

Oregon

April 13, 2015

House Business & Labor Committee
Invited Testimony

Re: Minimum Wage

Dear Chair Holvey and Members of the Committee,

Representing an association of about 7,000 privately-owned small businesses throughout the state of Oregon, we thank you for the opportunity to present the impact that increasing minimum wage would have on our members along with workers and Oregon's economy.

The findings of numerous reports are of great concern regarding our economic standing, our job growth and the health of small businesses throughout Oregon.

A 2014 report from the nonpartisan Congressional Budget Office confirms the findings of NFIB's state-specific minimum wage studies – raising minimum wage will affect low wage income earners most dramatically with the loss of jobs. See our state specific studies here: <http://www.nfib.com/foundations/research-foundation/topics/labor-employees/>

The CBO found that President Obama's proposal to raise the minimum wage to \$10.10 could cost the economy 500,000 jobs. Read the full CBO report here: <http://www.cbo.gov/publication/44995>

A March 2014 Article, "The Shift from Low-Wage Worker to Robot Worker" details the commonplace of computers replacing the American worker with the rise in minimum wage, stating ". . . waitresses, fast-food workers and others earning at or near the minimum wage should also be on alert." <http://fivethirtyeight.com/features/your-new-fast-food-worker-a-robot/>

The key point about minimum wage, is that it is -- and always will be -- an entry-level wage earned almost exclusively by teens and young adults starting out on their work lives. Raising it has only one immediate, but lasting, effect: Loss of job opportunities for them and for the low-skilled. Raising it does nothing for the middle class, and certainly nothing to alleviate poverty.

"Minimum wage workers tend to be young," reports the U.S. Bureau of Labor Statistics. "Although workers under age 25 represented only about one-fifth of hourly paid workers, they made up about half of those paid the federal minimum wage or less."

Forbes magazine's Jeffrey Dorfman took a hard look at the Bureau's numbers and concluded, "Within that tiny group, most of these workers are not poor and are not trying to support a family on only their earnings. In fact, according to a recent study, 63 percent of



workers who earn less than \$9.50 per hour (well over the minimum wage of \$7.25) are the second or third earner in their family and 43 percent of these workers live in households that earn over \$50,000 per year. Thus, minimum wage earners are not a uniformly poor and struggling group; many are teenagers from middle class families and many more are sharing the burden of providing for their families, not carrying the load all by themselves.”

Poring over two decades worth of minimum-wage studies, economists David Neumark from the University of California Irvine and William Wascher, a researcher for the board of governors of the Federal Reserve Bank, wrote in a 2006 paper submitted to the National Bureau of Economic Research that “ ... we see very few -- if any -- studies that provide convincing evidence of positive employment effects of minimum wages ... the studies that focus on the least-skilled groups provide relatively overwhelming evidence of stronger disemployment effects for these groups.”

Seven years and subsequent minimum-wage studies later, Neumark and Wascher came back with an analysis of those, “We conclude that the evidence still shows that minimum wages pose a tradeoff of higher wages for some against job losses for others, and that policymakers need to bear this tradeoff in mind when making decisions about increasing the minimum wage.”

Raising minimum wage is a small business issue for the following reasons:

- Big corporations do not have to absorb the cost of minimum wage increases because most minimum-wage jobs are offered by small businesses
- Small businesses are the least able to absorb such a dramatic increase in their labor costs
- The small-business sector has historically created two-thirds of net new private jobs in the U.S. economy. But it has been slower to recover from the great recession in recent years because of a series of policies that increase the burden on small-business owners—higher taxes, increases to health-care costs, more costly regulations, and now the minimum wage increase proposal
- The minimum wage directly affects small businesses because a large amount of their earnings go directly to pay for operating expenses, such as equipment, supplies, lease or mortgage, credit lines, inventory and employee wages and benefits
- These proposals do not incentivize growth or hiring – they make it nearly impossible

Also attached to my testimony are submissions by 3 NFIB members who tell their story and the affect increasing minimum wage would have on their business.



For the compelling reasons represented within this testimony, NFIB would be opposed to raising Oregon's minimum wage beyond what is currently in place and represents one of the highest minimum wages in the country with a built in escalation provision.

BLS

<http://www.bls.gov/cps/minwage2013.pdf>

Dorfman

<http://www.forbes.com/sites/jeffreydorfman/2014/01/30/almost-everything-you-have-been-told-about-the-minimum-wage-is-false/>

Sabia Burkhauser Study

http://cdn.theatlantic.com/newsroom/img/posts/Sabia_Burkhauser_SEJ_Jan10.pdf

Neumark Wascher-I

<http://www.nber.org/papers/w12663>

Neumark-Wascher-II

<http://journalistsresource.org/wp-content/uploads/2013/02/2013-paper.pdf>