Testimony and Research: A Regional Approach to Statewide Economic Prosperity
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Senate Workforce and General Government Committee

Written Testimony Submitted by Caitlin Baggott

Oregon's diverse regional economies require an innovative minimum wage solution to address the complexities of an interdependent but uneven state economy.

Today in Oregon, 44% of low paid jobs are in the high-cost Portland Metro area, where rent for a one-bedroom apartment is as high as $1500 per month. Even conservative estimates of cost of living show that the current minimum wage is far too low for a worker to start a life, build a family, or participate as a member of the community in this area of the state. At the same time, this area is home to a growing and robust economy with low unemployment, a high median wage, and promising economic growth.

By comparison, in Josephine County the current median wage falls $5.50 per hour lower than in the greater Portland area, the cost of living is lower and has been rising more slowly, and the unemployment rate remains at 8.5%.

	Median Wage (2014)	Self Sufficiency – Family of 4 (2014)	NLIHC "Rental Wage" (2015)	Number of Low Paid Jobs
Josephine Co.	$14.50	$10.50	$14.92	13,433
Multnomah Co.	$20.00	$15.39	$18.15	161,063

There is no denying that hard working people struggle to make ends meet in every county in Oregon. But in the greater Portland area the need to raise the minimum wage is urgent and immediate. In other parts of the state a slower path toward a higher wage may be more appropriate both as a measure to address local needs and as a way to protect rural economies that are still emerging from the recession.

The current law that restricts local governments from setting their own minimum wage does not need to be a barrier to solving this problem. While lifting preemption is one way to achieve higher wage in a high-cost areas of Oregon, it is not the only way. And, politically, it may be the most difficult way. The existing law that preempts local areas from setting their own minimum wage has inspired both deep opposition and deep support. For some interest groups the question of who should have authority over the minimum wage is more pressing than how to raise the wage for working Oregonians.

Over the last several months North Star Civic Foundation has funded research, interviews and community listening sessions to better understand regional differences in the economy – both based on economic data and the experiences of employers and community leaders throughout the state. Our work has sought to illuminate and clarify the contours of this problem. As leaders throughout the state have recognized, $15 an hour might work in Portland, but it would be a different story in many rural communities, and vice-versa: The minimum wage that works in Malheur County is not a sufficient minimum for a worker in Multnomah County who faces steeper cost for rent, medical care, child care and other basic necessities.

The legislature can act to develop pragmatic, compassionate and economically sound minimum wage policy separately from deciding the fate of the preemption law. By using Oregon's existing economic districts and a significant body of broadly accepted data Oregon can develop a regional wage solution that is simple, rational, better for low-paid workers, and more responsive to the state's rural economies.

Three bodies of information support this approach: Local cost of living, the health of local economies, and the regional connections between them.

> I. COST OF LIVING. Cost of living has been a central part of the argument for lifting the minimum wage. Both campaigns to increase the minimum wage point to increasing costs of living throughout the state as a primary justification for increasing the minimum wage. The cost for basics is going up in all parts of Oregon – but more quickly in some areas than others. In Multnomah County the costs of basic goods and services has increased by 23% in the last three years, compared with only 9% in Linn County.
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> II. REGIONAL ECONOMIC HEALTH – COMPARING MINIMUM WAGE TO MEDIAN WAGE
> Both conservative and liberal economists agree that one indicator of a "normal" or average minimum wage is the relationship between the minimum and the median wages of an area[i]. Broadly accepted analysis indicates that when the minimum wage is 50% of the median that is average for economies around the world, and that economists frequently see economies in which the minimum wage is as high as 65% of the median wage. In Washington County in 2014 the minimum wage of $9.25 per hour was below average (45% for full time workers), while in Clatsop County it was in the middle of the range, but slightly above average (58% for fill time workers).
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> III. REGIONAL CONNECTIONS
> Increasing the minimum wage in one city or county will drive a ripple affect to surrounding communities. In Oregon, the counties where both cost of living and the current median wage are the highest are largely clustered together.

A regional wage policy need not be overly complex or difficult to manage, and there are several sound policy options for how to do it. The simplest of them would be to use the state's current prevailing wage districts as the geographic basis for 3 or 4 on-ramps toward a higher minimum wage – a fast track in the Portland Metro area, a slightly slower path in wage districts with connected mid-sized cities, and a slower path in areas with high levels of unemployment, low cost of living, and sluggish recovery from the recession.

This option uses an existing legal framework for setting the wage – the prevailing wage district – and does not necessarily change the preemption law. It affords an opportunity for increased wages in each part of the state, giving all Oregonians a path toward an income on which to start a life, raise a family, and contribute as a valuable citizen.

Thank you,

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[i] "Proposal 13: Designing Thoughtful Minimum Wage Policy at the State and Local Levels," Arindrajit Dube