



**Testimony before the Senate Committee on Workforce and General Government  
Relating to Minimum Wage (Senate Bill 1532)**

By Jeff Stone, Executive Director  
Oregon Association of Nurseries  
February 2, 2016

Chairman Dembrow, Vice-Chair Thatcher, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. Thank you for the opportunity to provide comments on the issue of minimum wage and in particular, Senate Bill 1532.

I submit to for your consideration, as an attachment to these remarks, the testimony I provided you back in April 2015 and January 2016. The issues outlined in that testimony remain true and should be part of the information you evaluate regarding the minimum wage.

**The economic footprint of the nursery and greenhouse industry**

The nursery and greenhouse industry is the state's second largest agricultural sector, and is finally seeing a resurgence following years of significant economic declines during and after the Great Recession. Oregon's nursery industry ranks third in the nation, with over \$830 million in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 75% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. We send ecologically friendly green products out of the state, and bring traded sector dollars back to Oregon.

Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, and greenhouse operators. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill and Multnomah Counties.

**Oregon nursery workers are valued**

OAN is proud of its rich heritage in being an industry that inspires growth of plants and a workforce that is year-round. The peaks of employment still occur during the height of

shipping season in the spring. It is important to recognize the investment we have made as an industry with our employees, and they in us, to train a skilled workforce that is a cornerstone of our success. For many growers, labor constitutes 30 percent or more of the cost structure. Agriculture as a whole has unique workforce needs, but current discussions often fail to acknowledge this fact. Farmers of all kinds — nurseries as well as wheat growers, ranchers and others — face a critical lack of workers. This shortage makes our farms and ranches less competitive. Many in agriculture face a market where the price is set by their customers. Many are rural and have a much different set of challenges. For the nursery industry, this issue is complex since many employers are located near urban areas. We are both urban and rural.

My prior testimony on this issue addressed the need for a level playing field, how minimum wage is not a silver bullet to solve the poverty problem afflicting our state and how a raise in the minimum wage could impact the very people targeted for assistance by reducing benefits and creating additional uncertainty. These issues are real and we urge you to consider the testimony provided to this committee in April 2015 and January 2016.

### **Critical factors for the legislature to consider**

#### *Compression of workforce compensation*

The debate on minimum wage going to \$10.50, \$12, \$13.50 or \$15 is not if that number will be reached, but when. Since the Oregon minimum wage is indexed, it averages an increase of around 2.28 percent each year. A significant problem is how employers handle a sudden jump in the minimum wage which could result in other employees – who may have worked for years – finding themselves at the lowest wage rate. These employees don't automatically receive a bump in pay due to the minimum wage rate increasing and it causes compression of compensation and resentment. Instead, our goal should be to get more people in the workforce, train and educate them, and give the employees an opportunity to earn higher wages.

The nursery industry has been proud to pay an average wage higher than the minimum wage, provide health care and in some cases – share profits with employees. Wage progression is dependent on hard work, increased skill, quality products being sold in regional and national markets – and of course – the ability for the employer to make it pencil out. The minimum wage is not free — somebody has to pay for it.

#### *Competition and agricultural pricing of goods*

The OAN has been clear about the detrimental impacts a raise in labor costs would have on the nursery industry. Oregon's nursery and greenhouse industry competes against states with significantly lower minimum wage rates. Many of these operations are closer to the markets my members serve. Labor, transportation and geography are all significant factors in our industry's ability to compete and bring traded sector dollars back to the State of Oregon.

Over a year ago, Oregonians were enduring \$4.00 a gallon gas and the cost of living in our beautiful state was indeed a challenge. The nursery industry was affected, as trucking our product to the east coast jumped from approximately \$4000 per truck to over \$6500. Alone these issues are a challenge; together it hurts nursery jobs and our ability to stay in business.

It is worth noting that in addition to the nation-leading size of Oregon's nursery sector we are also leaders in its technological innovation and production efficiency. Within the nursery world we are practically Silicon Valley in terms of innovation and Napa Valley in terms of quality. Scores of nursery industry professionals and horticulture academics from across the country flock to Oregon to see new ideas in action in addition to seeking out premium quality stock. It's a strong and stable sector provided labor is accessible and that we can compete with states such as Ohio, North Carolina and Florida.

The nursery industry is not much different than much of the agricultural community, which competes on a national and global scale. The economics of agriculture has more limiting variables than more urban economies and absorption of urban-centric wage scales, without an ability to buy the rate down or consideration of another modifying structure, creates an untenable result.

What is the profile and numbers of minimum wage workers?

- Nationally - according to the University of Wisconsin, today there are roughly twice as many unemployed Americans as there are job openings in the country.
- According to the Oregon Employment Department - most minimum wage earners are working 20-30 hours a week. OAN believes the state needs to get more people working full time or not having hours reduced to how much an employer can pay for labor.
- The goal should be to get more people into higher wages due with training and education, experience and skill rather than increase the number of workers at the lowest wage rate and squeezing out middle.
- 62% of the minimum wage earners are employed by small employers – the coffee shop, the farmer at the farmers market, small employers who either produce something of value or provide a service.

The legislature's decision will impact industry and workers

- **Job loss:** Oregon's Legislative Revenue Office has reported that the majority of low-income wage earners would receive a higher income but some would become unemployed and experience reduced income (due to hours being cut). Over the long-term, employers would shift investment to capital (automation with lower technology costs) or higher-skilled labor, resulting in employment loss.
- **Training wage is critical:** The state needs to embrace how employers train workers who are unskilled for the position they obtain. In addition, Oregon is producing youth who are unprepared to enter the workforce due to the high wage rate. Seasonal agricultural workers also fit within the definition of training. These

employees are typically short-term, between 30-120 days. The intent of a modified and expanded “training wage” should be examined.

- **Keep preemption:** Not all urban areas are the same and the state should be responsible to set a statewide wage rate that works for both urban and rural communities. The Portland Urban Growth Boundary includes very urban centers such as the City of Portland and Beaverton, but also includes more rural areas such as Forest Grove, Hillsboro and Troutdale.
- **Examine a rebate:** The Oregon film industry utilizes a labor rebate which is a designated percentage of payroll for which Oregon withholding is applied. This program already exists and could be expanded to help “buy down” any increase in minimum wage for employers. While this does not apply to payroll taxes the employer pays, the net cost for short-term employees could be reduced.

### **OAN opposes SB 1532**

Crude tools such as ballot measures are a terrible way to make public policy. Equally bad in our opinion are legislative concepts devoid of any economic reality. Much of the public debate so far has devolved into getting a “number” rather than getting people back to work, training and educating, and maintaining competition in the marketplace. Ignoring the sincere warning signs by employer groups could lead to job loss. That does not help anyone.

The OAN has been an active participant in the workgroup established by Sen. Dembrow and Rep. Holvey, and we have expressed our desire to find a solution to the minimum wage issue. Gov. Brown also tapped the association for our views and we have provided unvarnished opinions in the hope to enact a policy that preserves jobs and supports the industries that employ hard working Oregonians.

Despite our considerable commitment to find a solution, the current set of proposals before the Oregon Legislature cannot receive our support. Without significant alterations and protections to agriculture, Senate Bill 1532 will harm the nursery and greenhouse industry and its ability to compete in a national and global market, create untenable compression of wages, and will damage the state’s economic growth.

Thank you for your time and consideration.



**OREGON**  
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NURSERIES

**Testimony before the Senate Committee on Workforce and  
House Committee on Business and Labor  
Relating to Minimum Wage**

By Jeff Stone, Executive Director  
Oregon Association of Nurseries  
January 14, 2016

Chairmen Dembrow and Holvey, Vice-Chairs Thatcher, Kennemer and Barton, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. Thank you for the opportunity to provide comments on the issue of minimum wage and the bills before this committee this evening.

I submit to for your consideration, as an attachment to these remarks, the testimony I provided you back in April 2015. The issues outlined in that testimony remain true and should be part of the information you evaluate regarding the minimum wage.

**The Economic Footprint of the Nursery and Greenhouse Industry**

The nursery and greenhouse industry is the state's second largest agricultural sector, and is finally seeing a resurgence following years of significant economic declines during and after the great recession. Oregon's nursery industry ranks third in the nation, with over \$830 million in sales annually to customers in Oregon, the rest of the United States, and abroad. In fact, nearly 75% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. We send ecologically friendly green products out of the state, and bring traded sector dollars back to Oregon.

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**Oregon pays the second highest average wage in the industry**

OAN is proud of its rich heritage in being an industry that inspires growth of plants and a workforce that is year-round. The peaks of employment still occur during the height of shipping season. It is important to recognize the investment we have made as an industry

with our employees, and they in us, to train a skilled workforce that is a cornerstone of our success. According to the Bureau of Labor and Statistics (May 2014), the nursery industry pays the second highest average wage to its employees on the continent – an average of \$10.26 per hour or annual mean wage of \$21,340. Many receive health care benefits and in some cases – revenue sharing. This may be unusual but signals the true partnership we have with our valued employees.

### **Farmers are facing a labor shortage**

For many growers, labor constitutes 30 percent or more of the cost structure. Agriculture as a whole has unique workforce needs, but current discussions often fail to acknowledge this fact. Farmers of all kinds — nurseries as well as wheat growers, ranchers and others — face a critical lack of workers. This shortage makes our farms and ranches less competitive. That in turn threatens the abundant, safe and affordable food supply American consumers enjoy today. Oregon already has the second highest minimum wage in the country at \$9.25 per hour. Activists are now pushing to raise that to \$15 per hour, statewide. Combined with a labor shortage in agriculture, this would have disastrous effects on growers.

### **The need for a level playing field**

We've already established that labor is costly and in short supply. Making matters worse, Oregon's nursery and greenhouse industry competes against states with significantly lower minimum wage rates. Many of these out-of-state operations are closer to the markets OAN members serve. Labor, transportation and geography are all significant factors in our industry's ability to compete and bring traded sector dollars back to the Oregon economy.

Oregon is not alone in facing increased pressure to raise the minimum wage. Below are some factors to consider:

- The 2015 federal minimum wage is \$7.25 an hour.
- Oregon's minimum wage is \$9.25 and already sees annual increases based on inflation.
- Oregon's average nursery industry starting wage is higher, at \$10.26/hour.
- Eight other states besides Oregon also index their minimum wage for inflation each year.
- Some 20 states raised their minimum wages in 2015.
- Some 14 states match the lower federal minimum wage, two states are less than the federal rate and five states do not have a minimum wage law.

It is clear to me from talking to growers and retail nurseries that they care about their workers. Thanks in part to the lack of available labor, these businesses are suffering from limited growth coming out of the Great Recession. If the price of labor continues to escalate well beyond competitors in other states, Oregon will be at an even greater disadvantage.

If, on the other hand, the national minimum wage rises to meet what Oregon now offers, it would place all growers on an equal footing. We would support this, but unfortunately,

it seems unlikely to happen. Even if it does, the minimum wage will not pull the one in three in this country who reside at near the poverty line.

**The issue is not simple, nor is the Minimum Wage a silver bullet**

My association believes in problem solving and in order to do that – we must look at a number of factors before making a proposal.

Two times our state employment level fell below 1.7 million workers. First, right after the big minimum wage hike in 2002 and the other during the 2008 recession. It is critical when looking at this issue to look at the purchasing power or job loss. Oregon’s Legislative Revenue Office has reported that the majority of low-income wage earners would receive a higher income but some would become unemployed and experience reduced income (due to hours being cut). Over the long-term, employers would shift investment to capital (automation with lower technology costs) or higher-skilled labor, resulting in employment loss. It would seem that the legislature would want to focus attention on how to get more people working full-time and a recognition of what higher labor costs mean to employers – not all of which can raise prices in a competitive market.

**Compression of workforce compensation**

The debate on minimum wage going to \$10.50, \$12, \$13.50 or \$15 is not if that number will be reached, but when. Since the Oregon minimum wage is indexed, it averages an increase of around 2.28 percent each year. Other factors, such as housing and fuel have escalated faster than that rate. In Portland and other urban areas, the natural laws of supply and demand result in a “higher than minimum wage” in many employment sectors – especially in areas like the City of Portland.

A significant problem is how employers handle a sudden jump in the minimum wage and have other employees – who may have worked for years – finding themselves at the lowest wage rate? These employees don’t automatically receive a bump in pay due to the minimum wage rate increasing and it causes compression of compensation and resentment. Instead, our goal should be to get more people in the workforce, train and educate them, and give the employees an opportunity to earn higher wages.

**Benefits cliff is a real thing**

During my participation in the Minimum Wage Work Group led by Senator Dembrow and Representative Holvey, the topic of the loss of benefits for those at the low end of the wage scale was discussed. By no means is this an easy issue to tackle or resolve – but it a benefits cliff is a real thing.

The Legislative Revenue Office (tax and benefit calculation document 7/24/2014) has shown that as wages increase, benefits decline. A big concern is that single parents will lose benefits for food stamps and child care – two big factors to get people out of poverty. What is lost in much of the conversation over how high the wage could reach is that even at \$12 per hour, low wage earners could lose health care, housing assistance, child care tax credits and access to federal programs such as free and reduced lunch at schools and food stamps. Low wage workers base cost for services would also increase.

Oregon's minimum wage is about 50% of the median income of all workers – with a median household median income of \$56,307. The unvarnished truth remains that we have 103,000 (or 6%) of the 1.8 million workers make minimum wage. It is the same percentage of minimum wage workers as 2000.

### **A solution for poverty**

Over the past few months I participated in a town hall on the minimum wage that was held at Portland State University and later at a forum at the Portland City Club. There, I made the argument that we need to grow the middle class and not increase the number of workers at the lowest wage level.

Despite having the second highest minimum wage in the country, we are in the top 10 in poverty and hunger. It is up to business, policy makers and our communities to get at the real issue on the minimum wage — lifting people out of poverty. Economists at the University of Wisconsin in Madison outlined a plan to attack poverty. If followed, they believe it could reduce poverty by 50 percent.

1. **Make jobs available.** Give transitional jobs to unemployed or underemployed at minimum wage.

2. **Make work pay.** First, increase the federal minimum wage to \$10.80/hour. This will also level the playing field for small employers who compete against other states. Then, put money in the pockets of the low wage earner by reforming the earned income tax credit. Give credit for children and allow parents to get credit for each individual income.

3. **Reduce obstacles to work.** Expand child care coverage so parents are available in the labor pool.

4. **Help retired seniors and adults with disabilities.** Increase and secure tax credits for retirement and disability tax.

Truth be told, the minimum wage is an ineffective cure for poverty. Training and education offer the greatest benefit to the employee and their earning potential. The unfortunate reality is that 84 percent of minimum wage earners do not complete a college degree. Often the very people who are targeted to receive an increase lose benefits and actually become worse off. We can do better.

Certainly, the minimum wage issue is a contentious one, full of emotion — and prone to emotional appeals. But that shouldn't lead us to ignore its true economic impact for both workers and employers. Our skilled workforce is key to the nursery industry's capacity to grow, sell and ship exceptional products to the public. We know it. That means we all share in the responsibility to make a better community.

Thank you for your time and consideration



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**Testimony before the Senate Committee on Workforce and  
House Committee on Business and Labor  
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By Jeff Stone, Executive Director  
Oregon Association of Nurseries  
April 13, 2015

Chairmen Dembrow and Holvey, Vice-Chairs Thatcher, Kennemer and Barton, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. Thank you for the opportunity to provide comments on the issue of minimum wage and the bills before this committee this evening.

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benefits and in some cases – revenue sharing. This may be unusual but signals the true partnership we have with our valued employees.

### **Labor shortages exist for the nursery industry and agriculture**

The nursery and greenhouse industry provides opportunity for hard working individuals to be trained, advance and be paid above minimum wage. The legislature will need to consider the impact of the minimum wage on a variety of sectors of our economy. The hard issue remains that each business sector will be impacted in a different way – depending on their size, structure and market.

The bills before the committee this evening would not disconnect a new wage rate with annual indexing approved by the voters, through Ballot Measure 25, in 2003. Since that time, our members report that the annual increases of the indexing affect those who make above minimum wage. Untrained nursery workers receive an artificial bump in pay, while trained and experienced workers receive a wage that reflects their proficiency. All employees are valued, and the indexing creates an artificial compression of wages. Many owners, in order to keep their workforce intact, are forced to bump all hourly wages by the indexed amount. With rising labor costs across the entire company, many nurseries have turned to mechanization, leading to a loss of jobs. That said, for many skilled positions additional mechanization is difficult and cannot replace the skill and handwork of a nursery worker.

Labor constitutes 30% or more of the cost structure for many growers. Lost in the economic recovery is the acknowledgement of agriculture's unique workforce needs. Agriculture faces a critical lack of workers, a shortage that makes our farms and ranches less competitive and that threatens the abundant, safe and affordable food supply American consumers enjoy today. Securing a reliable agricultural workforce is essential not only for farmers but to the U.S. economy as a whole.

The proposals to increase the minimum wage will not help attract workers to the nursery industry or agriculture in general. We have found through the economic downturn that jobs that were available that were predominately manual labor were not attractive to those who may have found themselves out of work. The conundrum of wage rates, agricultural skill and increasing competition by industry outside of Oregon is one that is difficult to resolve.

### **Traded sector competition between states**

Since the 2005 legislative session, the Oregon Legislature has authored bills to address the growing disparity between Oregon's minimum wage and other states (with significantly lower minimum wage rates) that compete for market share. A bill was passed in 2005 that would have provided modest tax relief to impacted Oregon businesses but did not receive a signature from Governor Ted Kulongoski.

In 2007, the Oregon Farm Bureau and OAN paid for an economic study by University of California Davis professor Philip Martin. The study showed the impacts of how an unfettered annual indexing of the minimum wage would impact Oregon agriculture. The

main point of the study demonstrated that Oregon would see a negative competitive impact of over \$100 million dollars.

We recognize that Oregon voters passed minimum wage indexing, and OAN is not advocating for paring back wages for workers at the bottom of the wage scale. However, it is important to recognize how Oregon's minimum wage rate (currently at \$9.25 per hour) compares to nursery states that compete with Oregon products. Only the State of Washington (\$9.47) and Washington DC (\$9.50) have a higher minimum wage rate than Oregon.

Below are some factors to consider:

- The 2015 federal minimum wage was raised to \$7.25 an hour.
- Nursery industry starting average wage: \$10.26/hour
- Oregon minimum wage: \$9.25 (indexed for inflation)
- 20 states raised their minimum wages in 2015.
- 9 states, including Oregon, index their minimum wages for inflation each year.
- 14 states match the lower federal minimum wage, two states are less than the federal rate and 5 states do not have a minimum wage law.

In a traded sector that competes against many of these states for customers located much closer to our competition to the Pacific Northwest, this is an enormous economic hurdle.

#### States with no minimum wage law

Alabama, Louisiana, Mississippi, South Carolina, Tennessee

#### Competitive states with lower minimum wage rates (sample)

- California - \$9.00
- Colorado - \$8.23
- Florida - \$8.05
- Illinois - \$8.25
- Michigan - \$8.15
- Ohio - \$8.10
- Georgia - \$5.15
- Minnesota - \$8.00
- Texas 7.25

*Source: US Department of Labor, Wage and Hour Division (January 1, 2015)*

Oregon's nursery and greenhouse industry competes against states with significantly lower minimum wage rates and many of these operations are closer to the markets my members serve. Labor, transportation and geography are all significant factors in our industry's ability to compete and bring traded sector dollars back to the State of Oregon.

Over a year ago, Oregonians were enduring \$4.00 a gallon gas and the cost of living in our beautiful state was indeed a challenge. The nursery industry was affected, as trucking our product to the east coast jumped from approximately \$4000 per truck to over \$6500.

Alone these issues are a challenge; together it hurts nursery jobs and our ability to stay in business.

**How does BOLI define minimum wage and agriculture?**

The following is directly from the BOLI website: How does Oregon law define agriculture? "Agriculture" includes farming in all its branches. Among other things, agriculture includes cultivating and tilling the soil, dairying, producing, cultivating, growing, and harvesting any agricultural or horticultural commodities, raising livestock, bees, fur-bearing animals, or poultry and any practices performed by a farmer on a farm as an incident to or in conjunction with such farming operations, including preparing for market, delivering products to storage or to market or to carriers for transportation to market. "Agriculture" generally does not include forest products and the harvesting of timber; however, effective January 17, 2009, the federal regulation (which Oregon will follow) addressing nursery activities was amended to include the production of Christmas trees within those activities considered to be "agriculture" under the law. As a result, workers engaged in the planting, pruning, and harvesting of Christmas trees are considered to be agricultural employees who are not required to receive overtime compensation for hours worked beyond 40 in a week. See 29 CFR §780.115 and §780.205. "Agricultural employment" is employment in "agriculture" as so defined. OAR 839-020-0004(4)

**Commitment to engage on minimum wage at the national level**

The Oregon Legislature should carefully consider the issue of minimum wage, and the OAN urges the committee to be cautious. The association's position on this issue should not be construed as anti-worker, rather a fundamental truth that agricultural work is physically difficult, skilled, and in many cases undesirable to the average person.

If the debate on this issue is about the need for a national floor that ensures a decent level of pay regardless of what state one lives in, then the OAN will commit to join advocates for an increased federal minimum wage and go to Washington, DC to make the case that the federal minimum wage should equal Oregon's. This will level the playing field for labor costs that the Oregon nursery and greenhouse industry face each year.

Thank you for your time and attention.