



EXECUTIVE SUMMARY

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Urban Inflation for the Minimum Wage: The Correct Measure for Oregon's Farm Workers

By Jeff Thompson

In November 2002, Oregon voters approved Measure 25, which raised the state's minimum wage by 40 cents to \$6.90 on January 1, 2003, and provided for annual increases indexed to the rate of inflation in coming years. Two prominent opponents of Measure 25, the Oregon Farm Bureau Federation (OFBF) and the Oregon Restaurant Association, recently introduced House Bill 2624, which would eliminate the inflation adjustment provision of Measure 25. The OFBF continues to claim that the measure of inflation used to adjust the minimum wage reflects urban price increases, and will harm Oregon's agriculture industry and rural areas in general.

This report evaluates the OFBF claims, and finds that the inflation adjustor used in Measure 25 is the most appropriate one to use.

Most of Oregon's agricultural workers work in urban areas. Half of all farm workers work in the Portland-Salem area alone, and 62 percent live in urban areas along the I-5 corridor. Since most farm workers see "urban" increases in their cost of living, moves to adopt a lower measure of inflation would allow their wages to fall behind their cost of living.

The price index contained in Measure 25 is conservative and does not overstate prices in small cities, and there is no measure for rural inflation. The US Consumer Price Index for all urban consumers (US CPI-U), the price index included in Measure 25, rose 26 percent between 1992 and 2001. Over that same period, consumer prices in the Portland-Salem area rose by more than 30 percent, and prices in US cities with populations under 50,000 increased by 26 percent. There is no measure for rural inflation.

The US Bureau of Labor Statistics advises using the US CPI-U in local wage adjustment clauses. The US CPI-U is the most reliable and least volatile data available for consumer price inflation.

Eliminating the inflation adjustment of the minimum wage directly overturns a key component of a voter-approved initiative, and would mean reduced wages for tens of thousands of Oregon workers in coming years.
