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January 12, 2016

Senate Interim Committee on Workforce and General Government
House Interim Committee on Business and Labor
900 Court St. NE
Salem, Oregon 97301

Dear Chair Dembrow, Chair Holvey, Vice-Chairs, and Members:

Plaid Pantries, Inc. owns and operates 110 convenience stores with 750 employees, mostly in the tri-county Portland Metro area, with half our stores within the city limits of Portland. Plaid is also a member of the Oregon Neighborhood Store Association (ONSA), which provides legislative and regulatory representation for Oregon's 2,500 smaller, mostly family-owned and operated convenience food stores.

Plaid and ONSA oppose legislation which would dramatically increase the existing scheduled CPI formula increases in Oregon's minimum wage requirements, or allow local governments to do so in a patchwork of different rates. If enacted, the current proposals for as much as \$12 to \$15 minimum wage rates would cause unprecedented structural changes to Oregon businesses, jobs, and the state's overall economy. The impacts on businesses, jobs, and other unintended consequences of such large increases should be thoroughly studied before Oregon considers adopting such proposed dramatic increases. **In our company's particular case, a minimum wage of \$13.50 would result in a reduction of 20% of our existing employees, a loss of jobs and benefits for 145 Oregonians.**

The City of SeaTac Washington is often cited as having enacted a \$15 minimum wage in 2013. This is a relatively small municipality with a population of only 27,000, about the size of Redmond, Oregon. Its economy is dominated by activity associated with the international airport, and there are relatively few workers affected by the minimum wage. But even here there is evidence of lower-wage workers losing other employment benefits from employers attempting to offset the large wage increase.

No other state has established a minimum wage rate anywhere near the rates currently under discussion in Oregon. A number of large cities have recently passed minimum wage increases that eventually step up to the \$12 to \$15 range (Exhibit 1). For example, Seattle was at Washington's \$9.47 per hour minimum before stepping up to \$11.00 last April, and only recently went to \$12.50 on January 1st, on its way to \$15 by 2018. It is too soon to measure the impacts of this recent change. As of today no other states, cities, or counties have reached these high rates, much less had the new rates in effect long enough to measure the effects.

These large-scale economic experiments into uncharted territory should be watched carefully before we take action in Oregon.

The only significant municipality that has had a higher minimum wage than Oregon is San Francisco, which enacted a rate of \$10.74 in 2003. The City passed a \$15 minimum wage law to phase in by 2018, but it is not yet fully in effect. The first step up to \$12.25 just went into effect on May 1st of last year. Furthermore, the city of San Francisco is not comparable to Oregon or any of our cities, and can't be used to model what might happen in our State.

I can speak to the most likely effects on our company and employees. Plaid's individual store profile is a good proxy for other small to medium-sized retail, personal services, and restaurant and lodging businesses, and provides an alarming cautionary warning. These industries provide initial entry-level minimum wage positions, as we do, which are not held by primary family wage-earners raising families. We provide valuable training to mostly unskilled or low-skilled employees. From there, they have the opportunity to move up the career ladder within our company, or at higher-paying positions with other companies.

Exhibit 2 is an overview of our company's economic impact, including wages and benefits for our employees. Our career ladder leads to positions that are held largely by primary family wage-earners. Our Assistant Managers are paid above entry-level rates as they gain experience, and our Store Managers average about \$45,000 per year. Plaid employees are eligible for significant benefits, including matching on retirement savings, tuition reimbursement, and health insurance for themselves and their family. Plaid contributes \$2.3 million annually in health insurance premiums to provide this valuable coverage. The health coverage alone is worth the equivalent of an additional \$2 per hour in pay.

As with any population of small to medium-sized businesses, Plaid convenience stores vary in profitability. At the low end of the scale we have our challenging group of stores... stores that we believe can be improved over time, and which contribute only marginally, or in some cases operate at a loss. Like Plaid's lower sales volume store sample, many businesses find themselves at the slim margin of staying in business or closing up shop.

In Plaid's case, an increase in the minimum wage to \$13.50 will add \$42,500 annually to the average store's labor cost. We have twenty (20) stores that make less than this amount, before any allocation of corporate overhead. It is not possible to raise prices enough to offset such a large expense increase. Many stores will have to be closed. Our projections indicate we would need to close 14 stores and reduce hours of operation at 38 others, eliminating 145 positions and \$3.4 million of payroll and benefits. Even at this much higher rate of pay, the gains of employees who do not lose their jobs are almost exactly offset by the lost wages and benefits of laid-off workers. There is no net wage benefit. While some employees will see a bump in their after-tax monthly take home pay, 145 Oregonians will lose their jobs and have zero take home pay. The welfare of our employees is important to us, and many of those who would lose their jobs have been with the company for many years. Who will be responsible for them now?

Over half of the store closures would occur in the city of Portland. While there are vocal factions pushing for an even higher minimum wage there, citing a higher cost of living, it is important to note two important facts; first, the cost of doing business in Portland is higher than other areas, and more significant, Portland has wide variations in economic prosperity within the city itself. Exhibit 3 illustrates the striking gap between the very high-income west side of town, and very low incomes on the other side of the river, particularly in East and North Portland. It is a well-established fact that the primary drivers of low incomes and poverty are high unemployment and under-employment rates. A higher minimum wage would severely damage job creation by small local businesses, and exacerbate already high unemployment and low job growth in these lower income areas. Most of North and East Portland have weaker economic conditions than many other parts of the State.

It is also important to realize that even a store that is only marginally profitable still supports over \$150,000 annually in employee pay and benefits. This includes pay and benefits for employees who are well above the minimum wage. Each store also supports another \$100,000 or so in payments to companies and individuals that contract with the store for maintenance, supplies, and other services, and payments for landlord rent and property taxes. A significant additional expense that pushes a business over the edge in terms of ability to stay in business wipes out many times more dollars in lost jobs, benefits, and other favorable economic activity. A large minimum wage increase, with resultant store closures and reduced staffing, would cause a drastic structural change to our company. Such severe effects would be seen widely in other retail, service, and hospitality businesses.

An increase in the minimum wage to such high proposed levels will eliminate entry-level jobs, as well as higher-level jobs, and will cause many businesses to close. It will increase the already high unemployment among youth and unskilled workers. It will also dramatically compress the pay scale of family breadwinners currently above the minimum wage, reducing their ability to increase their earning power as they gain experience. This will have the unintended consequence of hurting those very employees who are actually primary family wage-earners.

We urge you to maintain the current minimum wage formula and the State's sole authority to establish the wage rate, to preserve small businesses, keep entry-level jobs, and to protect family wage jobs, employee benefits, and a viable career ladder for employees to grow.

Respectfully submitted,



Chris Girard
CEO, Plaid Pantries, Inc.
Chairman, Oregon Neighborhood Store Association

Local Minimum Wages Hikes

Passed in 2003	Minimum Wage
Santa Fe, NM	\$10.66
San Francisco, CA	\$10.74
Passed in 2012	Minimum Wage
Albuquerque, NM	\$8.60
San Jose, CA	\$10.15
Passed in 2013	Minimum Wage
Bernalillo County, NM	\$8.50
Washington, DC	\$11.50 (by 2016)
Montgomery County, MD	\$11.50 (by 2017)
Prince George's County, MD	\$11.50 (by 2017)
SeaTac, WA	\$15.00
Passed in 2014	Minimum Wage
Las Cruces, NM	\$10.10
Santa Fe County, NM	\$10.66
Mountain View, CA	\$10.30 (by 2015)
Sunnyvale, CA	\$10.30 (by 2015)
San Diego, CA	\$11.50 (by 2017)
Oakland, CA	\$12.25 (by 2015)
Berkeley, CA	\$12.53 (by 2016)
Richmond, CA	\$13.00 (by 2018)
Chicago, IL	\$13.00 (by 2019)
San Francisco, CA	\$15.00 (by 2018)
Seattle, WA	\$15.00 (by 2018-21)
Current Proposals	Proposed Rate
Washington, DC	\$15.00 (by 2019)
Los Angeles, CA – Mayor	\$13.25 (by 2017)
Los Angeles, CA – City Council	\$15.25 (by 2019)
New York, NY	\$13.13 (by 2016)
Portland, ME	\$10.68 (by 2017)
Louisville, KY	\$10.10 (by 2017)

Plaid Pantries, Inc.:**An Oregon Business,****An Oregon Employer,****Contributing to Oregon's Economy**

Locations in Oregon & Washington	110
Number of Employees	800
Customers per Day	70,000+
Annual Sales	\$203,000,000
Number of Supplier/Trade Companies	300+

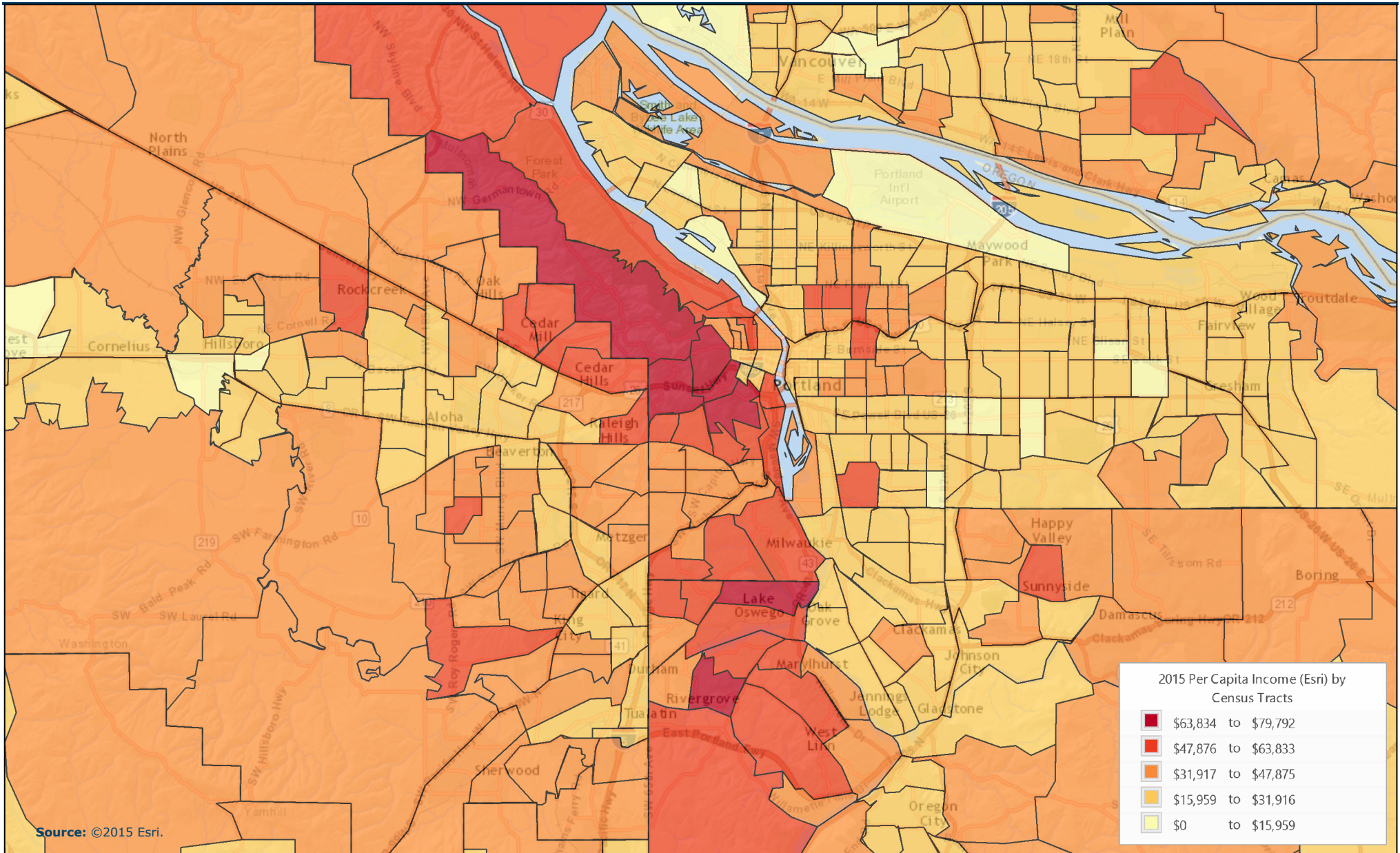
Contributions to The Northwest's Economy in 2014

Employee Payroll	20,600,000
Payroll Taxes, Unemployment, 401k match, Tuition Reimbursement, Worker's Compensation & Social Security Contributions	2,400,000
Employee Health Insurance Contributions (by Plaid Pantry)	2,300,000
Rent Payments to Landlords	6,100,000
Property Taxes and Income Taxes	2,700,000
Services purchased including repairs, banking, insurance, legal and accounting	4,100,000
TOTAL	----- \$38,200,000



Custom Map

2015 Per Capita Income (Esri) by Census Tracts



Source: ©2015 Esri.

August 09, 2015