



April 17, 2015

Chair Holvey and Members of the House of Committee on Business & Labor:

Representative Dallas Holvey  
Representative Greg Bareto  
Representative Brent Barton  
Representative Margaret Doherty  
Representative Sal Esquivel  
Representative Paul Evans  
Representative Shemia Fagan  
Representative Bill Kennemer  
Representative Rob Nosse  
Representative Jim Weidner

RE: HB 2008, HB 2009 & other minimum wage legislation

On behalf of EDCO, a regional economic development partnership funded by local businesses, non-profit organizations, cities, and counties in the Central Oregon area, I would like to voice my strong opposition to HB 2008, HB 2009 and a handful of other bills being considered to significantly raise Oregon's minimum wage requirement.

### **Arbitrary Increase Will Create Ripple Effect**

For example, HB 2009 proposes to arbitrarily raise Oregon's minimum wage to \$15 per hour by 2018, which is more than a 62% increase over today's current minimum wage of \$9.25 per hour, which is already 27.6% higher than the national minimum wage. While this might feel good to some legislators to give a large percentage of Oregonians an overnight raise, it will have a significant and lasting ripple effect across our state. The first ripple is the elimination of jobs we have today. The second ripple is stifling the creation of jobs in the future, particularly entry level positions. The third, and perhaps most concerning ripple, is across the board wage inflation that will most certainly put Oregon families, business and governments to the test of how to pay for needed labor in the face of limited budgets (government), and the limited ability to pass on higher costs to their customers (everyone else).

### **Job Killer**

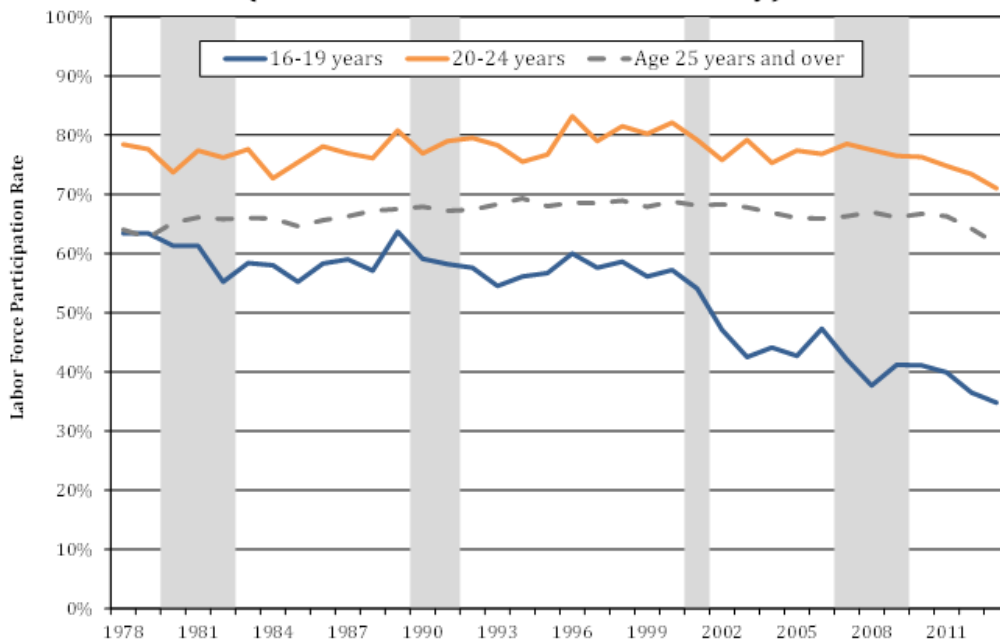
For this kind of extreme change in the minimum wage to be seriously discussed in our legislature, there is a serious misunderstanding about the ability of businesses and individuals to bear these addi-

tional costs without changing the way they do things. For the most part, businesses owners are rational. They will figure out a way to adapt. Look at foreign competition the past two decades from low-cost labor in places like Asia, India and Latin America. American manufacturers adapted by making their workers more productive with automation (robotics, computer controlled production, waste reduction, etc.) that is paving the way for some of the jobs to return to the U.S. Arbitrarily raise wages here and they will mechanize even further, and accelerate the elimination of jobs. But in Oregon, they will simply eliminate jobs because they have many choices across the country. EDCO is working with companies today that if a HB 2009-like bill passes, will simply go elsewhere, expand in a neighboring state, or take their investment overseas. The reality is that the proponents of this legislation really have no idea how many jobs this will eliminate. It will be many, and more than anyone expects.

**Eliminating Employment Opportunities for the Emerging Workforce**

Another very concerning aspect of this legislation is the impact it will have on the emerging workforce – our young adults with the least work experience and skills. A fact that few legislators seem to know is that our labor participation rate among teens is the lowest level since records were kept back in the late 1970s. Look closely, and it is a trend that is independent of whether we are in recession, recovery or economic growth! Employers regularly report to EDCO that the emerging workforce does not even know how to work, because they’ve never held a job. Placing another barrier by requiring employers to arbitrarily pay these new entrants to the workforce \$15 per hour is not going to reverse this trend, but only make it worse.

**Oregon Teen Participation Rate at Historic Lows  
(Years With Recessions Shaded Gray)**



Source: Bureau of Labor Statistics, Current Population Survey

In the Central Oregon region, a consortium that includes all the school districts, college, university, ESD, Chambers of Commerce, EDCO and a dozen other non-profits have partnered together to

measurably reverse this trend. One component of this initiative is focused on creating new internships with hundreds of local employers with the vision that every high school graduate has some work experience before they receive their diploma. Mandate \$15 per hour for paid internships for students with no work experience whatsoever, and one bill alone could torpedo years of grassroots work at the local level.

### **Wage Inflation**

Consider the fact that in Deschutes County 44% of the jobs today pay \$15 per hour or less. For Oregon, that figure is 40% for. Wage inflation across all levels is inevitable with this legislation. An experienced front line worker in one of our manufacturing companies making \$15 an hour today is not going to settle for that same wage when an inexperienced new hire makes the same their first day on the job. Their supervisor is going to expect a similar increase in wages and so on, right up to the management team.

But this may be the real reason behind the legislation, which is being promoted by organized labor. Wage increases at the minimum level provide wage and salary increases higher up – which is one of the primary deliverables for unions to their members. They seem not to care if the economy is laid waste in the meantime, Oregon is uncompetitive on a national and global scale, and jobs dry up by the thousands. Such a self-serving and short term view is not what Oregon needs.

### **A Clear Message that Oregon is NOT Business Friendly**

It greatly concerns economic development professionals, business owners and local governments across Oregon (and outside our state's borders) that such radical policy is even being seriously considered. Policy that ignores the fact that wages across the economy, for all the forms of work done today, are set not by governments but by the value they produce and the supply and demand of the marketplace.

In the work that EDCO does, the average wage of the jobs that our client companies (manufacturers, high technology companies, professional services) pay is more than \$45,000 per year (\$21.63/hr). This is not by mandate, but because the work performed within these companies requires skill, education and most importantly because the work produces value capable of supporting higher wages – not because the government dictated what was “fair” or provided for some lifestyle or standard of living.

If HB 2009 were to be made law, we know that at least 25 of our client companies that are evaluating relocating or establishing operations in our region would eliminate our Central Oregon and the entire state from consideration. Those 25 job-creation projects would create new, well-paying employment in the hundreds elsewhere. More than the arbitrary increase in labor costs, such lawmaking sends a clear message that in Oregon, the government is in the business of telling businesses how to run their operations and how much they should be paying their employees. That is NOT the Oregon I've worked to promote the past 22 years and not the message that most Oregonians want to promote nationally and globally.

**Summary**

Please do not create a wave of wage inflation in Oregon that will most certainly spill over to overall artificially raise all wages and make our state even less competitive and eliminate tens of thousands of jobs today and in the future. Let these ill-conceived bills languish in committee and never see the light of a floor vote.

Thank you for your service to our state and for your consideration of these comments.

Sincerely,



Roger J. Lee  
Executive Director

Cc: Rep. Gene Whisnant  
Rep. John Huffman  
Rep. Knute Buehler  
Sen. Tim Knopp  
Rep. Mike McLane