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New Report Confirms that Minimum Wage Increases Have Not Caused Job Loss in Oregon

Oregon's minimum wage increases have not caused job losses in the state, according to a new report released today by the Oregon Center for Public Policy. The report was written in response to claims by the Oregon Restaurant Association (ORA) and other backers of House Bill 2624, which would overturn the results of Measure 25. Measure 25 was a citizen initiative approved by voters in November, 2002, that raised Oregon's minimum wage and indexed it to inflation. House Bill 2624 passed the House on a generally partisan 34-24 vote, and is pending in the General Government Committee in the state Senate.

The Oregon Restaurant Association has repeatedly cited a study they say supports their claims of massive job loss. "The study ORA cites actually finds that any employment impacts of Oregon's minimum wage increases were 'small,' and that restaurant employment didn't decline, but grew slower compared to Washington," said Jeff Thompson economist and policy analyst with the OCPP.

"We also show that if you look at states other than Washington, Oregon's restaurant employment growth does not decline," said Thompson. "Washington may be our neighbor, but they are not necessarily the best state for comparison."

The OCPP study shows that the last set of minimum wage increases mandated by voters in 1996 did not result in massive layoffs. "Restaurants weren't laying workers off after the minimum wage increase, as the ORA claims. Instead they were scrambling unsuccessfully to hire workers," Thompson said. "In the late 1990s Oregon restaurants couldn't hire the workers they needed because labor markets were tight and workers had better opportunities than the low wage jobs restaurants offered."

Thompson noted that the group of people most vulnerable to job loss, young workers with little education, fared just fine after the last minimum wage increases. "If workers had been losing jobs because of the minimum wage, we would expect to see young and unskilled workers less able to find work," Thompson said. "The opposite happened in Oregon. Following the minimum

wage increases in the late 1990s, young workers with little education saw their employment prospects improve.”

The study shows that the recession has been good for restaurants. When labor markets fell slack at the end of 2000, restaurants were again able to hire workers. “Other industries were hit hard in the recession, but restaurants did quite well,” said Thompson. Over the last 12 months, restaurant employment expanded by 1,900 jobs while the state as a whole lost 1,500 jobs. A recent ORA publication proclaimed restaurants to be “one of the true shining stars of our state’s economy, adding jobs when many sectors of the economy are experiencing downsizing and layoffs.”

The OCPP’s report demonstrates that minimum wage increases have very little impact on Oregon’s unemployment rate. “Oregon’s consistent high unemployment is due to rapid in-migration, a high concentration of seasonal employment, and rural isolation, not the minimum wage,” said Thompson. “Even if recent minimum wage increases were eliminated and you believe the ORA’s claims about jobs, the state would continue to have one of the highest unemployment rates in the country.”

Instead of firing workers, restaurants have likely been able to cope with added costs through modest price increases. “Restaurant price increases in recent years have been more than enough to accommodate the added costs from increases in the minimum wage,” noted Thompson. “These wage increases mean a lot to low-paid workers, but don’t amount to much for the typical restaurant.”

The Oregon Center for Public Policy uses research and analysis to advance policies and practices that improve the economic and social prospects of low and moderate income Oregonians, the majority of Oregonians.

NOTE TO EDITORS AND REPORTERS:

The full text of the report, *Cooking the Public Debate*, is available at the OCPP website, <http://www.ocpp.org/>.