reduce employment at the restaurant. On the other hand, some businesses cannot pass on increased costs to customers. Without pricing flexibility, a substantial increase in the minimum wage would lead these establishments to reduce their hours or close locations.

Much of the academic empirical research supports the hypothesis that increased minimum wages are associated with reduced employment. In particular, studies focusing on teenage employment are relatively consistent in finding that a 10 percent increase in the minimum wage would be associated with a 1 percent to 4 percent decrease in teenage employment. Research suggests that minimum wage impacts may take a year to affect employment. For example, researchers from UCLA and the Federal Reserve Board find that employed individuals who were affected by an increase in the minimum wage are less likely to be employed a year later, even after accounting for the fact that workers employed at minimum wage may differ from their peers in unobservable ways.[6]

Some studies find little evidence of employment losses. Typically these studies rely on ad hoc theories that assume employers exercise market power in the labor market or the product market. By making an assumption of anticompetitive markets, some of these studies come up with results that are at odds with traditional economic research and find that employment may increase with the minimum wage increases. For example, all seven of the studies in Card and Krueger's research find that higher minimum wages lead to increased employment—but in only two of the studies are the increases statistically significant.[7] Other researchers have criticized this non-traditional approach. They note that the approach taken by Card and Krueger assumes that employers have the power to set wages or prices in a relatively uncompetitive market rather than an

[6] Currie, J. and Fallick, B. C. (1996). The minimum wage and the employment of youth: Evidence from the NLSY. *Journal of Human Resources*, 31(2):404–428.

[7] Card, D. E. and Krueger, A. B. (1995). *Myth and Measurement: The New Economics of the Minimum Wage*. Princeton University Press, Princeton, NJ.

assumption that employers take wages and prices as given in a relatively competitive market.[8] There is no known evidence that Oregon employers of minimum wage workers exercise significant market power.

Recent research is more consistent with the traditional theory that increased minimum wages tend to be associated with reduced employment. For example, researchers at the University of California and the Federal Reserve Board review more than 90 empirical studies on the employment effects of minimum wages that was spurred by the "new minimum wage research" that produced the counterintuitive results.[9] They find that the overwhelming majority of the studies surveyed give a relatively consistent—although not always statistically significant—indication of *negative* employment effects of minimum wages. Moreover, among the studies providing the most credible evidence, almost all indicate negative employment effects. Indeed, researchers have applied one of the models outlined in Card and Krueger to the 1996–1997 federal minimum wage increase and found that increases in the minimum wage significantly *lowered* teenage employment rates.[10]

The Congressional Budget Office estimated the impacts of an increase in the federal minimum wage associated with two proposals to raise the federal minimum wage.[11] Their analysis found that youth employment had an elasticity of –0.075; in other words, a 10 percent increase in the minimum wage would reduce employment among teenage workers by three-quarters of one percent. CBO concluded that the elasticity for adults was about one-third of the elasticity for directly affected teenagers, or –0.025. CBO's analysis is based on an increase in the federal minimum wage. Impacts of an individual state's minimum wage are likely to be larger as many employers operate in a national labor market and can shift staffing across state lines.

Research published last year by the National Bureau of Economic Research, finds that the 30 percent increase in the average effective minimum wage over the late 2000s

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[8] Neuberg, L. G. (1997). Review: *Myth and Measurement: The New Economics of the Minimum Wage*. *Southern Economic Journal*, 63(3):832–834.

[9] Neumark, D. and Wascher, W. (2006). Minimum wages and employment: A review of evidence from the new minimum wage research. NBER Working Paper No. W12663, National Bureau of Economic Research, Cambridge, MA.

[10] Wessels, W. J. (2007). A reexamination of Card and Krueger's state-level study of the minimum wage. *Journal of Labor Research*, 28(1):135–146.

[11] United State Congressional Budget Office (2014). The effects of a minimum wage increase on employment and family income. Pub. No. 4856.

"reduced the national employment-to-population ratio—the share of adults with any kind of job—by 0.7 percentage point" between December 2006 and December 2012. That amounts to 14 percent of the total working-age decline during that period.[12] In addition the research also finds that the minimum wage increases made it harder for low-income workers to climb the ladder to the middle class (emphasis added):

> [W]e find that **binding minimum wage increases had significant, negative effects on the employment and income growth of targeted workers**. Lost income reflects contributions from employment declines, increased probabilities of working without pay (i.e., an "internship" effect), and lost wage growth associated with reductions in experience accumulation ....
>
> We also present evidence of the minimum wage's effects on low-skilled workers' economic mobility. We find that **binding minimum wage increases significantly reduced the likelihood that low-skilled workers rose to what we characterize as lower middle class earnings**. This curtailment of transitions into lower middle class earnings began to emerge roughly one year following initial declines in low wage employment. Reductions in upward mobility thus appear to follow reductions in access to opportunities for accumulating work experience.

This most recent paper supports NBER research published earlier in the year that found that "the best evidence still points to job loss from minimum wages for very low-skilled workers—in particular, for teens."[13]

"Wage compression" is the phenomenon in which a minimum wage increase results in newer and lesser skilled workers suddenly earning as much as more skilled and experienced employees. Research has found that employers can respond to a minimum wage increase by cutting wages for other, higher-paid workers. One survey found that

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[12] Clemens, J. and Wither, M. (2014). The minimum wage and the Great Recession: Evidence of effects on the employment and income trajectories of low-skilled workers. National Bureau of Economic Research, NBER Working Paper No. 20724.

[13] Neumark, D., Salas, J. M. I., and Wascher, W. (2006). Minimum wages and employment: A review of evidence from the new minimum wage research. National Bureau of Economic Research, NBER Working Paper No. 20619.

nearly half of employers faced with a minimum-wage hike "would delay or limit pay raises/bonuses for more experienced employees."[14]

3 Oregon and Washington

Studies relying on data from Oregon and Washington are consistent with the traditional theory and evidence that increasing a state's minimum wage decreases employment in the state. Indeed, one of the first studies of the minimum wage involved Oregon employment. Peterson revisits this study of Oregon retail stores in 1913–1915 and confirms that increasing minimum wages suppresses employment.[15] More importantly, the re-examination finds that female retail employment declined in the wake of the minimum wage law and that female payrolls declined. In other words, the decline in female employment was not counterbalanced by increases in wages to the remaining working women.

Recently published analysis by University of Oregon researchers note that Oregon and Washington voter initiatives raised the minimum wage over three successive years by approximately 37 percent in both states.[16] Using monthly BLS wage data, they find that Oregon and Washington's successive minimum wage increases lowered employment growth in Oregon and Washington. Eating and drinking establishments experienced more significant impacts than the hotel and lodging industry. Earlier studies note that employment effects of the minimum wage are sensitive to the wage distribution in the industry prior to the introduction of the minimum wage.[17] Because wages in eating and drinking establishments typically are lower than in the hotel and lodging industry, the Oregon researchers' findings are consistent with these earlier studies.

In addition to the BLS wage data, the University of Oregon researchers evaluate want ads collected from the *Oregonian* and the Seattle *Times* for specific eating and drinking

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[14] Hirsch, B. T., Kaufman, B. E., and Zelenska, T. (2011). Minimum wage channels of adjustment. Forschungsinstitut zur Zukunft der Arbeit, Discussion Paper Series No. 6132.

[15] Peterson, J. M. (1959). Employment effects of state minimum wages for women: Three historical cases re-examined. *Industrial and Labor Relations Review*, 12(3):406–422.

[16] Singell, L. and Terborg, J. (2007). Employment effects of two Northwest minimum wage initiatives. *Economic Inquiry*, 45(1):40–55.

[17] Neumark, D., Schweitzer, M., and Wascher, W. (2004). Minimum wage effects throughout the wage distribution. *Journal of Human Resources*, 39(2):425–450.

Yuen, T. (2003). The effect of minimum wages on youth employment in Canada: A panel study. *Journal of Human Resources*, 38(3):647–672.

and hotel and lodging jobs over the same period as their employment data. Want ad regressions indicate that the minimum wage initiatives reduced the amount of job vacancies (and related hiring efforts).

4 Impact of proposed $12/hour minimum wage

Regression analysis was performed in this study evaluating the impact of the federal minimum wage and Oregon's minimum wage on the state's employment. Actual and projected employment for Oregon and the U.S. are from the Oregon Office of Economic Analysis. The office provides data from 1990 to the present and forecasts employment to 2024. U.S. employment was included as an independent variable to account for general economic factors that affect state-level employment.

The regression analysis indicates an employment elasticity of –0.11. In other words, a 10 percent increase in the minimum wage in Oregon would reduce employment by 1.1 percent. This is in line with previous research, especially in light of the expectation that state-level minimum wage increases would have a bigger impact on state employment than changes to the federal minimum wage. **The statistical analysis indicates that once fully implemented, an increase in the minimum wage to $12 an hour would reduce Oregon employment by approximately 52,500.**

The reduced employment would result from some workers losing their jobs and some workers being unable to find a job. Others may get discouraged by the reduced employment opportunities and exit the labor force. In addition, a large rise in the minimum wage would trigger a "benefit cliff" in which some individuals would be better off out-of-work than they would be employed at the higher minimum wage, as explained in the Salem *Statesman Journal*:[18]

> The benefit cliff occurs when the raise a person gets is eaten up by a loss in social services.
>
> For example, a single mother in Salem with two children (12 and 3 years old) who works 15 hours per week at $9.25 per hour would earn $597 in a month.

[18] Staver, A. (2014) Boosting minimum wage could be a net loss for some. *Statesman Journal*. November 23.

> She'd also likely receive food stamps, cash assistance and childcare that's worth about $1,382, according to data provided by the Oregon Department of Human Services.
>
> If her income rose to $12 an hour, which is the level Oregon's Labor Commissioner Brad Avakian has hinted he'd like to see, that same mother would earn $774 a month — a monthly raise of $187.
>
> However, she wouldn't be eligible for cash assistance any longer and her other benefits would decrease to the point where the raise would actually cost her $16 a month.
>
> And that doesn't include the increase in rent if she's using a Section 8 voucher or living in subsidized housing.

While the minimum wage increase will make some employees better off, those who lose their jobs or cannot find employment will be worse off. Indeed, it would be virtually impossible for the increased incomes associated with a $12 an hour minimum wage to offset the foregone incomes associated with reduced employment.

For example, assume that a $12 an hour minimum wage increased the average wage of low-wage workers by $1.20 an hour. If the average employee worked 1,600 hours a year (about 30 hours a week), then:

- Total wages for employed workers affected by the minimum increase would increase by $763.2 million (397,500 workers × $1.20 an hour × 1,600 hours) and
- In 2015, Oregon's minimum wage will be $9.25 an hour; based on inflation forecasts provided by the Oregon Office of Economic Analysis, the 2016 minimum wage is projected to be $9.40 an hour. Thus, wages lost by Oregonians who are not employed because of the higher minimum wage would reduce wage income in the state by $789.6 million (52,500 fewer workers × $9.40 an hour × 1,600 hours), therefore
- **The net impact of a minimum wage increase to $12 an hour would be a $26.4 million *reduction* in Oregon wage income.**

The increase in wages for the 397,500 who would see a wage increase would be offset by the loss in employment opportunities for the 52,500 who would have found employment if the minimum wage was $9.40 an hour.

The Congressional Budget Office found that with an increase in the federal minimum wage, the increased earnings for some workers would be accompanied by reductions in real (inflation-adjusted) income for the people who became jobless because of the minimum-wage increase, for business owners, and for consumers facing higher prices.[20]

In this way, the minimum wage increase takes income from one group of Oregon workers in order to benefit another group of Oregon workers, *without increasing—and likely decreasing—total Oregon wage income.* While some employees would see a modest increase in their annual salaries, tens of thousands of Oregonians would be unable to find employment.

5 Conclusion

During 2015, Oregon's Legislative Assembly is expected to consider several proposals to increase the state's minimum wage. For example, Oregon Labor Commissioner Brad Avakian has indicated that he will propose in the upcoming legislative session that the state increase its minimum wage to $12 an hour.[21] Other proposals would hike the minimum wage to $15 an hour.

Most economic evidence indicates that increasing minimum wages are associated with reduced employment. A comprehensive review of the research by the Congressional Budget Office finds that the negative impacts are felt through wide portions of the economy with youth employment disproportionately damaged.

The proposed minimum wage increase would reduce Oregon employment by approximately 52,500. The reduced employment would result from some workers losing their jobs, some workers being unable to find a job, and some individuals exiting the labor force.

A minimum wage increase would take income from one group of Oregon workers in order to benefit another group of Oregon workers, *without increasing—and likely decreasing—total Oregon wage income.* While some employees would see a modest

[20] United State Congressional Budget Office (2014). The effects of a minimum wage increase on employment and family income. Pub. No. 4856.

[21] See, for example, Glucklich, E. (2014). Labor chief to seek boost in Oregon minimum wage. *Register-Guard.* September 18. "Oregon Labor Commissioner Brad Avakian stopped short of explicitly advocating for a $12 minimum wage. But he said meager increases based on inflation don't reflect the disparity between employee pay and the cost of feeding a family."

increase in their annual salaries, tens of thousands of Oregonians would be unable to find employment and would have no wage income.