Testimony before the Senate Committee on Workforce and General Government
Senate Bill 1532
Relating to Minimum Wage
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Chairman Dembrow, Vice-Chair Thatcher, members of the committee, my name is Leigh Geschwill. Along with my husband, and my brother and sister-in-law we run a third generation nursery and farming operation in the Willamette Valley. Our crops include hops (my husband sits on the Hop Commission), grass seed (where we operate our own cleaner for primarily the export market), specialty seed crops, row crops, a greenhouse nursery operation, and soon hazelnuts. Thank you for allowing me to submit my comments on the issue of minimum wage to this committee.

The state of labor in Oregon Agriculture:

The current agricultural labor market is facing an extreme shortage of labor. This labor shortage spans entry level, manual labor positions all the way through technical and managerial staff. In our own business, it can take months to find basic skilled labor and drivers, versus 2 or 3 weeks just two years ago. We have also been forced to conduct nationwide searches for higher level employees, at additional expense and time. Our experience is not unusual. Amongst members of my association (Oregon Association of Nurseries), labor supply is a frequent topic of conversation and concern.

The response to this shortage has been to raise wages and benefits. In the past two years both farmers and farm labor contractors have raised starting wages in an effort to attract new workers. Unfortunately, Oregon's recent anti-immigration ballot activity (voting against the Driver Card) and anti-immigrant sentiment has driven away many immigrant workers. Immigrant workers have historically been, and continue to be the manual labor that our country is built on. On the other end of the spectrum technical and managerial staff cite Oregon's high cost-of-living, and lack of available housing as reasons to pass on Oregon employers.

The net result is that despite increasing wages and benefits, and the presence of available jobs, the agricultural sector is still in short supply. The shortage is changing the face of agriculture in this state, perhaps permanently. Hand harvested and labor intensive crops such as berries, and row and fresh market produce are being reduced in favor of machine harvested crops like hazelnuts. This is true even on our own farm, where we no longer grow strawberries or broccoli because the labor is just not there to do it. In the crops that remain, farmers and nurserymen are looking to innovate and implement labor-saving technology as quickly as possible.

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In our own operation, we have installed raised benches in most greenhouses to make for more efficient and ergonomic work environments in an effort to increase the productivity of our existing labor force. We have also installed more automated irrigation to reduce labor use there as well.

However, there are times when you just can't innovate or finance yourself out of a situation. In that instance, many farmers and nurserymen are revisiting programs like H-2A, despite the tremendous costs and paperwork involved in the search for viable labor solutions.

Simply raising minimum wage does not solve this problem, or even address it. We have failed to address the real issues of adequate supply that accompany each level of worker we need. The higher wages we are paying now have already initiated wage compression.

Wage Compression, Benefit Reduction

In agriculture, we are typically price takers not price makers. While it is fortunate and true that Oregon growers are seen as high quality producers, it is difficult to pass on additional labor costs to consumers. Due to pricing constraints, wage compression ensues– where there is less difference between the highest and the lowest paid employee. Mandating drastic wage increases for entry and low-level jobs artificially inflates their value, and does not increase the wages at other levels.

Normally, it may take an employee 5-7 years to achieve a pay rate that is $4 to $6 dollars over their starting wage. This employee has invested their time and energy with our companies. In return, we have invested dollars into training them and improving their skills. A higher minimum wage does not address the issue of technical training and/or higher education that are needed for higher paying positions. Nor does it reward the time and work that individuals put in to improve their skills.

How can I expect my supervisors or managers to assume more responsibility when they will end up being paid only a small percentage over entry level workers? This sudden jump will breed resentment amongst seasoned employees.

Another area to control costs is to reduce benefits to the bare minimum. Employers have been using enhanced benefit packages to attract and retain key employees. However, the change from a predictable CPI model to an extreme and rapid increase in wages will precipitate some employers to increase health insurance deductibles and reduce non-mandated benefits. Again, our ability to get a 1-2% price increase exists in some areas. But with labor costs at 30-50% of our bottom line, a jump of 20% in wages nets out at a need for a 7% price increase – which is untenable to our customers.

Even if higher wages were truly needed for some sectors, there still should be a training period that could be applied to entry level positions – with either a reduced wage or a rebate to offset employer training costs and to allow workers to feel that they have earned their way to a full benefits position. Additionally, the needs of agriculture and other commodity producers need to be taken into consideration – or these industries will perish in our State.

Competition

My last point for you today deals with our competitive advantage and barriers to trade. The nursery industry that I represent is a traded sector. We export 75% of our products into other states and countries, bringing tax-generating revenue dollars back into our state. The average starting wage in our industry is $10.26 / hr., with many of our members offer health care, PTO and retirement benefits that traditionally aren't seen in Agriculture. By contrast, our national and global competition offers lower wages and smaller benefit packages.

As we lose control over internal costs, like labor, we will seek to gain more control over supply costs. Again, this has drastic and negative impacts for Oregon. Business to Business activity within the state will decrease as we seek supplies from other states and nations. Our vertical integration within our state, which improves local economies, reduces our carbon footprint, and puts people to work will disappear.

In the hop industry, Oregon has been a leader in quality as well. But states with lower labor costs, like Idaho, are growing at a more rapid rate – and gaining on our market share. The same is true for hazelnuts and berries in South America. We can only rely on our quality and reputation to take us so far. If our pricing is too far out of line, industries in other states and countries will prove their competitive advantage, and once we have lost that market share it will be difficult, if not impossible to regain.

Conclusion

In the long run, we need to address the hard issues in our state that will improve the economic reality for everyone – not just take the easy way out with a temporary fix that leaves the real work undone. Insuring adequate labor for all Oregon industries, providing realistic wages and benefits that match the skills required, and giving Oregon a leg up on our competition is what will create a strong, healthy, sustainable state.

Thank you for the opportunity to provide testimony to the committee.

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