



April 13, 2015

House Business & Labor Committee
Senate Workforce Committee

Re: Proposals to increase statewide minimum wage

Dear House Chair Holvey and Senate Chair Dembrow:

The Hillsboro Chamber has more than 750 local business members representing more than 55,000 jobs and we support Oregon's current minimum wage law that indexes the minimum wage each year based on inflation.

We ask that you oppose efforts to increase Oregon's minimum wage further. Increases in the minimum wage would hurt local businesses, result in fewer businesses and jobs, and would not benefit our community. We know the power of our advocacy efforts comes from our businesses that take risks, create jobs and contribute to the high quality of life that we enjoy in our community. We asked our business community how an increase in the minimum wage would impact their business and the people they employ. Included below are four of the many testimonials we received--In their own words, their own personal stories.

--Small, locally grown retailer based in Hillsboro, Oregon

"We work in a service-oriented industry where profit margins are competitively tight. Payroll and payroll taxes currently account for 32.1% of our annual income and a much higher minimum wage will negatively affect our business, forcing us to increase our prices dramatically, cut back employee hours and even lay off some employees. It would mean our customers would receive fewer amenities for much higher prices...and this is not just us; it would affect everyone in our industry in Oregon. On the face value, our payroll would increase by \$387,391.90 annually and that's JUST the increase (assuming our business officers do NOT have any pay increase). With payroll taxes involved, it would bring the percentage to 54.8% (!) of our annual income, making us scramble to cover all the other business expenses with the little remaining dollars. This is extremely unfriendly to small businesses like ours. Our ultimate decisions would be to create fewer jobs, serve a sub-par product, charge our customers a much higher price or close our doors completely. In a state that says it's excited about small businesses and shopping locally, supporting a \$15/hr minimum wage would be a black-eye on this legislature and drive entrepreneurs elsewhere."

--Mid-Sized family-owned Manufacturer based in Hillsboro, Oregon

"The minimum wage efforts are a threat to my company's successful Training and Summer Intern programs. We have only a few employees with long term jobs that earn less than \$15 per hour. Our company does not benefit from our intern program in terms of recruiting employees, we run it because we believe it helps the kids gain access to real life experiences in manufacturing. We started our training program because it is virtually impossible to hire qualified Machinists. Without qualified Machinists, my company won't exist. Many of those in our training program will not stay with our company for the long term but it provides them a running-start into a great career. We believe providing our training program is good for our community. The people involved learn skills and find jobs that pay a family wage. I do not understand why my representatives in Salem want to make it harder for businesses like mine to help people learn the skills they need to be successful."

--Small, locally grown retailer based in Hillsboro, Oregon

“Facts:

- Net bottom line in our industry averages around 2.8%, and we're right in line with that, which means that for every dollar we gross, we are left with less than 3 cents.
- Average margin in our industry is between 25-30%, which means that for every dollar we spend on non-COGS items (rent, payroll, etc.), we have to gross nearly 4 times that in sales.
- Currently, payroll accounts for 42% of our non-COGS spending, or 16% of our overall budget. (Our lease makes up 29% and 12%, respectively).
- Although nobody that works for us is at minimum wage, \$15/hr. would be an increase in salary for *everyone* that works here, including ownership.
- \$15 would increase our payroll 20%. Just to break even, gross sales would need to increase 20%, also.
- Ours is a slow-growth industry; 2-3% year-to-year growth is great, 5% is outstanding.
- Even at a 3-year roll-out, this demands growth of nearly 7% per year - double any reasonable expectation.

Business Decisions, and Outcomes:

If we are to survive, we cannot simply hope to "sell more" in any amount that would sustain such an increase in payroll, nor do we have other areas in our budget large enough to make cuts that would balance it. The only solution is reduce hours on the schedule, and cut staff. The result?

- Payroll in our budget won't get larger; employees will simply work fewer hours. They will be receiving more free time, but not more money.
- Quality of customer service will go down, because there will be fewer people on staff to help customers or to follow up with them in a timely manner.
- All non-mandated benefits we offer will be eliminated.
- We will likely consolidate locations (we currently have two locations in Hillsboro) and reduce staff. Rather than being a brick-and-mortar community-engaged business, we will sell all or mostly online.

Personally:

We understand that the goal of this movement is to increase the baseline income and provide a livable wage to everyone in the workforce. We are a small business, with ownership made up of former employees. The primary reason we became owners in the first place was to continue providing a place of employment and a livable wage to our friends and co-workers (now employees)! We want the same thing proponents of this increase want. But we cannot afford such a rapid increase. We have already made many sacrifices for this business ourselves - our owners' salary, divided by the number of hours we put in, likely makes us the lowest paid per-hour employees of the business; almost every employee has received a pay increase during their time here that has outpaced any increase in owners' pay; we each have to personally guarantee the success of the business to any financial institution by leveraging personal assets, which means that bankrupting our business forfeits personal property, including the home my family lives in. Did I mention I have two children? While our fantastic employees would simply need to find employment elsewhere (they're all great, I doubt they'd have trouble finding new jobs), going out of business means my family could lose our home.

We are not opposed to increasing the living conditions of the workforce - as I said, it's the primary reason we went into business in the first place! But our business, positioned as it is in our industry, could not sustain this. And, if our business suffers or fails, my family suffers, too. Therefore, it is in the same spirit that backs this increase that we feel the need to speak against it. We do not oppose improving the lives of our employees. It's why we come to work every day. But when the increase is proposed at such a steep incline that it would endanger my livelihood and put my family at risk, I have to oppose it. It's not the idea of an increase in minimum wage, nor the motivation to improve the standard of living that I disagree with (quite the contrary!), it's the unnatural rate at which this increase would be implemented. As anyone on either side of this debate will likely say, I too must defend my family.”

Small, locally grown retailer with two stores - one in Hillsboro and one in Happy Valley, Oregon

“I have 19 hourly employees - 10 minimum wage part time and nine with hourly wages ranging from \$11-16 per hour. In preparation for another, more significant, increase to the minimum wage, I decided to run some hard numbers. Here's what I have calculated, and these are real, hard numbers.

If the minimum wage is raised to even \$13 an hour, I will have an increase of \$1,867/month just in salaries. If you add the payroll taxes to that it increases to \$2,614 per month. If you calculate my gross margin on sales, I will need to have an **additional \$5,447** per month in sales to cover the added expense.

THEN, in the interest of fairness and parity, I will need to also bump up the wages of my other hourly employees - even those being paid over \$13 an hour. I have calculated that impact to be an additional \$1,352 per month and when you add the tax impact it totals \$1,893. Again calculating my gross margin on sales, I will need to increase my sales by an **additional \$3,943** per month.

So the bottom line is I will have to increase my revenue, or cut direct expenses which will be difficult as I run quite lean, by **\$9,390** per month or **\$112,680 per year** which is a **12% increase in sales. This is impossible.** It is important to note here that I am not a profitable company and am working very hard to get there with the revenue and expenses I have currently. This burden will cause me to close my stores. The impact of that will be a loss of 20 jobs, a burden to the unemployment and healthcare system, loss of their consumption i.e. eating out and shopping, and that doesn't even address the value my business fills in the community- which is significant.

As I run these numbers I am horrified thinking of all the small businesses out there who will have to close their doors. I believe the big picture result of this will be a dramatic increase in unemployment. Oregon is built on small business and who wants to live in a world of solely homogeneous Targets, WalMarts and Macys. Larger companies have already begun to opt for automation to do business to lessen payroll expenses. Have you been to a bank lately? They are ghost towns. Just one example of what automation has done. And, there are many, many other examples of industries employing machines to fill the former shoes of human workers - to lessen operating expenses.

This has been quite a painful exercise for me and a slap in the face frankly to think that I live in a state who is considering closing the doors of hundreds of small businesses. I wish it was easy to just pick up and move my business to a state more small business friendly, but it's not. I implore you to table this bill and save the livelihoods of hundreds if not thousands of Oregon small business owners.”

We appreciate the opportunity to provide candid, real-life input regarding this very important issue for our business community. We hope that you will take this information into consideration while deliberating an increase in Oregon's minimum wage.

Sincerely,

A handwritten signature in black ink that reads "Deanna Palm". The signature is written in a cursive, flowing style.

Deanna Palm
President