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**From the Desk of
Representative
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Labor Cost Impacts of Minimum Wage Increases In Oregon's Long-term Care Sector

- At the time of writing, Oregon's legislature is considering a three-tiered schedule for state minimum wage increases (SB 1532), which specifies different minimums for areas inside and outside urban growth boundaries and designated rural areas, respectively.
- The long-term health care (LTC) sector would see large labor cost increases with the proposed minimum wage changes. By 2022, more than 60% of the industry's current workforce would be covered by the increases.
- NERC estimates, based on public data sources, studies commissioned by the Department of Human Services, surveys conducted by the Oregon Health Care Association, and input from industry professionals, that an average-sized Community-Based Care Provider inside the Portland UGB would see a 3.6% percent direct labor cost increase of \$52,000 in 2017¹, when the minimum wage would be \$11.25 per hour. By 2022, the per-location increase would top 14%, or \$211,750. For a typical In-Home Care agency within the UGB, these figures are 6% (\$80,500) in 2017 and 25% (\$321,700) in 2022.
- Applying per-facility estimates to the total number of licensed providers in the Nursing Care, Community-Based Care, and In-Home Care subsectors shows an industry-wide cumulative cost increase of \$437 Million by 2022 (Table 1).

Table 1 - Statewide direct labor cost increases in the Long-Term Care (LTC) Sector following SB 1532 minimum wage increases

Year	Nursing Care	Community-Based Care	In-Home Care	LTC Total
2017	\$2,006,638	\$14,642,859	\$6,551,785	\$23,201,283
2018	\$3,622,280	\$24,784,368	\$11,885,740	\$40,292,388
2019	\$5,312,489	\$33,687,770	\$16,492,928	\$55,493,187
2020	\$8,404,082	\$47,865,592	\$23,358,443	\$79,628,116
2021	\$12,417,287	\$62,935,063	\$30,022,150	\$105,374,500
2022	\$17,285,700	\$78,872,826	\$36,549,066	\$132,707,592
Cumulative	\$49,048,476	\$262,788,478	\$124,860,113	\$436,697,066

¹ All reported changes are relative to an expected baseline that holds staffing levels constant at 2014-15 levels and accounts for cost-of-living adjustments to the existing minimum wage.

So-called “ripple” or “compression” effects are known to accompany direct minimum wage increases. However, the figures in Table 1 include only direct, legally-required changes to employees’ wages. NERC is currently developing estimates that account for indirect impacts on the industry’s wage distribution.