



Plaid Pantries, Inc. • 10025 SW Allen Blvd. • Beaverton, Oregon 97005 • Telephone: 503.646.4246 • Facsimile: 503.646.3071

February 1, 2016

**Senate Committee on Workforce and General Government**

Chair Michael Dembrow  
Vice-Chair Kim Thatcher  
Senator Diane Rosenbaum  
Senator Tim Knopp  
Senator Sara Gelser

900 Court St. NE  
Room 453  
Salem, Oregon 97301

RE: SB 1532-1

Dear Chair Dembrow, Vice-Chair Thatcher, Senators:

SB 1532-1 as amended is still a job killer, a small business killer, and will worsen poverty, not improve it as claimed by proponents of this unprecedented huge increase in Oregon's minimum wage. Stretching out an unrealistically high ramp up in the wage for an additional year or two only delays the effects for a short while. Jobs and small businesses will simply bleed to death a bit more slowly.

Please accept our prior testimony from the earlier Joint Committee hearing on the minimum wage, and Dr. Fruits' report prepared for the Oregon Neighborhood Store Association, incorporated herein by reference.

Dr. Fruits' has provided the enclosed addendum to his earlier report which analyzes the effect of the Dash-1 amendment to SB 1532. His analysis now shows a loss of 62,700 jobs by the time all of the step increases are in effect. Such an increase would severely damage an important jobs incubator for the state; small businesses that provide training, and work and life experience for entry level low-skilled workers. In the process, such a huge hike would also destroy many family wage jobs along with it. Such a wage increase will not accomplish the stated goal of lifting people out of poverty. It will increase poverty due to increased unemployment and under-employment.

62,700 lost jobs is a mind-boggling number. Many people don't believe this will happen. I would like to talk about "only" 145 jobs, and illustrate the business realities and mechanisms of

how job losses will occur, and the serious negative effects that go well beyond entry-level training wage rates.

Our prior testimony showed that a \$13.50 minimum wage at Plaid would result in our having to lay off 20% of our employees... that would be 145 Oregonians without a job and benefits. These are not all lower-paying jobs that will go away. Plaid, like any sample of small businesses, has some stores that are very profitable, most stores are in the middle range making decent profits, and we have stores at the lower end of the profit picture.

A \$13.50 minimum wage would add \$42,500 annually to a convenience store's expenses. Many small businesses don't make this much money for their owners. Plaid has 20 stores that make less than \$42,500. We think we can save a few of these by raising prices where we can, cutting hours and expenses, and frankly, we expect to benefit from the effect of some weaker competitors going out of business. But our analysis shows that we will still need to close 14 stores, and close shifts at 38 others, resulting in the 145 employees we'll have to lay off.

When a store is forced to close, much more than entry-level positions are lost. Assistant Managers are paid above the entry training wage based on experience and performance. Store Managers make about \$45,000 a year. Multi-unit supervisors make more than that. Office support staff that are no longer needed will be laid off.

It is very important to note that even though a lower-performing store is only marginally profitable, it supports payroll and benefits of about \$150,000 annually. Each store also pays another \$100,000 or so to companies that support the store with maintenance, supplies, and other services. Payments are made to landlords for rent, along with property taxes. Even what some would deem a relatively small incremental increase in wage expense will force many stores, restaurants, and other small service businesses out of business. Profits are a thin and fragile slice of the total economic activity generated by a business. This is why many times more dollars are lost in jobs, benefits, and other favorable economic activity than the amount of the precipitating event causing a business to close.

The really striking point in our case, in doing the store closure planning analysis, is that the amount of potential increases in pay for employees who are not laid off, is offset dollar-for-dollar by lost pay and benefits of former employees. **There is no net wage gain**, and we now have 145 people without jobs and benefits. This is not taking into account the other payments to our suppliers, vendors, and landlords that go away, and the additional multiplier-effect of layoffs outside our company.

We feel personal responsibility for our people, in terms of their pay, benefits, health insurance, and professional growth opportunities. It would be particularly difficult to deliver such bad news to so many people... especially those long-term employees who worked their way from the ground up and thought they had a safe future at Plaid. Who will now be responsible for them? Where will they find work, when other similar small businesses are facing the same

reality as our company. There has been no discussion or consideration for helping all these displaced workers. **There should be.**

There are very serious consequences to what you do here this session. Some consequences are seen, and others are not so obvious. You must consider the negative consequences of any action you may take, but this effort to-date has been high on emotion, and very thin on facts and critical analysis. We urge you to do a proper analysis, and not change the existing laws and formulas for minimum wage increases.

Respectfully submitted,



Chris Girard  
CEO, Plaid Pantries, Inc.  
Chairman, Oregon Neighborhood Store Association

Encl: Economics International Report Addendum