



OREGON
ASSOCIATION OF
NURSERIES

**Testimony before the House Committee on Business and Labor
Relating to Minimum Wage (Senate Bill 1532A)**

By Jeff Stone, Executive Director
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Chairman Holvey, Vice-Chairs Barton and Kennemer, 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 1532A.

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 1532A

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 1532A 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.