

Testimony in Support of Significantly Raising Oregon's Minimum Wage

by Tyler Mac Innis, Policy Analyst, before the House Committee on Business and Labor

February 15, 2016

Good evening Chair Holvey and members of the Committee. My name is Tyler Mac Innis. I am a policy analyst with the Oregon Center for Public Policy. I am here tonight in support of legislative action to raise Oregon's minimum wage.

We are here tonight to discuss facts. Throughout the evening you may hear a number of claims, but it's important we stick to the facts. And the facts show that Oregon's low-wage workers need a raise. Too many Oregonians are struggling to make ends meet, despite Oregon having one of the top-performing economies over the last decade and a half.¹

In 2007, before the start of the recession, 10.0 percent of all Oregon families – families with children – were working poor, meaning that those families lived below the poverty line despite having at least one parent working at least part time. By 2014, some 12.7 percent of Oregon families were working poor. Stated differently, over that seven year span, the share of families who are working poor grew by 27.9 percent.²

Most families in poverty (71 percent) are working families.³ Three quarters of children in poverty have a parent that works.⁴ These are sobering facts.

Poverty is a function of not having enough income to meet basic needs. It means not having enough money to pay the electric bill on time. It means a mother having to make a choice between picking up a second or third job or spending time with her family. It means parents not having enough money to put three square meals on the table, so they skip dinner some nights to make sure their kids are able to eat. And we know Oregon families are having to make these difficult choices. Since the end of the Great Recession, Oregon has seen the second-highest spike in food insecurity trailing only Louisiana.⁵ These are unacceptable facts.

Low-wage workers in Oregon are long overdue for a significant raise. Not only is it the right thing to do, but the evidence shows us we can give low-wage workers the raise they deserve.

Fact: significantly increasing Oregon's minimum wage would have widespread positive impacts for low-wage workers.

About 458,000 Oregon workers would directly see their wages rise should the state's minimum wage increase to \$13.50 over two years. Another 146,000 would see increases in their wages indirectly as employers adjust pay ladders. Collectively the wages of those directly and indirectly affected would rise about \$1.9 billion⁶ – money that would be largely spent in local economies.

For those workers affected, increased wages mean being able to meet the rising costs of child care, housing, food and other essentials.

Fact: there is precedent for a significant increase in Oregon's minimum wage

In 1989 the Oregon legislature increased the state minimum wage 42 percent over two years. Raising the minimum wage to \$13.50 over two years would increase the wage floor 46 percent. The bill before you last session to raise the minimum wage to \$15 over three years would have increased the minimum wage 43 percent over the first two year period and an additional 13 percent in the final year.⁷

The bill before you this evening, HB 1532-A, represents a more modest increase than the 1989 legislative action, particularly with respect to wage increases outside the Portland urban growth boundary.⁸

The fact is, there is precedent in Oregon for a significant increase in the minimum wage.

Fact: Oregon's small businesses and small business jobs have grown following past minimum wage increases.

Oregon has a long history of increasing the minimum wage and small businesses have done just fine. After the 1989 increase, Oregon voters increased the state minimum wage twice more before pegging it to inflation. The numbers show that following each one of those increases there was an increase in the number of small businesses and small business jobs. Unsurprisingly, downturns in the small business sector coincide with recessions in the overall economy, not increases in the minimum wage.⁹

Raising wages would give small businesses what they need most – customers with more money in their pockets. Research also shows that workers who earn more are happier, more productive and more likely to stay at their place of employment longer, reducing the cost of turnover which can be expensive for small business owners.

Fact: the body of research on the minimum wage shows increases do not hurt job growth.

The overwhelming body of minimum wage research – one of the most heavily researched areas in economics – shows that minimum wage increases have had no impacts on employment, positive or negative.¹⁰

Claims that wage increases lead to job losses are often based on economic models. It is important to note that these models are best used to compare between policy options, but are not predictive.

Fact: increasing the minimum wage is a net positive for the majority of workers.

Most public benefits are well-designed to phase out as people earn more money.¹¹

Where there are “potholes” for certain workers in public benefits programs as they earn more income, the legislature ought to correct them. Those pothole areas are problems for workers today who are offered more hours or better pay at work, regardless of what action the legislature might take on raising the minimum wage.

That these potholes from phase-outs exist for certain benefit programs should not prevent the legislature from significantly increasing the minimum wage. As the Center has documented, a substantial raise in the state's wage floor would be a net positive for the vast majority of affected workers.

Fact: raising the minimum wage is not a silver bullet solution to ending poverty, but it's a key piece to the puzzle.

The working poor and unemployed able-bodied Oregonians are not the only people in Oregon living in poverty. Others, such as seniors, adults with physical and mental barriers to employment and children also suffer from poverty. Ending poverty for those groups will require different policy solutions than raising the minimum wage.

That should not stop you from significantly increasing Oregon's minimum wage. It's a fact that a significant increase in the minimum wage is a critical policy choice that will reduce poverty amongst the working poor and their children.

The facts support raising the wage.

Oregon's low-wage workers are long overdue for a significant raise. Too many Oregonians today are living in or near poverty despite the fact that they work. Workers need more income if they are to be self-sufficient.

I urge the Legislative Assembly in the upcoming session to enact legislation that gives Oregon's low-wage workers the raise they deserve.

¹ Oregon Center for Public Policy, *Oregon's Economy Continues to Be Top Performer*, January 12, 2015, available at <http://www.ocpp.org/2015/01/12/oregon-economy-continues-be-top-performer/>.

² Oregon Center for Public Policy, *Poverty Despite Work: A Growing Problem in Oregon*, December 16, 2015, available at <http://www.ocpp.org/2015/12/16/fs20151216-poverty-despite-work-oregon/>.

³ *Poverty Despite Work: A Growing Problem in Oregon*, Oregon Center for Public Policy.

⁴ *Poverty Despite Work: A Growing Problem in Oregon*, Oregon Center for Public Policy.

⁵ Oregon Center for Public Policy, *Hunger and Food Insecurity Rise in Oregon, Despite Economic Recovery*, October 28, 2015, available at <http://www.ocpp.org/2015/10/28/fs20151028-oregon-hunger-food-insecurity-rise/>.

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⁶ Economic Policy Institute's analysis of Current Population Survey data, Outgoing Rotation Group public use microdata, 2014.

⁷ HB 2009 and SB 611 would have increased Oregon's minimum wage to \$15 per hour by 2018. The increase would have been phased in in three steps, to \$11.50 per hour in 2016, \$13.25 per hour in 2017 and \$15.00 per hour in 2018.

⁸ Oregon Center for Public Policy, *Significantly Raising the Minimum Wage: Lawmakers Have Done It Before*, February 11, 2016, available at <http://www.ocpp.org/2016/02/11/fs20160211-minimum-wage-significant-increase/>.

⁹ Oregon Center for Public Policy, *Oregon Small Businesses Can Thrive With a Higher Minimum Wage*, April 8, 2015, available at <http://www.ocpp.org/2015/04/08/nr20150408-oregon-small-businesses-minimum-wage/>.

¹⁰ For a review of the literature on the effects on employment from raising the minimum wage see, Schmidt, John, *Why Does the Minimum Wage Have No Discernable Effect on Employment?*, Center for Economic and Policy Research, February 2013, available at <http://cepr.net/documents/publications/min-wage-2013-02.pdf>.

¹¹ Oregon Center for Public Policy, *A Pathway, Not a Cliff*, April 10, 2015, available at <http://www.ocpp.org/2015/04/10/iss20150410-oregon-minimum-wage-benefits-cliff/>.