



WASHINGTON COUNTY BUSINESS COUNCIL

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Feb. 6, 2016

House Committee on Business and Labor

Chair: Paul Holvey
Vice-Chairs: Brent Barton and Bill Kennemer

900 Court St. NE
Room 453
Salem, Oregon 97301

Committee Members:

Greg Barreto
Margaret Doherty
Sal Esquivel
Paul Evans
Shemia Fagan
Dallas Heard
Rob Nosse
Jim Weidner

RE: **SB#1532-A**

Dear Chair Holvey, Vice-Chairs Barton & Kennemer, and Committee Members:

The Washington County Business Council (WCBC) is a coalition of independent businesses in Washington County, organized to foster and promote sound government, regulatory and fiscal policies that enable economic growth, and job creation. Our Member firms cover the broadest spectrum of Oregon's economy; manufacturing, construction, transportation, banking and finance, agriculture, and retail. WCBC companies have combined annual sales of over \$ 395 million. We provide family wage jobs and benefits, and new jobs and training for entry-level workers just entering the workforce. WCBC companies currently employ more than 400 Oregonians, with pay and benefits exceeding \$ 26M annually.

WCBC opposes HB 4054 and SB 1532-13 because it will kill small business as well as jobs. Many small businesses operate on fairly thin margins, increasing the minimum wage as quickly and strongly as proposed will force many businesses to either layoff workers, shut their doors or leave the state.

The minimum wage earner is typically an entry level worker with a minimum level of job skills. The employer hires the worker with the thought that they can train them and in time they'll be

able to contribute meaningfully to the business. The raise in wages also leads to wage compression, pushing entry level and low skill pay employees into the space where other workers, with more skills and value to the company, are being compensated. This creates further issues that the business owner will need to respond.

If the wages are raised this dramatically in the time frame suggested, it will have a meaningful impact to the businesses operating finances right away, to the point the owner will look for ways to lower costs elsewhere and likely will question the need for the entry level worker(s) continued employment. It's conceivable, if the business has enough entry level and low skill workers, the finance impact may be severe enough that the business will no longer be profitable. The owner will then either lay off the workers, shutter the business, or look for a more favorable state to locate to do business in.

A recent example of this very thing has occurred with the largest employer in the US. Walmart, which has been under outside pressures to raise wages has done so. Last year they raised their minimum to \$9/hour with plans to go to \$10 in 2016 (in most locations). They now have announced the closure of 150 of their stores due to profitability concerns. Thousands of layoffs are the result. So the remaining workers are happy for the added wages, but there are thousands more with low and minimum skills with 0 wages.

A close to home example: Last month, an Oakland CA Walmart store was closed. The Oakland minimum wage is \$12.55/hour. The store employed about 400 workers. Per a city official involved in the discussion with Walmart, *the minimum wage was a major consideration as to whether the store would be kept open or not.*

This is Walmart with all of their resources, making these decisions due to the cost of doing business. Do you think the small businesses in Oregon have a better capability to withstand these pressures to their bottom line than Walmart? Businesses thrive in an environment of less government dictate and restrictive policies. When they thrive, they create more jobs, improve salaries and benefits, and thereby help to create a pathway for working-class to thrive as well.

In summary, we oppose this bill because it damages small business and has unintended consequences that outweigh the potential benefit. We therefore urge you to not move this bill.

Respectfully Submitted,



John W. Rhoads
Executive Director Washington County Business Council