

From the Desk of  
Senator  
20 Alan Olsen

These results are in line with previous research, especially in light of the expectation that state-level minimum wage increases would have a bigger impact on state employment than changes to the federal minimum wage.

The results are also in-line with Oregon Legislative Revenue Office calculations, which found that a steep increase in the state's minimum wage would be associated with *lower* income growth in the long run.<sup>31</sup> LRO concluded that an increase of \$2.00 an hour would reduce personal income in the long run by \$450 million a year. LRO's calculations are consistent with research from the Federal Reserve that found a minimum wage hike provides stimulus for a year or so, but "serves as a drag on the economy beyond that."<sup>32</sup>

**The statistical analysis indicates that once fully implemented, an increase in the minimum wage to \$13.50 an hour would reduce Oregon wage and salary incomes by approximately \$6.2 billion and an increase to \$15.00 an hour would reduce Oregon wage and salary incomes by approximately \$6.9 billion.**

The reduced wage and salary incomes would result from:

- Some workers losing their jobs, some workers being unable to find a job, and some Oregonians exiting the labor force. To the extent some businesses would close or consolidate locations, all of the employees would be displaced or otherwise affected—not just the employees working at minimum wage.
- A reduction in hours worked for some employees, with some full-time workers involuntarily transitioning to part-time work or underemployment.
- "Wage compression" in which a minimum wage increase results in newer and lesser skilled workers suddenly earning as much as employees with more skills or more experience. Research has found employers can respond to a minimum wage increase by cutting wages for other, higher-paid workers. One survey found that nearly half of employers faced with

<sup>31</sup> Oregon Legislative Revenue Office. *The Impacts of an Increase in the Minimum Wage*. July 24, 2014.

<sup>32</sup> Aronson D. and French E. How does a federal minimum wage hike affect aggregate household spending? *Chicago Fed Letter*, number 313. August 2013.