

**Testimony of Eric Blackledge**  
**To the Oregon House Committee on Business and Labor**  
**On HB 2005**

03-13-2017

Chair Holvey:

Members of the Committee:

The changes proposed in HB 2015 appear to have been written by someone:

- Who has never been an employer, and had to hire people for their business;
- Who does not understand economics, and the functioning of open markets;
- Who does not understand the effect of supply and demand, and price elasticity of demand for products, services and labor;
- And who has not considered the long-term negative impacts of trying to block the normal forces of the market on both the workforce and the Oregon Economy.

This bill is promoted as trying to prevent improper discrimination in employment, and compensation practices, both objectives which I strongly support, but there are already strong protections in existing statutes, and there is no evidence of significant intentional discrimination.

What the bill actually would do is significantly disrupt the economic efficiency of the labor market and the economy by further disrupting the hiring of appropriate workers and increasing the potential non-value-added cost of hiring any employee. This bill is not needed and should be rejected.

The “Labor Market” is a very complex market place of supply and demand for employment. For a market to function efficiently it must have good transparency of information for decision making both by employers and employees.

How could you make good economic decisions;

If service stations were prohibited from posting gas prices;

Or you sat down at a restaurant and there were no prices on the menu;

Or you came into my furniture store and there were no prices on any items, and you couldn't tell which sofas were expensive and which were better values until AFTER you purchased one?

Hiring new employees when a business needs one, and determining appropriate compensation is already difficult and inefficient. There are millions of different jobs in the economy with different duties, different, skill sets, different experiences and no standardization of titles or job descriptions. Even in exactly the same job, different individuals perform differently in creating economic value for their employer. Because of employment laws and fear of liability, past employers are functionally prohibited from sharing realistic worker performance evaluations with prospective future employers. Resume information and interview responses from prospective employees are usually incomplete and often exaggerated or inaccurate. Like any marketplace, there are also significant variations in supply. Sometimes there are lots of good

applicants, sometimes there are very few and we have to hire someone for more than they are worth, just to fill the opening.

The provisions in section 2 of this bill block important information that employers need to select appropriate applicants who will both perform well in the position, and also have long-term satisfaction with their new job. When the broad employment market place is free to respond to the laws of supply and demand, better performers, with better skills and better productivity, receive higher compensation. As a result the level of prior compensation and pattern of increases is an important indicator of general employee work skills and productivity, even when prior positions may have been significantly different. This is particularly important information for positions where earnings were performance or commission based, because prior earnings indicate the ability with which they performed the job.

Even more importantly, prior compensation history is an important indicator of the prospective employee's potential long-term job satisfaction, which is also important to employers because of the high costs of employee training and turnover expenses. An employer's ability to pay an employee is limited by the value that the employees services adds to the businesses' product and the impact of the cost of those services on the elasticity of demand for the businesses' product or service. Normally employers try to hire individuals where what they can afford to pay is at least equal to the applicant's prior earnings, or the current value of the applicant's skills in the broader employment market. They want new employees to be happy with the compensation and stay with the company.

When I hire a new sales advisor for my furniture business, it costs us about \$7,500 in compensation and other training costs for the 6 weeks or more of training before they ever make their first sale for us. And, it takes about 2 years of at least average productivity before we recover the training costs and compensation subsidies. If someone has earned more in the past, but takes a position with us until they find the job they really want, we lose the value of all the training and work experience. Without knowledge of at least what they say was their prior compensation I have no way to know if my compensation will be adequate.

Other provisions of the bill simply increase an employer's cost potential for legal action and administrative penalties, even when they have acted fairly and lawfully. Section 2 (2) (d) requires that employers prove that any employment of compensation decision was NOT based on prohibited factors or even "perceptions". Do you know how hard it is to prove a negative, or that you haven't done something. Could any of you prove to a court that you have never made a bad legislative decision? Please don't make one now, and reject this bill.

Eric Blackledge  
Blackledge Furniture  
233 SW 2<sup>nd</sup> Street  
Corvallis, Oregon 97333