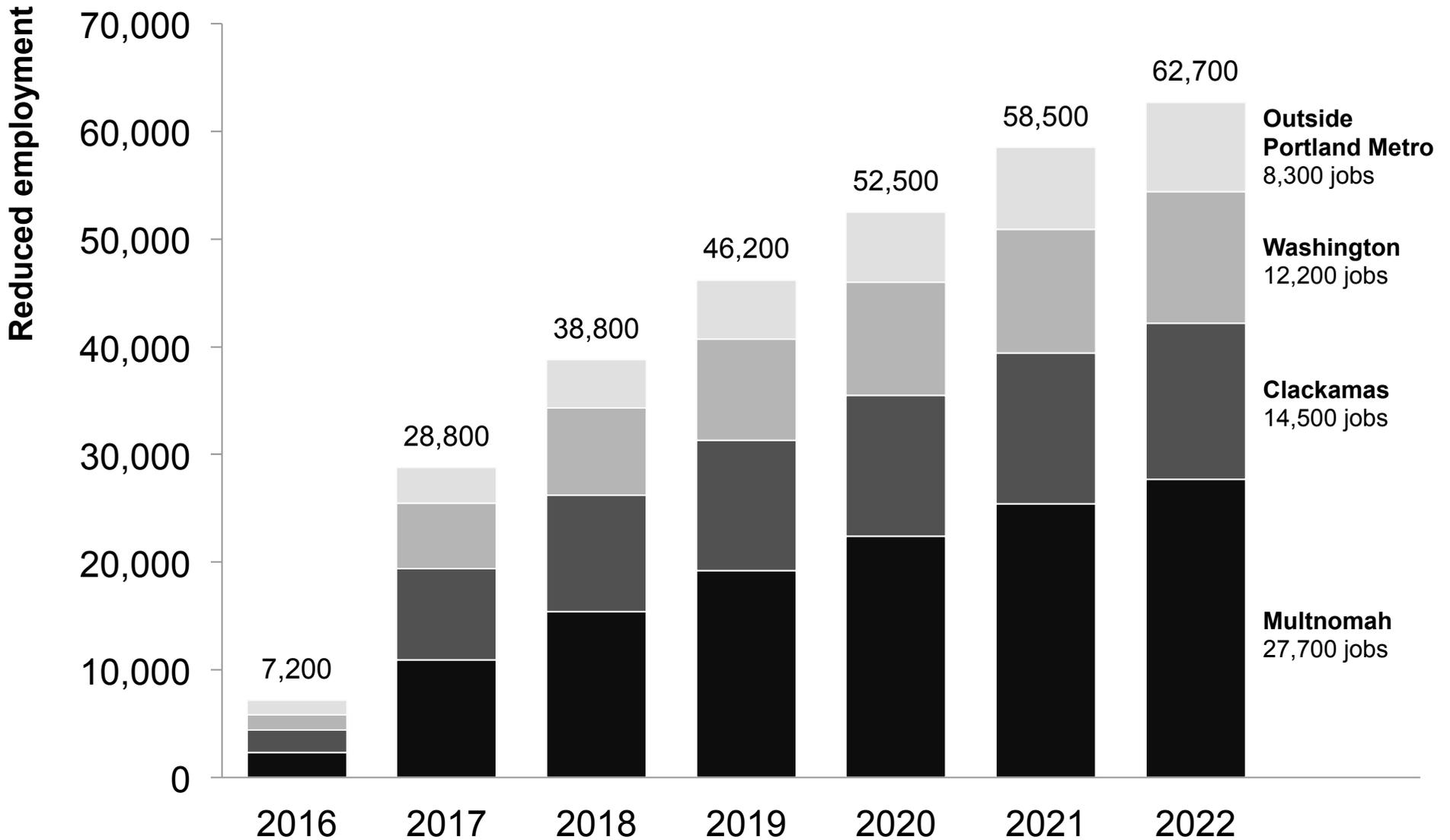


Steep increase in minimum wage, steep drop in employment

Seven year phase-in cannot hide the job losses



SB 1532-1 MINIMUM WAGE INCREASE SEVEN YEAR PHASE-IN CANNOT HIDE THE JOB LOSSES

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February 1, 2016

SB 1532-1 imposes steep increases in the minimum wage across Oregon. Over seven years, the minimum wage in the Portland area—defined in the bill as Multnomah, Clackamas, and Washington counties—would rise to \$14.50 an hour, a 57 percent increase over the current state minimum wage. Elsewhere in Oregon, the bill would send the minimum wage to \$13.25 an hour, or a 43 percent increase over the current mandated minimum wage.

Clearly, the increases in SB 1532-1 are huge. In the Portland area, the minimum wage would grow at three times the rate of inflation over seven years. The Preliminary Staff Measure Summary for SB 1532-1 reports that 40 percent of the workforce will be directly affected by the sharp minimum wage increase. The wage hikes will reach in to occupations that most would not think of as “minimum wage jobs.” Freight workers, nursing assistants, receptionists, drivers, and metal workers on average earn well over the current minimum wage.¹ Nevertheless, their employment would be affected directly by SB 1532-1. Some will get raises while others will lose their jobs.

This report projects the job impacts of SB 1532-1 on Oregon employment and supplements our earlier reports, (1) *Impacts of Increasing Oregon’s Minimum Wage*, dated January 12, 2016, and (2) *Impact of a \$12 an Hour Minimum Wage on the State of Oregon: Fewer Jobs, Reduced Employment*, dated January 2015.

¹ U.S. Bureau of Labor Statistics. *May 2014 Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates*. Portland-Vancouver-Hillsboro, OR-WA. March 25, 2015.

Findings

- **The minimum wage increases in SB 1532-1 would reduce Oregon employment by 62,700.** Each annual hike in the minimum wage will further drag down job growth. Once phased in, Oregon employment will be substantially lower than it would be if the current minimum wage laws remained in place.
- **The Portland area will be the most heavily hit by the reduced employment.** As noted in our earlier reports, the smaller the geographic area on which a minimum wage is imposed, the larger the impacts *within* that area. For example, the \$14.50 minimum wage imposed in Multnomah County can be avoided by shifting operations to nearby Columbia and Hood River counties in Oregon and moving operations out of state to neighboring Clark and Skamania counties in Washington.
- **Clackamas and Washington counties will see 26,700 in reduced employment.** While most of the pressure for the huge increase in the minimum wage is coming from Multnomah County and the City of Portland, suburban counties will bear a substantial share of the employment burden.
- **The shift in employment from the Portland area to elsewhere in the state will mitigate some of the job losses in the rest of Oregon.** Oregon will no longer be competitive relative to other states. At the same time areas outside of the Portland region will be more competitive than Multnomah, Clackamas, and Washington counties. To be sure, the counties outside of the Portland region will experience reduced employment, yet their *net* impact will be smaller as employment opportunities shift from Multnomah, Clackamas, and Washington counties to these more competitive regions of the state.

Data and methodology

Regression analysis was performed in this study evaluating the impact of the federal minimum wage and Oregon's minimum wage on employment in Multnomah, Clackamas, and Washington counties and the rest of the state. 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 for employment to 2025. County employment is from the Oregon

Employment Department. U.S. employment was included as an independent variable to account for general economic factors that affect state- and county-level employment. The results from the county-level regressions are applied to the state and U.S. employment projections from the Office of Economic Analysis to calculate projected county employment.

Area	Reduced Employment
Multnomah County	27,700
Clackamas County	14,500
Washington County	12,200
Outside Portland metropolitan area	8,300
Total	62,700

These results are in line with Oregon Legislative Revenue Office calculations, which found that steep increases in the state's minimum wage would be associated with *reduced* employment growth in the long run.² LRO concluded that an increase of \$2.00 an hour would reduce employment in the long run by 20,000. ■

² Oregon Legislative Revenue Office. *The Impacts of an Increase in the Minimum Wage*. July 24, 2014.