



# EXECUTIVE SUMMARY

204 N. FIRST ST., SUITE C • PO BOX 7 • SILVERTON, OR 97381 • WWW.OCPPP.ORG • 503-873-1201 • FAX 503-873-1947

*April 24, 2003*

## **Cooking the Public Debate: The Restaurant Association's Misleading Recipe for the Minimum Wage**

By Jeff Thompson

The Oregon Restaurant Association (ORA), the Oregon Farm Bureau, and the National Federation of Independent Businesses have proposed legislation, House Bill 2624, that would eliminate annual inflation adjustments to Oregon's minimum wage approved by the voters last fall. The ORA, in particular, continues to argue that Oregon's 1996 voter-mandated minimum wage increases caused job losses and that the 2002 initiative's increases are causing job losses now.

Economic data belie the ORA's claims:

- A study cited repeatedly by the ORA concluded that its results "confirm prior findings that the employment effects of the minimum wage [increase] are small" and that Oregon restaurants did not actually lose jobs, they only lost growth in jobs compared to Washington.
- When compared to states other than Washington, Oregon restaurant employment growth does not appear to have slowed in the late 1990s. Most states with economies comparable to Oregon experienced slower growth in restaurant employment, even if they did not increase their minimum wage.
- The booming economy of the late 1990s provided workers with better job opportunities and made it difficult for restaurants, which tend to pay low wages, to hire workers. When the labor market fell slack during the 2001 recession, Oregon restaurants were again able to hire.
- Despite thousands of lost jobs during the 2001 recession and a subsequent "jobless" recovery, employment in Oregon's restaurants is growing. Sectors losing the most jobs in 2001, high-tech, manufacturing, construction, and business services, were only minimally affected by the minimum wage increases. Between December 2000 and 2001, when Oregon lost nearly 38,000 jobs, the restaurant industry grew by almost 1,000.
- Between March 2002 and 2003, restaurants added 1,900 jobs while total non-farm employment shrank by 1,500. The ORA recently reported that employment growth in restaurants is "one of the few true shining stars" in Oregon's economy.
- Young workers with little education, those most likely to work at or near the minimum wage, saw their employment prospects improve after the minimum wage increases of the late 1990s.
- The impact of minimum wage increases on restaurant costs has been relatively small. Restaurants have likely been able to pass such increases on to consumers through modest price increases.

Oregon's consistent high unemployment is due to rapid in-migration, a high concentration of seasonal employment, and rural isolation, not the minimum wage. Even if recent minimum wage increases were eliminated, the state would continue to have one of the highest unemployment rates in the country.