

voters' pamphlet

VOLUME 1 OF 2

MEASURES

State of Oregon
General Election
November 5, 1996

The Secretary of State must produce two Voters' Pamphlet volumes due to the large number of measures to be voted on in the 1996 General Election. Volume 1 includes measure information only. Volume 2 includes candidate information and will be mailed to you in approximately seven to ten days.



Compiled and distributed by

Phil Heiting

Secretary of State

This Voters' Pamphlet is the personal property
of the recipient elector for assistance at the polls.

Measure No. 30

Measure No. 30

House Joint Resolution 2—Referred to the Electorate of Oregon by the 1995 Legislature to be voted on at the General Election, November 5, 1996.

BALLOT TITLE

30 AMENDS CONSTITUTION: STATE MUST PAY LOCAL GOVERNMENTS COSTS OF STATE-MANDATED PROGRAMS

RESULT OF "YES" VOTE: "Yes" vote requires the state to pay local governments for costs of state-mandated programs.

RESULT OF "NO" VOTE: "No" vote rejects requirement that state pay local governments for costs of state-mandated programs.

SUMMARY: Amends constitution. Measure would require legislature to pay local governments for costs of new state-mandated programs or increased level of services for state-mandated programs. If funds are not paid, local governments need not comply with law or rule requiring program or service. Contains exceptions. Requires 3/5 vote of each house of Legislature to take certain actions reducing state revenues that are distributed to local governments. If adopted, measure would be repealed on June 30, 2001, unless approved again at general election in year 2000.

ESTIMATE OF FINANCIAL IMPACT: No financial effect on state or local government expenditures or revenues.

Be It Resolved by the Legislative Assembly of the State of Oregon:

PARAGRAPH 1. The Constitution of the State of Oregon is amended by creating new sections 15 and 15a to be added to and made a part of Article XI and to read:

SECTION 15. (1) Except as provided in subsection (7) of this section, when the Legislative Assembly or any state agency requires any local government to establish a new program or provide an increased level of service for an existing program, the State of Oregon shall appropriate and allocate to the local government moneys sufficient to pay the ongoing, usual and reasonable costs of performing the mandated service or activity.

(2) As used in this section:

(a) "Enterprise activity" means a program under which a local government sells products or services in competition with a nongovernment entity.

(b) "Local government" means a city, county, municipal corporation or municipal utility operated by a board or commission.

(c) "Program" means a program or project imposed by enactment of the Legislative Assembly or by rule or order of a state agency under which a local government must provide administrative, financial, social, health or other specified services to persons, government agencies or to the public generally.

(d) "Usual and reasonable costs" means those costs incurred by the affected local governments for a specific program using generally accepted methods of service delivery and administrative practice.

(3) A local government is not required to comply with any state law or administrative rule or order enacted or adopted after January 1, 1997, that requires the expenditure of

money by the local government for a new program or increased level of service for an existing program until the state appropriates and allocates to the local government reimbursement for any costs incurred to carry out the law, rule or order and unless the Legislative Assembly provides, by appropriation, reimbursement in each succeeding year for such costs. However, a local government may refuse to comply with a state law or administrative rule or order under this subsection only if the amount appropriated and allocated to the local government by the Legislative Assembly for a program in a fiscal year:

(a) Is less than 95 percent of the usual and reasonable costs incurred by the local government in conducting the program at the same level of service in the preceding fiscal year; or

(b) Requires the local government to spend for the program, in addition to the amount appropriated and allocated by the Legislative Assembly, an amount that exceeds one-hundredth of one percent of the annual budget adopted by the governing body of the local government for that fiscal year.

(4) When a local government determines that a program is a program for which moneys are required to be appropriated and allocated under subsection (1) of this section, if the local government expended moneys to conduct the program and was not reimbursed under this section for the usual and reasonable costs of the program, the local government may submit the issue of reimbursement to nonbinding arbitration by a panel of three arbitrators. The panel shall consist of one representative from the Oregon Department of Administrative Services, the League of Oregon Cities and the Association of Oregon Counties. The panel shall determine whether the costs incurred by the local government are required to be reimbursed under this section and the amount of reimbursement. The decision of the arbitration panel is not binding upon the parties and may not be enforced by any court in this state.

(5) In any legal proceeding or arbitration proceeding under this section, the local government shall bear the burden of proving by a preponderance of the evidence that moneys appropriated by the Legislative Assembly are not sufficient to reimburse the local government for the usual and reasonable costs of a program.

(6) Except upon approval by three-fifths of the membership of each house of the Legislative Assembly, the Legislative Assembly shall not enact, amend or repeal any law if the anticipated effect of the action is to reduce the amount of state revenues derived from a specific state tax and distributed to local governments as an aggregate during the distribution period for such revenues immediately preceding January 1, 1997.

(7) This section shall not apply to:

(a) Any law that is approved by three-fifths of the membership of each house of the Legislative Assembly.

(b) Any costs resulting from a law creating or changing the definition of a crime or a law establishing sentences for conviction of a crime.

(c) An existing program as enacted by legislation prior to January 1, 1997, except for legislation withdrawing state funds for programs required prior to January 1, 1997, unless the program is made optional.

(d) A new program or an increased level of program services established pursuant to action of the Federal Government so long as the program or increased level of program services imposes costs on local governments that are no greater than the usual and reasonable costs to local governments resulting from compliance with the minimum program standards required under federal law or regulations.

Measure No. 30

Measure No. 30

(e) Any requirement imposed by the judicial branch of government.

(f) Legislation enacted or approved by electors in this state under the initiative and referendum powers reserved to the people under section 1, Article IV of this Constitution.

(g) Programs that are intended to inform citizens about the activities of local governments.

(8) When a local government is not required under subsection (3) of this section to comply with a state law or administrative rule or order relating to an enterprise activity, if a nongovernment entity competes with the local government by selling products or services that are similar to the products and services sold under the enterprise activity, the nongovernment entity is not required to comply with the state law or administrative rule or order relating to that enterprise activity.

(9) Nothing in this section shall give rise to a claim by a private person against the State of Oregon based on the establishment of a new program or an increased level of service for an existing program without sufficient appropriation and allocation of funds to pay the ongoing, usual and reasonable costs of performing the mandated service or activity.

(10) Subsection (4) of this section does not apply to a local government when the local government is voluntarily providing a program four years after the effective date of the enactment, rule or order that imposed the program.

(11) In lieu of appropriating and allocating funds under this section, the Legislative Assembly may identify and direct the imposition of a fee or charge to be used by a local government to recover the actual cost of the program.

SECTION 15a. (1) Section 15 of this Article is repealed on June 30, 2001, unless, at the general election held in 2000, a majority of the electors voting on the question of whether or not to retain section 15 of this Article as part of the Oregon Constitution vote to retain the section. If the electors vote to retain the section, section 15 of this Article remains in effect. If the electors do not vote to retain section 15 of this Article, then that section is repealed on June 30, 2001. The Legislative Assembly may provide for the disposition of any matters remaining unresolved with respect to the appropriation and allocation of moneys under section 15 of this Article.

(2) By appropriate action of the Legislative Assembly and the Secretary of State, the question described in subsection (1) of this section shall be submitted to the people for their decision at the statewide general election held in 2000.

(3) This section is repealed on January 1, 2002.

PARAGRAPH 2. The amendment proposed by this resolution shall be submitted to the people for their approval or rejection at the next regular general election held throughout this state.

EXPLANATORY STATEMENT

Measure 30 amends the Oregon Constitution to require state financing of state programs imposed on local governments after January 1, 1997. Affected programs are those programs, projects or services imposed by the legislature or by state agency rule or order under which a local government must provide administrative, financial, social, health or other specified services to persons, government agencies or to the public generally. For purposes of this amendment, "local government" means a city, county, municipal corporation or municipal utility operated by a board or commission.

The state is required to pay the usual and reasonable costs of such programs and costs of the state's increasing the level of services under existing programs after January 1, 1997. The legislature must continue to provide at least 95% of these costs each year.

If there is a dispute over the issue of state funding, a local government may submit the dispute to nonbinding arbitration or to judicial determination. The arbitration panel shall consist of one representative from the Oregon Department of Administrative Services, one representative from the League of Oregon Cities and one representative from the Association of Oregon Counties. The local government must show that moneys provided by the state are not sufficient to cover the usual and reasonable costs of the program or services.

If the legislature fails to provide moneys to local governments to pay at least 95% of the cost of the program or service imposed after January 1, 1997, the local government is relieved of its duty to provide that program or service. The duty of the local government also ends if the legislature requires it to spend more than one-hundredth of one percent of its budget for the required program or services, not including the costs met by the state.

Under Measure 30, the required money for local governments may come from state appropriations or from a legislative requirement that local governments collect fees or charges to pay the costs.

Measure 30 requires that at least 18 of the 30 state senators and 36 of the 60 state representatives approve any bill that reduces the amount of money that is distributed to local governments from proceeds of a specific state tax.

Measure 30 does not apply to any of the following:

- Any law approved by at least 60 percent of the members of each house of the legislature.
- Requirements imposed by state or federal courts.
- Laws enacted or approved through the initiative or referendum process.
- Programs that inform citizens about activities of local governments.
- Other programs and laws specified in the measure.

When a local government is not required to comply with a state requirement relating to a program under which the local government sells products or services in competition with a private entity, then the private entity is also not required to comply with that state requirement.

Measure 30 will be repealed June 30, 2001, unless the voters at the 2000 General Election vote to keep the measure in effect.

Committee Members:

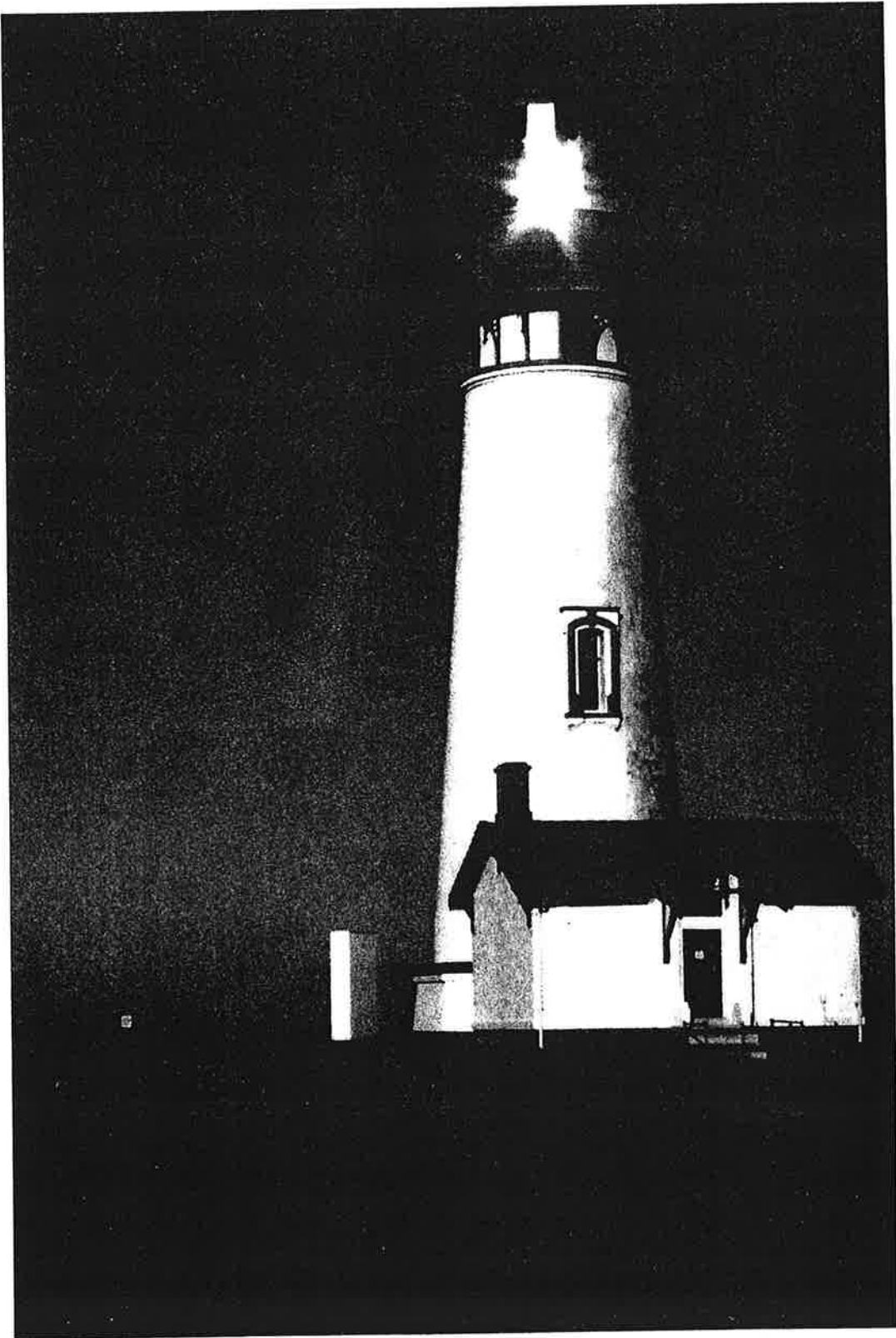
Senator Gene Derfler
 Representative Lynn Lundquist
 Representative Tony Corcoran
 Senator Peter Sorenson
 Kathleen Beaufait

Appointed by:

President of the Senate
 Speaker of the House
 Secretary of State
 Secretary of State
 Members of the Committee

(This committee was appointed to provide an impartial explanation of the ballot measure pursuant to ORS 251.215.)

voters' pamphlet



VOTE BY MAIL GENERAL ELECTION, NOVEMBER 7, 2000

Compiled and Distributed by

Bill Beatty
Oregon Secretary of State



This Voters' Pamphlet is provided for assistance in casting your vote by mail ballot.

Measure No. 84

Senate Joint Resolution 39—Referred to the Electorate of Oregon by the 1999 Legislature to be voted on at the General Election, November 7, 2000.

BALLOT TITLE

84 AMENDS CONSTITUTION: STATE MUST CONTINUE PAYING LOCAL GOVERNMENTS FOR STATE-MANDATED PROGRAMS.

RESULT OF "YES" VOTE: "Yes" vote retains requirement that state pay local governments for costs of state-mandated programs.

RESULT OF "NO" VOTE: "No" vote repeals requirement that state pay local governments for costs of state-mandated programs.

SUMMARY: This measure retains section 15, Article XI of the Oregon Constitution, which requires state legislature to pay local governments for costs of new state-mandated programs or increased level of services for state-mandated programs. If costs are not paid, local governments need not comply with law or rule requiring program or service. Contains exceptions. Requires 3/5 vote of each house of state legislature to take certain actions reducing state revenues that are distributed to local governments.

ESTIMATE OF FINANCIAL IMPACT: There is no financial effect on state or local government expenditures or revenues.

TEXT OF MEASURE

Be It Resolved by the Legislative Assembly of the State of Oregon:

PARAGRAPH 1. Section 15a, Article XI of the Constitution of the State of Oregon, is repealed and section 15, Article XI of the Constitution of the State of Oregon, is retained as part of the Oregon Constitution.

PARAGRAPH 2. The amendment proposed by this resolution shall be submitted to the people for their approval or rejection at the next regular general election held throughout this state.

EXPLANATORY STATEMENT

Section 15, Article XI of the Oregon Constitution, requires the state to pay for services that the state requires local governments to provide. Section 15 is repealed by section 15 a of Article XI on June 30, 2001, unless the people vote to keep section 15 in effect. Ballot Measure 84 keeps section 15 in effect.

Section 15 covers administrative, financial, social, health and other specified services that the state requires local governments to provide. For purposes of section 15, "local government" means a city, county, municipal corporation or municipal utility operated by a board or commission.

Under section 15, a local government does not have to provide a service that the state requires if:

- (1) The state fails to pay at least 95 percent of the cost of the required service; or
- (2) The cost of providing the service exceeds one-hundredth of one percent of the local government's budget for the services, not counting the costs met by the state.

The state may provide money for a service by appropriating the funds or by requiring the local government to collect fees or charges.

Section 15 requires that at least 18 of the 30 state Senators and 36 of the 60 state Representatives approve any bill that reduces the money that the state distributes to local governments from the proceeds of a specific state tax.

Section 15 does not apply to:

- (1) A law approved by at least 60 percent of the members of each house of the legislature;
- (2) A service required by a state or federal court;
- (3) A law enacted or approved through an initiative or referendum;
- (4) A service that informs citizens about a local government activity; or
- (5) Any other program or service specified in section 15.

Committee Members:

Senator Lee Beyer
Representative Richard Devlin
Representative Deborah Kafoury
Representative Bill Witt
Kathleen Beaufait

Appointed By:

President of the Senate
Speaker of the House
Secretary of State
Secretary of State
Members of the Committee

(This committee was appointed to provide an impartial explanation of the ballot measure pursuant to ORS 251.215.)

LEGISLATIVE

Measure 84 presents for state government to provide

The "local mand Constitution by Or general election. state government additional services additional funding provide the funds, the service.

When voters approval was included November 2000. Measure 84 is applied will be removed en Legislature will ha requirements on ic

There are exception courts may manda funding. Voters ma initiative process. T of each house agre

The voter approved law helps to ensure has to providing s 1996 have been c that the Legislatur ing the cost of fur governments.

We urge you to re- without funding" law

Committee Memt
Senator Lee Beyer
Representative Ri
Representative Ke

(This Joint Legislative argument in support o

Section 15. Funding of programs imposed upon local governments;

exceptions. (1) Except as provided in subsection (7) of this section, when the Legislative Assembly or any state agency requires any local government to establish a new program or provide an increased level of service for an existing program, the State of Oregon shall appropriate and allocate to the local government moneys sufficient to pay the ongoing, usual and reasonable costs of performing the mandated service or activity.

(2) As used in this section:

(a) "Enterprise activity" means a program under which a local government sells products or services in competition with a nongovernment entity.

(b) "Local government" means a city, county, municipal corporation or municipal utility operated by a board or commission.

(c) "Program" means a program or project imposed by enactment of the Legislative Assembly or by rule or order of a state agency under which a local government must provide administrative, financial, social, health or other specified services to persons, government agencies or to the public generally.

(d) "Usual and reasonable costs" means those costs incurred by the affected local governments for a specific program using generally accepted methods of service delivery and administrative practice.

(3) A local government is not required to comply with any state law or administrative rule or order enacted or adopted after January 1, 1997, that requires the expenditure of money by the local government for a new program or increased level of service for an existing program until the state appropriates and allocates to the local government reimbursement for any costs incurred to carry out the law, rule or order and unless the Legislative Assembly provides, by appropriation, reimbursement in each succeeding year for such costs. However, a local government may refuse to comply with a state law or administrative rule or order under this subsection only if the amount appropriated and allocated to the local government by the Legislative Assembly for a program in a fiscal year:

(a) Is less than 95 percent of the usual and reasonable costs incurred by the local government in conducting the program at the same level of service in the preceding fiscal year; or

(b) Requires the local government to spend for the program, in addition to the amount appropriated and allocated by the Legislative Assembly, an amount that exceeds one-hundredth of one percent of the annual budget adopted by the governing body of the local government for that fiscal year.

(4) When a local government determines that a program is a program for which moneys are required to be appropriated and allocated under subsection (1) of this section, if the local government expended moneys to conduct the program and was not reimbursed under this section for the usual and reasonable costs of the

program, the local government may submit the issue of reimbursement to nonbinding arbitration by a panel of three arbitrators. The panel shall consist of one representative from the Oregon Department of Administrative Services, the League of Oregon Cities and the Association of Oregon Counties. The panel shall determine whether the costs incurred by the local government are required to be reimbursed under this section and the amount of reimbursement. The decision of the arbitration panel is not binding upon the parties and may not be enforced by any court in this state.

(5) In any legal proceeding or arbitration proceeding under this section, the local government shall bear the burden of proving by a preponderance of the evidence that moneys appropriated by the Legislative Assembly are not sufficient to reimburse the local government for the usual and reasonable costs of a program.

(6) Except upon approval by three-fifths of the membership of each house of the Legislative Assembly, the Legislative Assembly shall not enact, amend or repeal any law if the anticipated effect of the action is to reduce the amount of state revenues derived from a specific state tax and distributed to local governments as an aggregate during the distribution period for such revenues immediately preceding January 1, 1997.

(7) This section shall not apply to:

(a) Any law that is approved by three-fifths of the membership of each house of the Legislative Assembly.

(b) Any costs resulting from a law creating or changing the definition of a crime or a law establishing sentences for conviction of a crime.

(c) An existing program as enacted by legislation prior to January 1, 1997, except for legislation withdrawing state funds for programs required prior to January 1, 1997, unless the program is made optional.

(d) A new program or an increased level of program services established pursuant to action of the Federal Government so long as the program or increased level of program services imposes costs on local governments that are no greater than the usual and reasonable costs to local governments resulting from compliance with the minimum program standards required under federal law or regulations.

(e) Any requirement imposed by the judicial branch of government.

(f) Legislation enacted or approved by electors in this state under the initiative and referendum powers reserved to the people under section 1, Article IV of this Constitution.

(g) Programs that are intended to inform citizens about the activities of local governments.

(8) When a local government is not required under subsection (3) of this section to comply with a state law or administrative rule or order relating to an

enterprise activity, if a nongovernment entity competes with the local government by selling products or services that are similar to the products and services sold under the enterprise activity, the nongovernment entity is not required to comply with the state law or administrative rule or order relating to that enterprise activity.

(9) Nothing in this section shall give rise to a claim by a private person against the State of Oregon based on the establishment of a new program or an increased level of service for an existing program without sufficient appropriation and allocation of funds to pay the ongoing, usual and reasonable costs of performing the mandated service or activity.

(10) Subsection (4) of this section does not apply to a local government when the local government is voluntarily providing a program four years after the effective date of the enactment, rule or order that imposed the program.

(11) In lieu of appropriating and allocating funds under this section, the Legislative Assembly may identify and direct the imposition of a fee or charge to be used by a local government to recover the actual cost of the program. [Created through H.J.R. 2, 1995, and adopted by the people Nov. 5, 1996]

Section 15a. Subsequent vote for reaffirmation of section 15. [Created through H.J.R. 2, 1995, and adopted by the people Nov. 5, 1996; Repeal proposed by S.J.R. 39, 1999, and adopted by the people Nov. 7, 2000]

Legislative Fiscal Office

Ken Rocco
Legislative Fiscal Officer

Daron Hill
Deputy Legislative Fiscal Officer



900 Court Street NE
H-178 State Capitol
Salem, Oregon 97301
503-986-1828

Budget Information Report

Potential Effects of Increasing Oregon's Minimum Wage

Overview

While many of the estimated costs to state and local government of an increase in the minimum wage are indeterminate, the following document provides information on some of the possible effects of an increase in the minimum wage and is intended to provide a sense of magnitude of cost, as well as context for a discussion of the various fiscal and policy effects of such a change.

Because there is no single set of data available to estimate the costs to state and local governments, a number of different data sources were relied upon to provide this estimate. These data sets exist for other purposes and, as such, may include or exclude positions and/or wage information that would affect the actual implementation costs of an increase in the minimum wage. The source of the data used for each estimate is noted in the report.

The cost estimates (in total funds) identified in this report generally assume the annual or biennial costs (as noted) of an immediate increase in the minimum wage from the current level to a \$13.50 and/or \$15.00 per hour level. Proposals to gradually phase in increases to reach these levels over multiple years would result in lower annual or biennial costs than those identified here that would be more easily incorporated into budgets through the normal budgeting process for state and local governments. In some isolated instances, projected costs for minimum wage increases phased-in over multiple years were able to be estimated for this report.

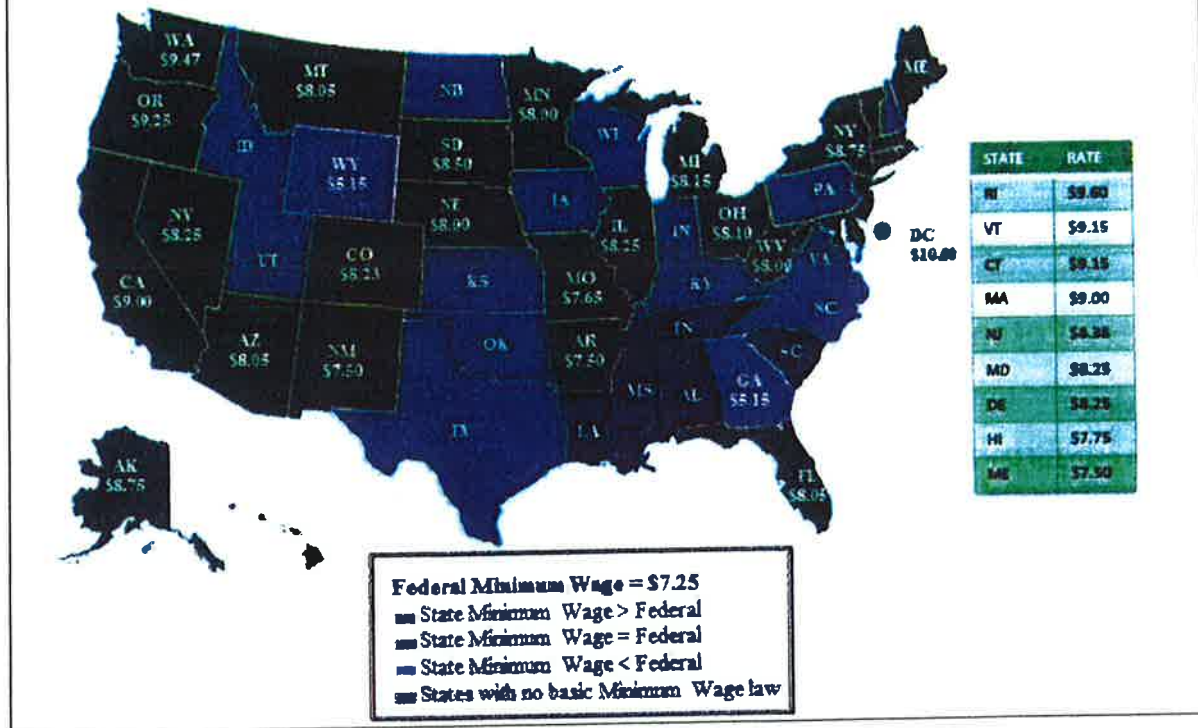
Again, the actual costs will be dependent on a number of factors, including position or wage adjustments that will occur prior to the effective date of an increase, the application of changes on either a statewide or regional basis, and, potentially, other law or policy changes that may occur.

Status of Current Minimum Wage

On the following page is a chart showing the minimum wage of each state and how it compares to the federal minimum wage requirement. Oregon is one of 29 states plus the District of Columbia with a minimum wage level that exceeds the federal minimum wage level of \$7.25. It should be noted that some states have more than one minimum wage level. For example, beginning in August 2016, Minnesota will have a minimum wage of \$9.00 per hour for employers with annual sales volumes of \$500,000 or more, while those employers with annual sales volumes of under \$500,000 are required to pay a minimum wage of \$7.25 per hour.

Minimum Wage Laws in States – July 2015

Source: United States Department of Labor



According to the Oregon Employment Department, during the first quarter of 2014 nearly 6% of all jobs in the state paid Oregon’s minimum wage (at that time) of \$9.10 per hour. Of the total number of jobs in Oregon, the percentage that pay minimum wage has ranged from 5 to 6 percent since 2003. The leisure and hospitality sector had the highest number of minimum wage jobs with 41,300 jobs paying \$9.10, followed by retail trade with 20,700 minimum wage jobs. Other industries with a large number of minimum wage jobs were professional and business services (9,600 jobs), natural resources and mining (7,600), and educational and health services (6,900). The following table provides information on the number of jobs in each county paying \$9.10 (the minimum wage at that time) or less as of the 1st Quarter 2014.

	Jobs	% of Total		Jobs	% of Total
Oregon	103,470	5.7%			
Malheur	1,397	10.9%	Union	715	7.1%
Harney	221	10.6%	Douglas	2,564	7.1%
Wheeler	30	10.2%	Clatsop	1,215	6.9%
Sherman	87	9.3%	Tillamook	2,113	6.9%
Jefferson	560	8.6%	Jackson	5,820	6.9%
Polk	1,575	8.5%	Linn	2,905	6.7%
Klamath	1,848	8.4%	Lane	9,579	6.4%
Baker	418	8.3%	Cook	1,452	6.3%
Lincoln	1,508	8.3%	Benton	2,250	6.3%
Josephine	2,008	8.1%	Wallowa	142	6.2%
Yamhill	2,792	8.1%	Tillamook	550	6.2%
Grant	170	8.1%	Crook	347	6.0%
Curry	490	7.8%	Deschutes	4,139	5.9%
Columbia	793	7.5%	Clackamas	8,948	5.8%
Hood River	1,099	7.5%	Morrow	258	4.7%
Marion	11,001	7.5%	Washington	13,031	4.6%
Lake	188	7.3%	Gilliam	38	4.5%
Wasco	781	7.2%	Multnomah	19,389	4.0%

Source: Oregon Employment Dept., Unemployment Insurance Wage Records

Direct Cost Estimates of an Increase in the Minimum Wage

State Government:

- Based on data from the Department of Administrative Services, an increase in the minimum wage to \$13.50 per hour could result in costs of approximately \$1.1 million, including Other Payroll Expenses (OPE),¹ for a full biennium, and an increase to \$15.00 per hour could result in costs of approximately \$4.8 million for a full biennium.² For context, costs of \$1.1 million represent 0.02% of the 2015-17 total funds budget for personal services for state government, while costs of \$4.8 million represent 0.07%. It should be noted that these costs are not based on Governor Brown's proposal, which includes a regional element and a phased-in increase beginning January 2017 at \$10.25 per hour statewide and \$11.79 per hour for the Portland metropolitan area, gradually increasing each year to \$13.50 statewide and \$15.52 for Portland by 2022 (thereafter increasing by the consumer price index). At this time, a fiscal impact statement for that proposal has not yet been prepared.
- A change in the minimum wage to \$13.50 per hour would currently affect 79 classifications that include steps below that amount.³ A change in the minimum wage to \$15.00 per hour would currently affect 182 classifications.⁴ Examples of the types of positions affected by a change to \$13.50 per hour include:
 - Entry level office assistants and specialists
 - Student workers
 - Livestock brand inspectors
 - Experimental biology aides
 - Military lease agents
 - Entry level wildland fire support specialists
 - Custodians
 - Food service workers

K-12 School Districts and Educational Service Districts:

- Based on data from the Department of Education, an increase in the minimum wage to \$13.50 per hour would result in direct costs of approximately \$23 million per biennium, including OPE.⁵ An increase in the minimum wage to \$15 per hour would result in costs of approximately \$52 million per biennium. For context, costs of \$23 million represent approximately 0.3% of the 2015-17 total School Fund.
- The types of positions that will be directly impacted by an increase to the minimum wage will include nutrition services personnel, instructional assistants, non-teacher substitutes, library/media support, clerical staff, student workers, and special education paraprofessionals.
- Volunteer positions compensated by stipend or a set contract rate (such as coaches and school board members) are currently paid at a rate that equates to less than the minimum wage. If the minimum wage is increased and the stipends for these types of volunteer positions remain the same, there will be a greater disparity between the values of these stipends relative to actual market wages in the state. It is not known at this time if this disparity will impact the total number or quality of volunteers utilized by school districts.

¹ Other Payroll Expenses are expenses other than salaries paid for employees, including retirement payments, Social Security taxes, health insurance costs, and other benefits associated with employment.

² This estimate excludes elected legislative members. Salaries for legislators, if calculated on an hourly basis, would be below the minimum wage if an increase to \$13.50 is implemented.

³ The number of classifications affected excludes elected legislative members.

⁴ Currently, there are almost 3,400 state position classifications.

⁵ The Oregon School Boards Association (OSBA) has produced an [Estimate of Minimum Wage Increase to \\$13.50 per Hour](#) based on raw survey information collected from schools that represent 51% of the average daily membership weighted (ADMW). The estimate provided in the document varies from the data provided by the Department of Education due to the assumptions used in the calculations. In addition to an estimate, the document includes comments from school districts describing a variety of impacts specific to their particular district. The OSBA methodology projects annual costs of approximately \$15 million.

- It is likely that an increase will affect eligibility for nutrition programs as well. This issue is discussed under the section heading, Impacts on Program Eligibility, later in this report.

Higher Education:

- The effect of an increase in the minimum wage, based on preliminary information responding to the current phased-in proposal (see page 3 for a brief description of that proposal), is estimated to have a direct fiscal impact, including OPE, to public universities of \$2.15 million in the 2015-17 biennium (for the last six months) and \$16.49 million in the 2017-19 biennium. Alternative research conducted during the 2015 session estimated a total impact of \$75 million, including OPE, based on impacts from raising the minimum wage to \$15 per hour.
- Estimates for community colleges, also based on the current phased-in minimum wage proposal, could be as low as \$5.25 million in the 2017-19 biennium. Other analyses based on data from the Employment Department, indicate that an increase in the minimum wage to \$13.50 per hour could cost Community Colleges approximately \$9 million per biennium, including OPE.
- Community Colleges and Public Universities indicate that a significant portion of the increased cost would be due to an increase in wages for student workers. They point out that, in general, an increase in wages for student workers is likely to reduce other assistance the students receive, including federal aid. (This issue is further discussed under the section heading, Impacts on Program Eligibility, later in this report.) In addition, federal funds support the majority of student worker positions, and the U.S. Department of Education will not raise work study allotment dollars if Oregon raises the state minimum wage.⁶
- Similar to K-12, the costs for Community Colleges and Public Universities are likely to include a number of people, such as contract instructors, who receive a flat amount or stipend that may result in them receiving less than minimum wage for the hours they work.
- Higher education officials note that many bargaining agreements contain language that requires the "same pay for the same work," and, therefore, wage minimums set by region are unlikely to be observed in contract negotiations.

All Other Local Government:

- Little data has been gathered on the effect of an increase in the minimum wage on local governments (excluding school districts), but based on Employment Department data, an increase in the minimum wage to \$13.50 per hour could result in costs of approximately \$50 million per biennium, including OPE.

Indirect Cost Estimates (State Government)

It is possible that costs associated with an increase in the minimum wage may result in providers of goods and services increasing their rates and prices to consumers, including state government. While these costs and any related price increases are indeterminate, this issue has been raised by a number of agencies across all program areas. It has also been noted that it is possible that a change in the minimum wage could **trigger some immediate contract renegotiations**. For example, a number of school districts indicated that they have contracts that include an escalation/escalator clause which is triggered if the contractors incur a significant change in operating costs. More information on indirect costs is provided below on the possible impact on the human services program area.

⁶ Federal code (USC Title 29, Chapter 8, Section 214(b)(3)) allows for student employees to be exempted from minimum wage requirements. The code provides that "The Secretary, to the extent necessary in order to prevent curtailment of opportunities for employment, shall by special certificate issued under a regulation or order provide for the employment by an institution of higher education, at a wage rate not less than 85 per centum of the otherwise applicable wage rate in effect under section 206 of this title..." This exception has been adopted by some states which have minimum wage standards that exceed federal minimum wage law.

Some human services programs and services are delivered directly by private sector employees through contracts or agreements that generally involve paying a rate to a provider for a specific level or certain type of service provided. While there may be a wage estimate used to help develop service rates, most often the wage paid to an employee is determined by the provider and not the state. This makes it difficult to evaluate the finite fiscal impact of an increased minimum wage for these workers. However, there is some information on wage trends by job sector and other data that may help identify services and lower wage workers that are most likely (or not likely) to be affected by a minimum wage increase.⁷

In order to get a general sense of magnitude of indirect costs related to health and human services, the Employment Department provided data on the number of jobs at different wage levels for the Private Sector Health Care and Social Assistance Industry. This information is at the industry level and does not indicate whether or not services are paid for with public versus private dollars.

- For the subset including health care and mental health providers, outpatient centers, and hospitals, the number of jobs at minimum wage is very low at 0.4%. Jobs at a wage level up to \$13.50 per hour total 7.7% of all jobs in this subset, but represent only about 1% of total wages paid. So, while an increase in minimum wage would have some impact on these providers, it is expected that it would be relatively small.
- In nursing facilities providing long term care, overall wages are generally higher than those in other long term care settings; more than half the jobs associated with nursing facilities have wages above \$15.00 per hour. A survey of Department of Human Services (DHS) long term care providers indicated the average wage of direct care staff in nursing facilities in 2014 was just over \$16.00 per hour.
- In other care environments (except in-home) for seniors and people with disabilities (physical, developmental, intellectual) wages are lower. In those facilities, over half the workforce is paid at less than \$13.50 per hour; this is an area where state government would likely see some pressure to increase provider rates to align with minimum wage increases. The same survey of DHS providers indicated the average wage of direct care staff providing these services in 2014 was less than \$11.00 per hour.
- Wages for in-home care services for seniors and people with disabilities (both physical and intellectual/developmental) paid through DHS are governed by collective bargaining agreements. As of January 1, 2016, the base wage for these home care and personal support workers is \$14.00 per hour with another \$0.50 increase scheduled for February 2017.
- Some child care providers serving DHS clients employ workers that could be affected by minimum wage increases. Employment Department data indicates that more than one-half of the reported wages in this sector are at less than \$13.50 per hour. A Secretary of State Audit issued in 2015 reported the average wage for child care workers in Oregon was \$11.18 per hour (in 2013).

Impacts on Program Eligibility

A higher minimum wage will potentially affect an individual's eligibility for programs that use earned income as an eligibility criterion. Because there may also be other eligibility tests – such as other sources of income, household composition, and age – it is difficult to estimate specific changes in eligibility and potential savings. Client and employer behavior may also impact hours worked and income earned. However, there are programs where impacts are most likely to be felt. Eligibility dynamics and potential outcomes related to minimum wage changes for some of those programs are highlighted below:

- Increased wages could mean fewer people would be accessing services under the Oregon Health Plan. The Oregon Health Authority (OHA) matched wage data from the Employment Department to

⁷ The Oregon Health Care Association has commissioned a study to determine the budget effects of an increase in the wages to workers providing Medicaid and other social services. The study is being conducted by Portland State University's Economic Research Center.

clients on the Oregon Health Plan and found that 60% of adults on the Health Plan did not earn any wage income, while 23%, or about 125,000, earned up to \$13.50 per hour.

However, OHA does not have the necessary data to estimate how many of these clients might actually come off the caseload with a wage increase. Currently, OHA eligibility systems do not capture adequate data on numbers of people in the family. In addition, data is not available on other sources of income besides wages. Even if this data were available, there would be other issues to consider such as individual behavior in response to the wage increase. Some clients might choose to work fewer hours in order to retain benefits. If an increase in the minimum wage were to reduce the number of jobs, the state could see additional people come onto the caseload.

- A recent review of the impacts of increased income on benefits in certain human services programs indicates that hours worked may have a stronger influence on program eligibility than wages. For example, a single adult working 18 hours per week is still eligible for a modest Supplemental Nutrition Assistance Program (SNAP) benefit when earning \$18.00 per hour; if that same adult works 30 hours per week, SNAP benefits completely phase out at \$12.00 per hour. For SNAP clients working full-time, an increase in the minimum wage would likely result in some federal funds savings if they were to exit the program. What is more likely is that a subset of SNAP recipients would see a reduced benefit due to a higher income, but this is probably a small subset. When SNAP recipients were matched up with Employment Department data, more than 65% of those recipients showed as having no hourly wages. This appears to correlate with other DHS data that shows about 65% of SNAP households are at less than 50% of the federal poverty level.

Before program changes approved during the 2015 legislative session, recipients of Temporary Assistance for Needy Families (TANF) benefits typically became ineligible if they were working 14 hours a week at minimum wage. Program changes smoothed out what was a sharp benefit cliff, keeping clients in the program longer with a gradually reduced benefit as they work more hours and/or receive a higher hourly wage. An increase in minimum wage could accelerate that pattern and move clients out of the program more quickly; any associated saving is indeterminate and could be offset by costs associated with programs potentially accessible to working families, such as Employment Related Day Care.

- Any changes in household income, relative to the federal poverty level, will mean changes to total reimbursements for school nutrition programs. It is not known if, or how many, children and families will incur a change in the percentage of federal poverty levels. Furthermore, since most of the federal funding comes in the form of a cash reimbursement for each meal served, it is not known if changes in the minimum wage will change the total number of meals served. Impacted programs may include the National School Lunch Program, School Breakfast Programs, After School Snacks and At-Risk Afterschool Meals Program, Summer Food Service Program, and the Special Milk Program.
- Increases in student and parental incomes are likely to increase the Expected Family Contribution (EFC) rate and may result in decreased financial aid awards for students in the higher education system. This may adversely impact students' ability to qualify for work-study jobs. Higher education officials also note that given that satisfactory academic progress is a condition of most financial aid awards, decreased or non-awarded financial aid may lessen, for some students, academic performance incentives which could negatively impact completion/graduation rates.
- If increases to EFC rates are observed statewide, then funds for Oregon Opportunity Grants (OOG), which are awarded on a first-come, first-served basis, may last longer before depletion. Furthermore, any minimum wage proposals based on a tiered or regional basis will likely require the development of more complicated methodologies.

- Eligibility for, or use of, other Pre-K programs, including Head Start, relief nurseries, Healthy Families Oregon, and Child Care and Development Fund Vouchers also could be impacted. The federal government distributes a number of early learning and educational related funding based on the relative income or proportion of households under the Federal Poverty Level (FPL) for Oregon compared with other states. If the changes in the minimum wage lead to increases in Oregon's relative income or decreases in households under the FPL compared to other states, Oregon could lose some federal funding for programs such as Child Care Development Block Grant, Title 1 (Education for the Disadvantaged), and some Special Education programs.

Overall Effect From Minimum Wages Increases

There are many studies on the effect of minimum wage increases on the subject economy. The findings range from large, statistically significant negative effects to small, statistically significant positive effects and many variations in between. Some of the difference in the qualitative results is due to how researchers apply a variety of methods to different data, time periods, and definitions of minimum wage.

Recent researchers have developed approaches and meta-analyses to address criticisms that have plagued the debate. One study, conducted by Allegretto, Dube, Reich, and Zipperer (2013) looked at every major state and federal minimum wage increase (over 200 in all) in the United States between 1990 and 2012. The researchers compared employment in about 400 pairs of adjacent counties located on different sides of a state border with a minimum wage difference. Comparing the employment trends of the most affected groups (teens and restaurant workers) across adjacent counties with different minimum wage levels, the study found no statistically significant effects of minimum wage increases on either employment or hours worked in restaurants and other low wage industries. Additional studies by Belman and Wolfson (2014) and Schmitt (2013) agreed with this finding.

Other research would indicate that while some workers will receive an increase in their income, others may actually lose their jobs because of the increased cost to their employers. There is also a question about whether there is a tipping point from positive to negative effects based on the amount of the minimum wage. **The current common consensus seems to be that a low minimum wage might have a net positive effect while a high minimum wage may have net detrimental effects, but there does not appear to be current research on how high the minimum wage needs to be to cause the effects to become negative.**

Other Issues for Consideration

- Businesses that employ low wage workers would face higher labor costs and could respond to these costs with one or a combination of ways including:
 - Reducing production hours per employee or by the total number of employees.
 - Absorbing the increased labor costs with offsets from increased worker productivity and with reductions in recruitment and retention costs.
 - Raising prices.
 - Reducing other costs such as fringe benefits.
 - Accepting lower profits.⁸
- **Possible compression issues with the salaries of other employees and the potential need to increase several salary levels of staff making above the minimum wage.**
- Some of the direct costs incurred by government agencies may necessitate fee increases.

⁸ Researchers note that this option is unlikely because employers of low wage workers are often in highly competitive industries with relatively low profit margins.

- If there is a reduction in employment opportunities, teenagers may be some of the most affected. Some have argued that this may lead to increased criminal activity among this segment of the population resulting in additional corrections and judicial costs.

Other research regarding potential impacts on revenues suggests the following possibilities:

- Some of the increased income would be paid as taxes.
- Increased income may result in increased spending and increased demand for goods and services may actually result in new jobs.
- Price inflation could occur, reducing the total amount of goods and services that consumers can afford to purchase.
- Some studies show that states with higher minimum wages have, on average, about the same unemployment rate as states with low minimum wages.
- Potential for businesses to close and for fewer jobs to be available overall.
- Businesses may stay open but reduce training and benefits to workers to cover the increased cost of wages.

Revenue Implications of Changing Oregon's Minimum Wage

According to the Legislative Revenue Office, changing Oregon's minimum wage does not directly affect state and local tax revenue. Revenue changes that do occur will be the result of secondary behavioral effects as the impact of the higher minimum wage works through the state's labor markets. Initially, overall wage income is expected to rise thereby generating additional income tax collections. For example, an increase in the minimum wage to \$13.50 starting in 2017 is expected to increase personal income tax collections by \$13.5 million in the 2015-17 biennium and \$44.4 million in the 2017-19 biennium. However, these gains are expected to shrink over time as employers respond with output reductions and/or labor saving investments. The uncertainty surrounding the timing and magnitude of these offsetting effects makes the net revenue implications indeterminate over the long term.



Department of Applied Economics

213 Ballard Extension Hall, Oregon State University, Corvallis, Oregon 97331-3601
T 541-737-2942 | F 541-737-2563 | <http://appliedecon.oregonstate.edu>

November 18, 2015

Hon. Roger Nyquist
Chair, Linn County Board of Commissioners
Box 100
Albany OR 97321

Dear Chairman Nyquist:

Thank you for your thoughtful inquiry about the decline in the real value of the minimum wage that appeared my Powerpoint presentation that was released on Monday at the legislature in Salem.

The statement about the declining minimum wage was on a slide summarizing the national literature on causes of inequality. I should have clarified in the slide that all of these factors are not operating in Oregon. It is true that the Federal minimum wage has been declining since the early 1970s. But, as you correctly point out, the minimum wage in Oregon has been pretty constant in real terms and is at the same level as in the early 1970s. The Oregon Employment Department has a good review of this issue that supports this point: <http://oregonemployment.blogspot.com/2013/02/oregons-minimum-wage-outpaces-federal.html>

I appreciate your taking the time and effort to call this to my attention. In future presentations, I will make sure to point out that Oregon's minimum wage has not been declining.

Sincerely,

A handwritten signature in blue ink that reads "Bruce Weber".

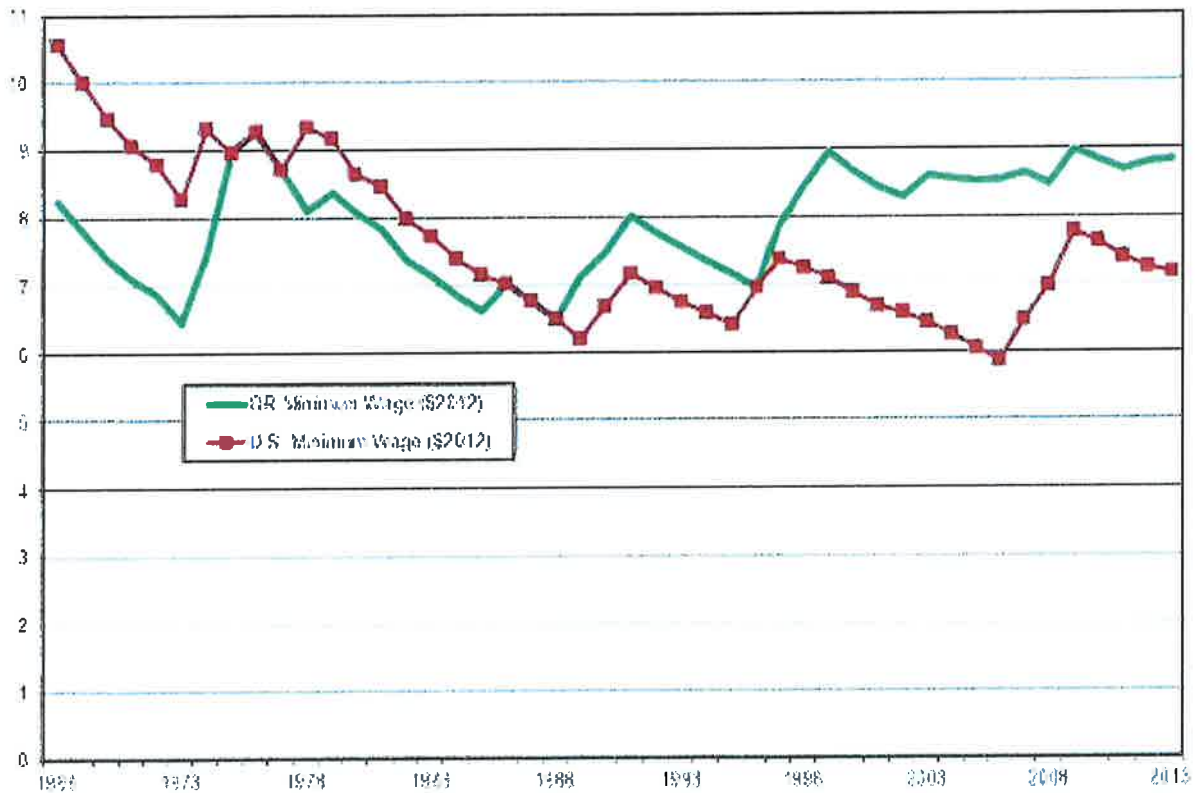
Bruce Weber
Professor

Oregon's Minimum Wage Outpaces Federal Minimum Wage

We wrote about Oregon's minimum wage back in September when the Oregon Bureau of Labor and Industries announced the inflation-linked increase to \$8.95 per hour for 2013. Oregon's minimum wage is the second highest state minimum wage in the nation behind Washington's \$9.19, and \$1.70 more than the national rate of \$7.25 per hour. Employers pay the higher of the minimum wage that applies to their workers.

The graph below shows Oregon and U.S. real minimum wages going back to 1968. The wages are adjusted using the U.S. Consumer Price Index (CPI-U) to reflect purchasing power in 2012.

**Oregon and Federal Minimum Wage, Adjusted
for Inflation Using Annual Consumer Price Index (CPI-U)**



Source: Oregon Employment Department, Bureau of Labor Statistics

The graph shows the “choppiness” of minimum wage purchasing power over time. Minimum workers receive a boost in real pay following legislative increases in the minimum wage, but rising prices erode their purchasing power over time, until the next legislative increase. That’s the pattern under the current Federal minimum wage, and was the pattern in Oregon until 2002, when minimum wage increases were linked to inflation.

Back in the 1960s and 1970s, real minimum wages were usually higher than today. The Federal minimum wage in 1968 (\$1.60 per hour at the time) was equivalent to about \$10.50 in 2012 dollars. Oregon's current minimum wage is \$1.05 above the state's average minimum wage between 1986 and 2012, but the current Federal minimum wage is \$0.35 below the average Federal minimum wage during that period.

Our state employment economist, [Nick Beleiciks](#), provided today's post summary. You can find more information about the [minimum wage](#) on [QualityInfo.org](#), or by contacting Nick.

PAYMENTS			DEDUCTIONS			CONTRIBUTIONS		
Desc.	Cont No.	Hours	Desc.	No.	Amount	Desc.	No.	Amount
REGULAR	001	50,512.17000	MEDI	001	44,813.40	MEDI	001	44,470.79
HOURLY	002	7,257.05000	FICA	002	186,249.02	FICA	002	186,388.14
REGULARP	003	26,805.90000	FIT	005	340,996.65	WORKCOMP	007	50,825.18
ELEC WKR	005	44.25000	SIT	006	199,836.85	UNEMP	008	21,261.61
HOLIDAY	009	6,057.50000	WKCMPETA	010	814.75	WKCMPETA	010	2,004.12
HOL HRLY	008	251.90317	PAF	100	208.81	EMK W&F	015	1,770.54
1.5 OT	010	1,245.00000	ODSHMC	200	52.44	PERS ER	100	347,958.20
SPOT	011	478.25000	ODSHMC	204	773.49	PERS EE	108	176,056.24
1.5 ODDC	013	43.00000	ODSHNP	210	2,425.72	UAL	114	125,291.74
LMOP	020	1,022.26000	ODSHNP	212	196.65	ODHMC	200	16,841.80
MISC \$	029	0.01900	ODSHMC	212	1,041.15	ODHNP	204	220,897.76
RETRO \$	030	0.00100	ODSHMC	214	1,206.12	ODHNP	206	73,839.65
RETRO H\$	031	18.00000	ODSHMC	216	5,193.79	ODHNP	208	229,308.26
LONGVTY	035	292.00000	ODSHOP	218	9.04	ODHNP	210	39,433.71
LGVTYADJ	036	0.00100	ODSDJV	300	803.73	ODHMC	212	49,323.44
STANDBY	060	0.02500	ODSDNP	304	3,968.54	ODHMC	216	337,605.72
UNFRMTRB	062	0.00200	ODSDSP	308	207.26	ODHNP	218	98,684.91
UNIFORM	063	0.00200	ODSDTP	312	947.51	KALINP	236	10,610.65
TRMTRMNT	064	0.00400	ODSDOP	316	269.40	KALINP	240	12,408.00
MILEAGE	065	0.00400	KALSDNI	334	244.94	KALINP	244	3,442.04
AIC \$	068	0.00400	KALSDSH	338	43.80	KALINP	248	15,586.34
SK ACCRCL	100	4,563.08952	KALSDTE	342	302.52	KALINP	288	171.80
SK USED	101	2,572.56000	KALSDOP	346	1,660.56	ODDNP	300	15,341.34
SK ADJ	102	-381.77000	LIFESURO	402	133.00	ODDNP	304	8,995.20
SK DMTD	110	23.50000	LIFESURO	412	67.20	ODDTP	312	3,938.56
SK DUSED	111	43.00000	LIFESURH	414	883.20	ODDTP	316	18,005.30
SK DREC	112	46.00000	LIFESURH	422	302.18	ODDTP	312	672.55
VA ACCRCL	200	2,593.01034	LIFESURH	430	883.20	KALDSH	334	275.06
VA USED	201	6,988.92000	LIFESURH	432	2,204.34	KALDTE	338	109.65
VA ADJ	202	-238.44000	ACCINSPT	434	145.15	KALDTE	342	582.66
VA OCAP	204	133.02005	ACCINSPT	434	456.75	KALDTE	346	582.66
VA ACCRCL	205	119.36000	LITD	436	2,009.06	WDGNV	360	813.00
VA ACCRCL	206	451.12850	STD	438	2,704.68	WDGNV	364	5,165.51
VA ACCRCL	207	1,539.48127	MASS	600	9,048.16	WDGSH	368	5,875.64
VA ACCRCL	208	2,174.33950	ICMA	602	16,355.99	WDGTR	372	9,956.50
VA DMTD	210	18.00000	ICMA	604	49,427.99	WDGTR	376	9,956.50
VA TREC	212	18.00000	MASS PYM	610	561.42	WDGTR	376	9,956.50
VA THUSE	213	18.00000	ICMA PYM	612	192.56	LIFESURH	400	6,198.20
VA ACCRCL	300	1,532.64003	ICMA R45	622	325.00	LIFESURH	402	42.00
PL USED	301	1,452.33000	NACO R45	624	100.00	LIFESURH	410	156.94
PL ADJ	302	-52.40000	CHILD	700	8,135.19	LIFESURH	414	1.00
PL OCAP	304	25.32600	GARNT	710	1,944.69	LIFESURH	422	2,240.96
COMP ST	400	392.88000	GARN2	711	1,159.00	MASS	600	22.00
COMP 1.5	401	139.12500	GARN3	712	522.68	ICMA	602	2,122.08
COMP USE	403	781.34000	GARN4	713	800.00	NACO	604	1,504.02
COMP ADJ	501	363.00000	LCDSD	750	3,766.80	CEA	830	4,620.92
FH USED	502	-14.25000	LCTDAD	755	200.00	FSA	840	378.00
FH ADJ	503	302.00000	LCTDAD	756	300.00	CEA	840	1,257.90
SR USED	551	9,250.06						2,173,143.29

73,573 HRS
 12
 882,876
 2.50 hr
 1765,752
 Paid cost
 2,222,728
 Minimum
 wage increase



Linn County Minimum Wage Increase (Cost to Implement Methodology)

Linn County as a local government entity represents about 15 percent of local government activity in all of Linn County.

$$\$2,222,728 \times 6.7 = \$14,892,227.60$$

Linn County is approximately three percent of the state's population.

$$\$14,892,227.60 \times 33.3 =$$

\$495,912,844.

Per Year to Local Government Statewide

Cost of minimum wage increase to \$13.25 when fully implemented.

Changes in Labor Participation and Household Income

BY ROBERT HALL AND NICOLAS PETROSKY-NADEAU

The percentage of people active in the labor force has dropped substantially over the past 15 years. Part of this decline appears to be the result of secular factors like the aging of the workforce. However, the participation rate among people in their prime working years—ages 25 to 54—has also fallen. Recent research suggests this decline among prime-age workers can be attributed in large part to lower participation from among the higher-income half of U.S. households.

For most people, active participation in the labor market is socially desirable for several reasons. One major benefit is the set of skills and abilities a person gains on the job. Long periods out of employment can mean a worker loses valuable skills. In terms of the overall labor force, this loss is compounded, lowering the accumulation of human capital and negatively affecting economic growth in the long run. As such, a decline in labor force participation, particularly among workers in their prime, is a significant concern for policymakers.

Over the past 15 years, the labor force participation (LFP) rate in the United States has fallen significantly. Various factors have contributed to this decline, including the aging of the population (Daly et al., 2013) and changes in welfare programs (Burkhauser and Daly, 2013). In this *Economic Letter*, we look at another potential contribution, the changing relationship between household income and the decision to participate in the labor force.

Measuring labor force participation

People are considered “in the labor force” if they are employed or have actively looked for work in the past four weeks, according to the Bureau of Labor Statistics definition of unemployment. Following this definition, we study labor market participation and how it relates to household income using data from the Survey of Income and Program Participation (SIPP). Administered by the Census Bureau since 1983, the SIPP was created to remedy shortcomings in existing survey data on household incomes and benefit-program participation, such as the March Income Supplement to the Current Population Survey. The SIPP collects detailed information on a person’s labor force activities, a wide range of demographic data, the receipt of cash and in-kind income, and participation in government programs.

Comparisons of LFP rates over time need to control for the ever-changing demographic characteristics of the U.S. population, such as age, educational attainment, and race and ethnicity. For example, aggregate participation may decline if a certain group—say, individuals over age 55, who are less likely to be working—gain greater prominence in the overall population. In this case, we would observe a decline in overall participation even if there had been no change in each individual’s propensity to be in the labor market.

We use a probability model to determine the likelihood that an individual with a specific set of demographic characteristics will participate in the labor market. Crucially, this allows us to compare the behavior of similar individuals at different points in time. The factors we include are age and sex, household structure (at least two individuals in the household over age 25), education (less than high school, high school, college, or post-graduate), and race and ethnicity (white, black, Hispanic/Latino, Asian, or other). All LFP rates we report in this *Letter* control for these demographic characteristics.

The LFP rate for people between the ages of 25 and 54 was 83.8% in 2004, then dropped to 81.2% by 2013. This 2.6 percentage point decline has persisted well beyond the end of the Great Recession and has caught the attention of policymakers, particularly because it concerns workers in their prime who are usually active participants in the labor market.

Measuring household income

Each individual in the SIPP is associated with a household, and the survey provides a detailed account of the household's monthly income. Households are then ranked according to income level, and divided evenly into four quartiles across the range of the household income distribution. In 2013, households in the lowest 25% of the income distribution, or the first quartile, had an average monthly income of less than \$1,770. The median total household monthly income was \$3,430. At the top of the distribution, the lower bound for being in the highest 25% of households, or the fourth quartile, was a monthly income of \$5,993.

Earnings from work are typically the main source of income for a household regardless of its position within the household income distribution. Other sources are property income and various support programs such as social security, veteran benefits, and public assistance. On average in 2013, the upper-level households derived about 96% of their monthly income from working. For households in the poorest quartile, earnings made up about 62% of monthly income, while another 23% came from unemployment compensation, social security, supplemental social security, and food stamps.

Labor force participation and household income

We sort prime-age individuals according to their household's position in the income distribution. The probability of participating in the labor market for those in the poorest households in 2013 was just 61.5%, compared with 81.2% for all 25- to 54-year-olds (see Table 1). Further up the household income distribution, individuals are more likely to actively participate in the labor market—in the top quartile, the participation rate was 89.9% in 2013.

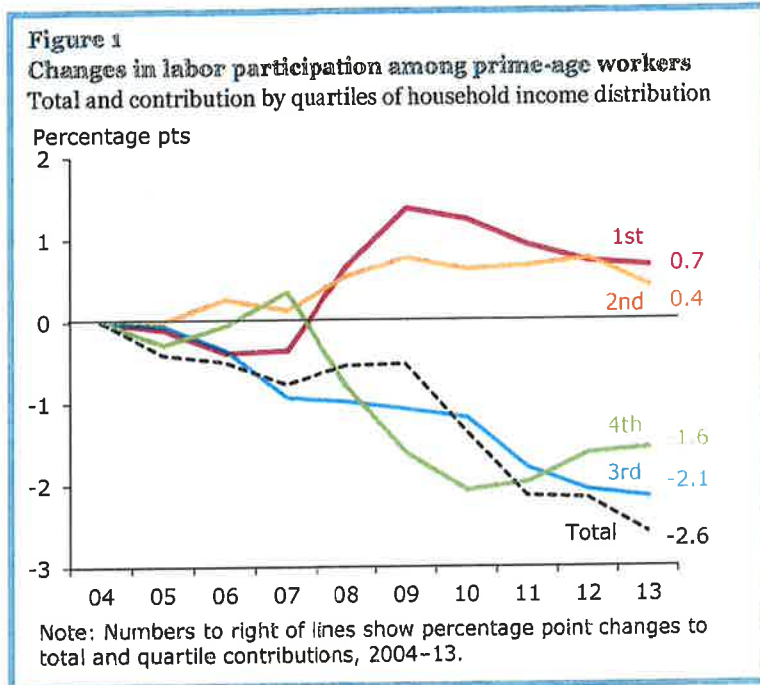
Looking back in time, we see that the decline in the LFP rate of prime-age workers is unevenly spread across the income distribution. The poorest quartile had the smallest change since 2004, falling 0.8 percentage point. The second quartile fell 2.4 points, while the third quartile reported the largest drop with 3.2 points. Participation also fell 2.0 percentage points for households in the fourth quartile.

Table 1
Labor force participation among prime-age workers across household income distributions

	2004	2007	2013
Total	83.8%	83.0%	81.2%
1 st quartile (lowest income)	62.3%	61.2%	61.5%
2 nd quartile	80.0%	78.0%	77.6%
3 rd quartile	88.0%	87.3%	84.8%
4 th quartile (highest income)	91.9%	91.4%	89.9%

Source: Authors' calculations based on the SIPP.

Figure 1 shows how much each household income quartile contributed to the 2.6 percentage point overall decline in LFP among workers ages 25 to 54 since 2004. Each quartile's contribution is the sum of two numbers. The first is the change in the probability that an individual living in a particular household income bracket will participate in the labor market. The second is the change in household size over time, which raises or lowers the number of people in a household income grouping. For instance, the poorest quartile saw a small decline in individual participation rates. At the same time there was a modest increase in the average number of people living in these households. Taken together, the poorest quartile added 0.7 percentage point to the total participation rate between 2004 and 2013 (red line). Likewise, the second quartile (yellow line) added 0.4 percentage point.

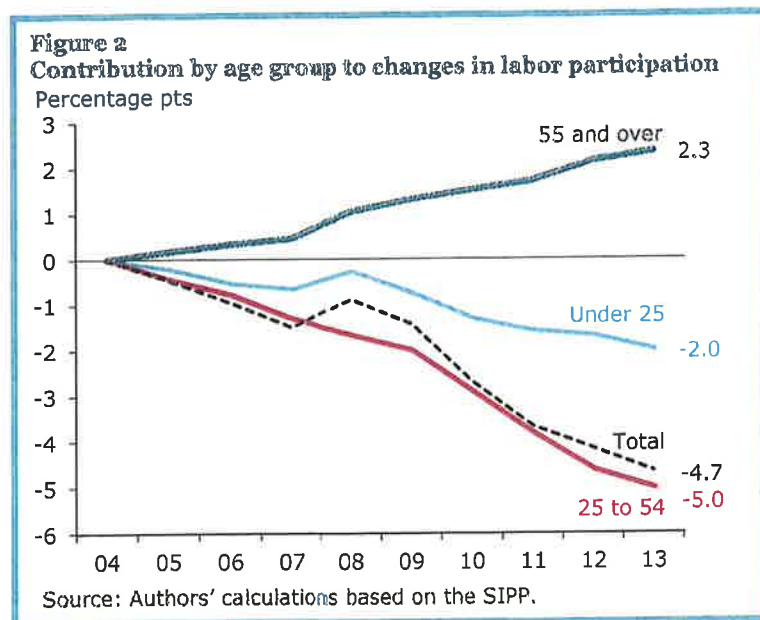


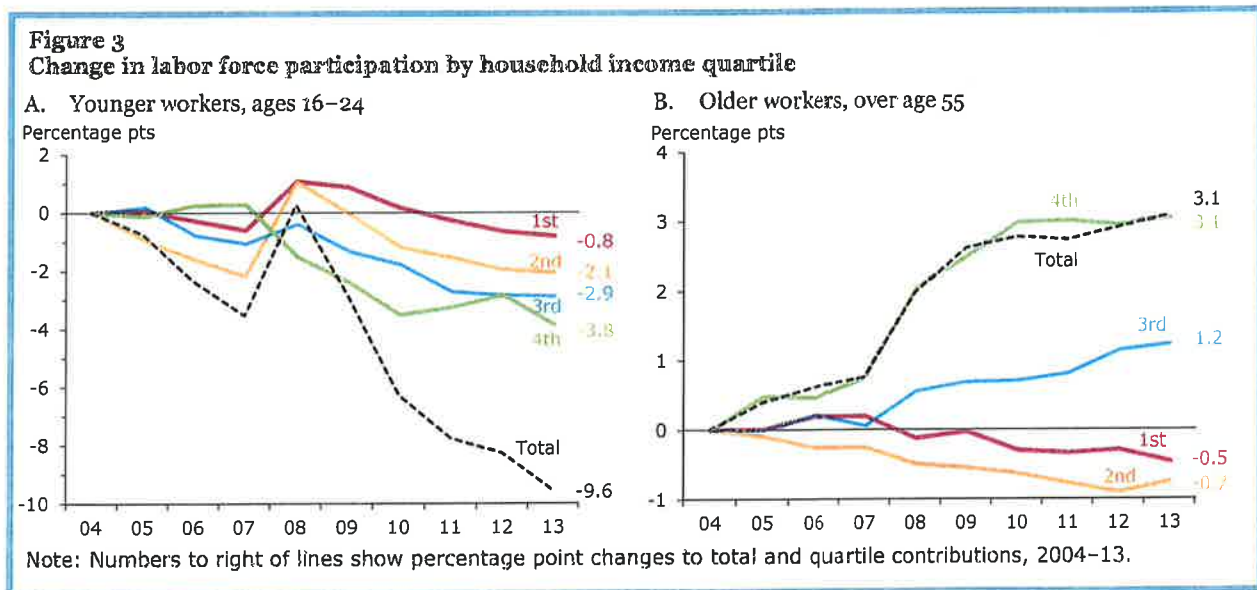
By contrast, individuals in the two highest income quartiles have increasingly remained out of the labor force during this time frame. Individuals in the fourth quartile (green line) accounted for 1.6 of the 2.6 percentage point decline in total participation since 2004, while those in the third quartile (blue line) contributed the most to the decline, a full 2.1 percentage points. By this measure, virtually all of the decline in labor market participation among 25- to 54-year-olds can be attributed to the higher-income half of American households.

Participation among younger and older workers

We can also extend this analysis to the remaining age groups: young people under age 25 and older workers age 55 and over. Doing so will allow us to examine the contribution of each group to the decline in the LFP of the working-age population, that is, all individuals over age 16. Indeed, the LFP of the working-age population dropped 4.8 percentage points over this period, from 67.2% in 2004 to 62.4% in 2013.

As a first step, Figure 2 depicts the total decline in labor force participation and the contribution from each of the three age groups between 2004 and 2013.





The decline among young workers from 61.8% participation in 2004 to 52.2% in 2013 is striking. Although young workers represent only 16% of the overall working-age population, the 9.6 percentage point decline of the young pulled the aggregate rate down by 2.0 percentage points (light blue line). The pattern of young workers' participation across the household income distribution, shown in panel A of Figure 3, is similar to that of prime-age workers. Young workers in the highest-income households contributed the largest drop, 3.8 percentage points, while those in the lowest-income households contributed only 0.8 percentage point to the decline for their age group.

The LFP rate of those over age 55 differs from what we have seen for the other age groups in two respects. First, their likelihood of being in the labor market has increased 3.1 percentage points; together with their increased share of the population, these conditions pushed the aggregate LFP rate up 2.3 percentage points, as shown by the dark blue line in Figure 2. Second, we do not find the same household income pattern among older workers as we found for the other age groups. Rather, panel B of Figure 3 shows that individuals in the highest-income households provided the bulk of the increase in labor force participation.

Conclusion

To get a clearer view of the factors underlying the decline in labor force participation, this *Letter* has examined how work trends have changed across different age groups and income levels. Our findings suggest that the decline in participation among people of prime working age has been concentrated in higher-income households. A similar pattern appears among younger workers, between the ages of 16 and 24. However, this has not been the case among older workers. Workers over the age of 55, particularly those in households at the top of the income distribution, have been increasingly participating in the labor force. Further research should help understand the underlying reasons for these diverging trends across household incomes.

Robert Hall is Robert and Carole McNeil Joint Hoover Senior Fellow and Professor of Economics at Stanford University.

Nicolas Petrosky-Nadeau is a research advisor in the Economic Research Department of the Federal Reserve Bank of San Francisco.

References

- Burkhauser, Richard, and Mary C. Daly. 2013. "The Changing Role of Disabled Children Benefits." *FRBSF Economic Letter* 2013-25 (September 3). <http://www.frbsf.org/economic-research/publications/economic-letter/2013/september/disabled-children-family-benefits-ssi-supplemental-security-income/>
- Daly, Mary C., Early Elias, Bart Hobijn, and Òscar Jordà. 2012. "Will the Jobless Rate Drop Take a Break?" *FRBSF Economic Letter* 2012-37 (December 17). <http://www.frbsf.org/economic-research/publications/economic-letter/2012/december/jobless-rate-drop/>

Recent issues of *FRBSF Economic Letter* are available at
<http://www.frbsf.org/economic-research/publications/economic-letter/>

2016-01	After the First Rate Hike http://www.frbsf.org/economic-research/publications/economic-letter/2016/january/after-the-first-rate-hike-economic-outlook-speech/	Williams
2015-38	Reducing Poverty via Minimum Wages, Alternatives http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/reducing-poverty-via-minimum-wages-tax-credit/	Neumark
2015-37	The Effects of Minimum Wages on Employment http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/effects-of-minimum-wage-on-employment/	Neumark
2015-36	Dancing Days Are Here Again: The Long Road Back to Maximum Employment http://www.frbsf.org/economic-research/publications/economic-letter/2015/december/dancing-days-are-here-again-the-long-road-back-to-maximum-employment-speech/	Williams
2015-35	Global Fallout from China's Industrial Slowdown http://www.frbsf.org/economic-research/publications/economic-letter/2015/november/global-fallout-from-china-industrial-slowdown/	Spiegel
2015-34	What's Different about the Latest Housing Boom? http://www.frbsf.org/economic-research/publications/economic-letter/2015/november/what-is-different-about-latest-housing-boom-mortgage-debt-ratio/	Glick / Lansing / Molitor
2015-33	Are Wages Useful in Forecasting Price Inflation? http://www.frbsf.org/economic-research/publications/economic-letter/2015/november/are-wages-useful-in-forecasting-price-inflation/	Bidder
2015-32	Why So Slow? A Gradual Return for Interest Rates http://www.frbsf.org/economic-research/publications/economic-letter/2015/october/gradual-return-to-normal-natural-rate-of-interest/	Cúrdia
2015-31	The Economic Outlook: Live Long and Prosper http://www.frbsf.org/economic-research/publications/economic-letter/2015/october/economic-outlook-live-long-and-prosper-speech/	Williams
2015-30	Can We Rely on Market-Based Inflation Forecasts? http://www.frbsf.org/economic-research/publications/economic-letter/2015/september/market-based-inflation-forecasting-and-alternative-methods/	Bauer / McCarthy

Opinions expressed in *FRBSF Economic Letter* do not necessarily reflect the views of the management of the Federal Reserve Bank of San Francisco or of the Board of Governors of the Federal Reserve System. This publication is edited by Anita Todd. Permission to reprint portions of articles or whole articles must be obtained in writing. Please send editorial comments and requests for reprint permission to Research.Library.sf@sf.frb.org.

Minimum wage: Why is nobody talking about seniors? (Letters to the Editor)



By **Letters to the editor**
on January 30, 2016 at 5:09 PM

Minimum wage and seniors: Not one of the **minimum-wage** proposals I see out there does anything to offset the immediate damage that will be done to senior citizens on fixed incomes. Social Security payments won't be going up at the same time the minimum wage starts to increase. This means seniors won't be able to afford all their groceries, since minimum-wage labor is a big part of grocery store items. What then? Not one plan considers seniors on fixed incomes, and I find it deplorable. This is very irresponsible to our parents and grandparents. Either coordinate this with the federal government so Social Security increases at the same rate, or Oregon must start to subsidize Social Security payments so seniors aren't harmed. If the state is unwilling to do that, it has no business voting in a minimum-wage increase beyond current inflation. Why isn't anyone remotely talking about our seniors?

Bill Northrup

Eugene

Registration on or use of this site constitutes acceptance of our **User Agreement** and **Privacy Policy**

© 2016 Oregon Live LLC. All rights reserved (**About Us**).

The material on this site may not be reproduced, distributed, transmitted, cached or otherwise used, except with the prior written permission of Oregon Live LLC.

Community Rules apply to all content you upload or otherwise submit to this site. **Contact interactivity management.**

[▶ Ad Choices](#)