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For More Information, Contact:

Juan Carlos Ordóñez (503) 873-1201

Chuck Sheketoff (503) 873-1201

Mike Leachman (503) 873-1201

Job Growth Not Dampened by Minimum Wage Raises, Study Shows

(Silverton) – Coinciding with today’s announcement by state officials that Oregon’s minimum wage will increase by 15 cents next year, the Oregon Center for Public Policy (OCPP) has issued an analysis showing that minimum wage cost-of-living adjustments have not led to the dire consequences predicted by the farm and restaurant industries that opposed pegging the minimum wage to inflation.

Oregon’s minimum wage will increase from \$7.80 to \$7.95 per hour on January 1, 2008, the Oregon Bureau of Labor and Industries announced today. The increase means an extra \$312 a year and a total annual income of \$16,536 for a family with one full-time minimum wage worker. The increase reflects the rise of the cost of living as defined by the August Consumer Price Index. The annual adjustment is mandated by Ballot Measure 25, approved by voters in 2002.

Since the enactment of Measure 25, Oregon has created jobs at a faster clip than most other states. OCPP’s numbers show that Oregon’s non-farm payroll employment growth was 12th fastest in the nation from 2002 to 2007. Employment in the restaurant industry — a vocal opponent of the measure and an industry with a relatively large share of minimum wage workers — grew 19 percent during the 2002 to 2007 period, more than twice the growth in non-farm payroll jobs statewide during the same period, according to the non-partisan research institute.

“While it is difficult to be excited by the creation of minimum wage jobs that we know can’t adequately support working families,” said Michael Leachman, the OCPP analyst who examined the numbers, “at least the annual cost-of-living increases help low-wage working Oregonians from falling farther and farther behind.”

Even during the period from August 2006 to August 2007, when Oregon's total non-farm growth slowed to just 1 percent, the number of restaurant jobs still grew at a healthy 4.8 percent rate, OCPP found.

“The data shows that the restaurant association was engaged in fear mongering,” Leachman said, referring to claims by the Oregon Restaurant Association in the 2002 Voters’ Guide that “nearly 30,000 more Oregonians could lose their jobs” as a result of Measure 25.

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OCPP's analysis also calls into question claims by the Oregon Restaurant Association that increases to the minimum wage would cause menu prices to "escalate out of control." In the Portland-Salem metro area, the only area in Oregon where OCPP could easily track restaurant prices, it found that prices have risen more slowly than they have nationwide since the enactment of Measure 25. From 2002 through the first half of this year, restaurant prices nationally increased 14.7 percent, compared to 13.4 percent in the Portland-Salem area. A variety of factors in addition to wages influence restaurant prices, including the cost of food and energy.

The public policy think tank also showed that predictions by the Oregon Farm Bureau in the 2002 Voters' Guide that "Measure 25's large and continuing wage hikes would make the most efficient Oregon farmer or rancher unable to compete" have not come true. According to OCPP, from 2002 to 2006, Oregon's net farm income rose 71 percent, well ahead of the 47 percent growth nationally. Last year, Oregon farmers made \$364 million more than they did in 2002, according to OCPP's analysis of data from the U.S. Department of Agriculture.

"Oregon's annual adjustments are good for low-wage workers in Oregon and good for Oregon," concluded Leachman. "It's time to turn the discussion to how we can best help those in our state who continue to struggle economically despite the minimum wage gains."

With the increase set to take effect on the first of the year, Oregon will have the nation's fourth-highest minimum wage. California and Massachusetts will be tied for second place next year, when their minimum wage rates jump from \$7.50 to \$8.00. Oregon's neighbor to the north, Washington, will retain the nation's highest minimum wage on the first of the year, when its wage is expected to be adjusted for inflation from \$7.93 to \$8.07 per hour.

The Oregon Center for Public Policy does in-depth research and analysis on budget, tax, and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.