



# Executive Summary

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March 12, 2001

## **Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform**

By Jeff Thompson and Charles Sheketoff

The successful 1996 initiative to increase Oregon's minimum wage to \$6.50 brought much-needed raises to thousands of low-wage workers across the state, without harming their employment opportunities. The beneficiaries of the increase were primarily from low-income households, and were disproportionately female and minority with low levels of education.

Following the implementation of the final phase of the minimum wage increase in January 1999, the positive wage impacts began to fade. As the value of Oregon's minimum wage began to be eroded by inflation, real wages for low-paid workers also started falling again.

Data analyzed for this study reveal that:

- Workers at the 10<sup>th</sup> and 15<sup>th</sup> percentile of the wage distribution experienced real wage gains, after adjusting for inflation, with each of the three phases of the minimum wage increase. These workers' wages began falling again following the final phase of the increase in 1999.
- Reversing previous trends, the starting wages of former welfare recipients rose with each phase of the minimum wage increase. After three years of increases, the average starting wage of those leaving welfare hit \$7.56 in the first quarter of 1999, but fell by nearly two percent in 2000.
- Minimum wage increases have boosted the wages of as many as 16 percent of all Oregon workers. Between the first quarters of 1998 and 1999 alone, 177,000 workers received raises taking them up to or above \$6.50.
- The employment rate for young workers with low education, generally thought to be affected by the minimum wage, grew faster than the rate of the workforce as a whole subsequent to the minimum wage increase.

Legislation has been introduced in the Oregon Legislative Assembly that would prevent the value of the minimum wage from declining. House Bill 2786 follows the lead of Washington State and indexes the minimum wage to inflation. The bill restores purchasing power lost since January 1999, and would annually adjust the minimum wage to keep pace with rising prices. If enacted, HB 2786 is estimated to raise Oregon's minimum wage to \$7.03 on January 1, 2002.



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## **Getting the Raise They Deserved: The Success of Oregon's Minimum Wage and the Need for Reform**

By Jeff Thompson and Charles Sheketoff<sup>1</sup>

In 1996 Oregonians enacted a 37 percent increase in the minimum wage. Winning 57 percent of the vote, Measure 36 increased Oregon's legal minimum by \$1.75 over three years, taking it to \$6.50 by 1999, the highest in the nation at the time.<sup>2</sup> A review of economic data covering the entire period of the minimum wage increase demonstrates that Oregon voters' decision to increase the minimum wage brought much-needed raises to thousands of low-wage workers, and did not result in the devastating job losses predicted by opponents of the measure.

With each phase of the three-part increase, the wages of low-end workers rose. After falling behind inflation for many years, Oregon's minimum wage once again functions as a meaningful wage floor for the lowest-paid. The minimum wage now effectively sets the wage for the 10<sup>th</sup> percentile of workers (90 percent of workers have higher wages) and heavily influences wages as high as the 15<sup>th</sup> percentile. The wages of former welfare recipients entering the workforce also rose with each increase of the minimum wage. Demographic data for the workers affected by the minimum wage increase show that the beneficiaries are disproportionately low-income, minority, and female with low levels of education.

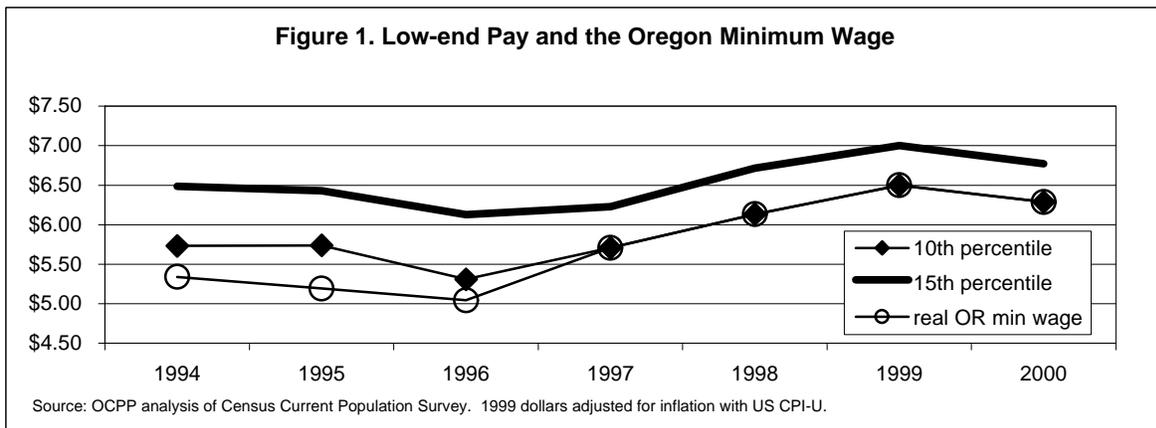
Opponents of increasing the minimum wage warned that such an increase would destroy thousands of jobs. These concerns never materialized, however, and in the years following the minimum wage increase employment opportunities remained plentiful for Oregon workers. The group thought to be most affected by the minimum wage, young workers with low education, saw its employment rate rise following the minimum wage increases. Unemployment in Oregon has remained relatively low and labor markets have been tight for several years.

Because Measure 36 contained no provision for continued growth, the value of Oregon's minimum wage has fallen behind inflation since January 1999. As the real value of the minimum wage declined, so did the wages of low-paid workers that previously rose along with the minimum. While Oregon's minimum wage has stagnated, other states acted and now have minimum wages higher than Oregon's. California, Massachusetts, and Connecticut enacted increases that will bring their minimum wages above that in Oregon. Washington State's minimum wage is now indexed to inflation, and surpassed Oregon's in January 2001. Following the example of Washington State, House Bill 2786, introduced in the 2001 Oregon Legislative Assembly, would index the value of the minimum wage to inflation. Indexation preserves the benefits of the minimum wage, preventing its purchasing power from falling below its 1999 level.

### Raising Low Wages

The primary goal of minimum wage increases is to boost the earnings of poorly paid workers.<sup>3</sup> Oregon's minimum wage has been successful, reversing more than a decade of stagnation and outright decline in the wages of the lowest-paid workers.<sup>4</sup> The increases have lifted wages at the 10<sup>th</sup> percentile of the distribution (only 10 percent of workers had lower wages and 90 percent had higher wages) and appear to have also brought wage increases to workers as high as the 15<sup>th</sup> percentile (those making slightly more than the minimum wage).

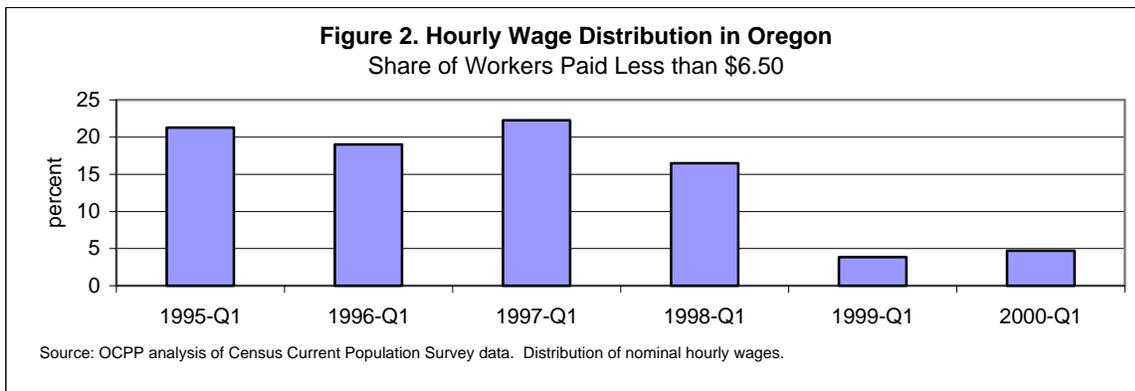
At the 10<sup>th</sup> percentile, wages for workers fell 7.4 percent between 1994 and 1996.<sup>5</sup> Between 1996 and 1999, however, wages at the 10<sup>th</sup> percentile rose 22.3 percent, going from \$5.32 to \$6.50. Prior to the 1997 increase, the value of Oregon's minimum wage had been seriously eroded by inflation and its effectiveness as a wage floor compromised. While the inflation-adjusted value of the minimum wage remains below levels from the mid-1970s, some of its capacity to provide an effective floor to prop up low wages returned.



Following the final step of the increase in 1999, though, the inflation-adjusted value of Oregon's minimum wage started falling again. Between 1999 and 2000, the value of the minimum wage dropped from \$6.50 to \$6.29. The 10<sup>th</sup> percentile wage fell by an identical amount.

At the 15<sup>th</sup> percentile of the wage distribution, wages increased 14.1 percent in the first three years following the minimum wage increase. They rose from \$6.13 in 1996 to \$7.00 in 1999, 50 cents higher than the minimum wage. Between 1994 and 1996 these workers' wages had fallen 5.5 percent. The gain by workers at the 15<sup>th</sup> percentile demonstrates that the minimum wage increase benefits workers at incomes slightly above the minimum wage, as well. What a rising minimum wage gives, though, a declining minimum wage can apparently take away. After rising between 1996 and 1999, the 15<sup>th</sup> percentile wage fell back to \$6.77 in 2000.

The number of workers benefiting from the minimum wage increase is substantial. Census data from the first quarter of 1997 show that there were 232,000 workers in Oregon receiving wages less than \$6.50 per hour.<sup>6</sup> By the first quarter of 1999, only 56,000 workers were receiving less than \$6.50.<sup>7</sup> The number of workers at this low level of pay dropped 76 percent between the first quarters of 1998 and 1999, even while the total number of workers grew 2.3 percent over the same period. Through the first half of 1997, the share of workers being paid less than \$6.50 per hour hovered at 20 percent, then it began to fall. As of the first quarter of 1999, only four percent of all workers were still being paid less than \$6.50 per hour.



Following the enactment of the minimum wage increase, wages of workers at the bottom rose, reversing previous trends. Fewer workers are receiving the lowest levels of wages, with 177,000 being moved above the \$6.50 level between 1998 and 1999.<sup>8</sup> By 2000, the first of recent years without a minimum wage increase, however, gains at the low-end of the labor market have begun to disappear. The share of workers making less than \$6.50 remained unchanged at 4.7 percent in 2000.

## Demographic Profile of Affected Workers

Including workers whose wages were just above the new minimum wage levels implemented in 1997, 1998, and 1999, Oregon's rising minimum wage affected as many as 16 percent of workers. Demographic data show that these workers tended to be from lower income households, and were disproportionately female, minority, young, and less educated.<sup>9</sup>

Seventy percent of workers affected by the minimum wage increase were from households with less than the median income. As shown in Table 1, 34 percent of impacted workers had household incomes under \$15,000, compared with just 11 percent of unaffected workers. The median household income of affected workers was just \$24,000, 40 percent lower than the \$40,000 median household income for all other workers.<sup>10</sup>

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***One in four workers getting a raise due to the increase in the minimum wage was the head of a single-parent family.***

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Table 1 also shows that affected workers were disproportionately female and minority. Fifty-nine percent of affected workers were female, compared with 46 percent of all workers. Fifteen percent of affected workers were Hispanic, twice the share of Hispanics in the general workforce.

Affected workers were also less well educated. Seven percent had a Bachelor's degree or higher education, compared to 24 percent of the general workforce. Thirty-eight percent had less than a high school degree, while only 14 percent of the overall workforce lacked a high school degree. More than half of all workers affected by Oregon's minimum wage increase worked full-time, demonstrating considerable workforce attachment on the part of affected workers. Most of those working part-time were still putting in a considerable number of hours. Two-thirds of affected part-time workers were putting in more than 20 hours per week. Fewer than one in five of all affected workers worked less than 20 hours per week.

Another of the defining characteristics of affected workers is that they are employed in occupations and industries that are noted for paying low wages. Forty-four percent of affected workers were employed in the retail trade industry, while only nine percent worked in higher-paying manufacturing industries.

<b>Table 1. Demographics of Affected Workers</b>			
	<b>Affected Workers</b>	<b>Unaffected Workers</b>	<b>All Workers</b>
% of all workers	16%	84%	100%
Median Household Income	\$24,000	\$40,000	\$38,000
<b>Household Income</b>			
<\$15,000	34%	11%	14%
\$15,000 to \$34,999	33%	30%	30%
\$35,000 to \$59,999	19%	34%	32%
>=\$60,000	14%	25%	24%
<b>Gender</b>			
Male	41%	56%	54%
Female	59%	44%	46%
<b>Race*</b>			
White	90%	94%	93%
Black	2%	2%	2%
Indian/Aleut	3%	1%	2%
Asian/Pacific Islander	5%	3%	3%
<b>Hispanic Origin</b>			
Hispanic	15%	6%	8%
Non-Hispanic	85%	94%	92%
<b>Education</b>			
Less than High School	38%	10%	14%
High School/GED only	32%	29%	30%
Some College or Associate's	24%	34%	32%
Bachelor's or more	6%	27%	24%
<b>Age</b>			
16-19	27%	3%	7%
20-24	18%	9%	10%
25 and over	55%	88%	83%
<b>Family Type**</b>			
Married Couple	57%	64%	63%
Unmarried Family Head	25%	13%	15%
Single Individual	19%	23%	22%
<b>Industry</b>			
Retail Trade	44%	13%	18%
Manufacturing	9%	20%	18%
Services	30%	33%	32%
<b>Part-time/Full-time</b>			
Part-time	48%	14%	19%
Full-time	52%	86%	81%

\* Racial definitions are those used by the Census Bureau.

\*\* Workers in the "married couple" family type can be the husband, wife, or child in the family

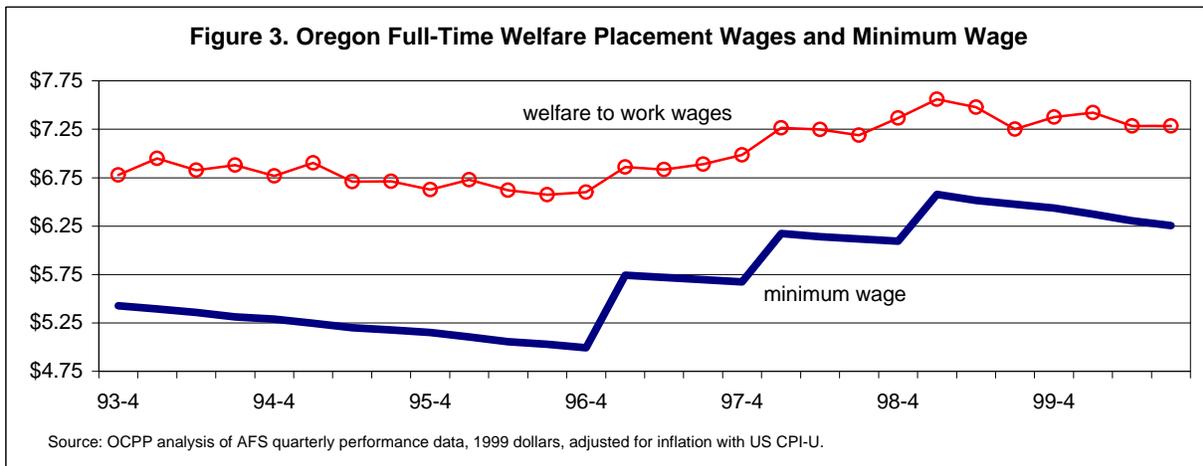
Source: OCPP analysis of Census Current Population Survey.

**Contrary to popular myth, however, most workers affected by the minimum wage are not teenagers. Only one-quarter of affected workers were teens.**

Workers impacted by the minimum wage law also tend to be younger than the general workforce. Contrary to popular myth, however, most are not teenagers. Only one-quarter of affected workers were teens. More than half of the workers affected by the minimum wage increases were 25 or older. In addition, one in four workers getting a raise due to the increase was the head of a single-parent family.

### Welfare-to-Work Wages

Many of those affected by the minimum wage increases are low-income and female with little education. It is not surprising, then that minimum wage increases have also raised the wages of former welfare recipients entering the workforce. Prior to the implementation of Oregon's new minimum wage law, former welfare recipients moving to work faced declining average real starting wages. Immediately after the new wage law went into effect this situation reversed. With each minimum wage increase welfare placement wages have risen, and when the minimum wage has lost value to inflation, so have welfare-to-work wages.<sup>11</sup>



Since the final increase in the minimum wage, placement wages of former welfare recipients have stagnated. Without the stimulus from a rising minimum wage, it appears that the previous trend of slowly declining wages is reasserting itself.

In 1995 and 1996 real average placement wages for the first quarter of each year declined from the prior year. Starting in 1997, though, first quarter wages

increased after adjusting for inflation. Rising to an inflation-adjusted level of \$7.56 in 1999, real starting wages of full-time workers leaving welfare were up more than four percent over the first quarter of 1998.

	Average starting wage for full-time workers	% change from previous year
1995- 1 <sup>st</sup> quarter	\$6.90	-0.7%
1996- 1 <sup>st</sup> quarter	\$6.73	-2.5%
1997- 1 <sup>st</sup> quarter	\$6.86	1.9%
1998- 1 <sup>st</sup> quarter	\$7.26	5.9%
1999- 1 <sup>st</sup> quarter	\$7.56	4.1%
2000- 1 <sup>st</sup> quarter	\$7.42	-1.8%

Source: OCPP analysis of AFS quarterly performance data. 1999 dollars adjusted with US CPI-U.

With the final stage of the 1996 increase having gone into effect on January 1, 1999, the positive impact on former welfare recipients' placement wages has disappeared. After rising for three consecutive years, the first quarter average placement wage fell 1.8 percent between 1999 and 2000.

Changes in Oregon's minimum wage have such a strong influence on welfare-to-work wages because so many former welfare recipients take jobs at or just above the going minimum wage. In the fourth quarter of 1998, for example, 28 percent of full-time placements were earning the minimum wage of \$6.00. Another 23 percent were earning between \$6.01 and \$6.99. By the second quarter of 2000, 32 percent of placements were earning the \$6.50 minimum wage, and another 32 percent were earning up to \$1.50 above the minimum.<sup>12</sup>

### **Employment Impacts**

Minimum wage increases have played an important role in "making work pay" for former welfare recipients and other low-wage workers. Is it possible, though, that these positive wage results have been at the expense of many low-end workers being unable to find employment? Have minimum wage increases made it more difficult to find work and leave welfare?

Employment Department, Census, and welfare agency administrative data for the period following each of Oregon's minimum wage increases show that the decision to raise the minimum wage has not resulted in significant job losses. As the Oregon Employment Department reported at the end of 1998, "[t]he first two minimum wage increases appear to have had little or no adverse employment effect."<sup>13</sup> Analysis of more recent data confirms this conclusion.<sup>14</sup>

A variety of measures of employment show that following Oregon's minimum wage increases:

- unemployment remained relatively low in the late 1990s,
- low-paying industries have been experiencing labor shortages,
- the share of the welfare caseload moving to work has increased, and
- employment rates have risen for young workers with low education.

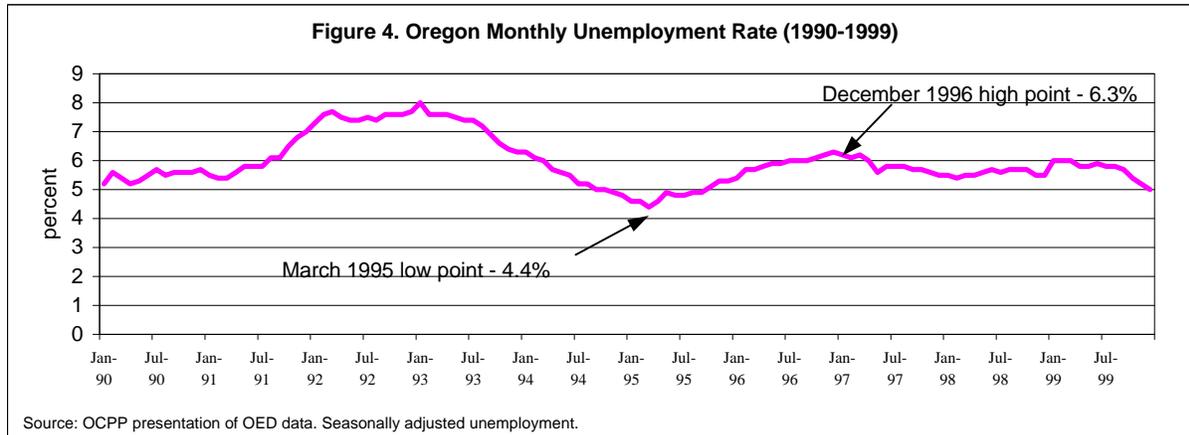
Combined, these factors suggest little or no negative employment impact from Oregon's minimum wage increase. This is consistent with much of recent minimum wage literature.<sup>15</sup>

### ***Unemployment***

Among the defining factors of Oregon's economy during the late 1990s were tight labor markets. Unemployment rates and employment-to-population ratios indicate that workers faced favorable labor market conditions in the late 1990s. For the last seven years the average annual unemployment rate has remained below six percent, a mark of all economic expansions in Oregon since the early 1970s.

Because Oregon's unemployment rate has been above the national rate for the last several years, however, there has been some speculation that minimum wage increases have prevented unemployment from falling as low as it might have when compared to the national unemployment rate.<sup>16</sup> However, Oregon's unemployment has only been below the national average in five of the last thirty years.<sup>17</sup>

The unemployment trend over the last six years suggests that the minimum wage has had little impact on employment in Oregon. Seasonally adjusted unemployment actually began to rise two years prior to the enactment of the first phase of the minimum wage increase, climbing steadily from 4.4 percent in March 1995 to 6.3 percent in December 1996.



Starting in January 1997, when the first minimum wage increase was implemented, Oregon's unemployment rate began to fall, and has since remained below the late 1996 high point. In 1996 unemployment averaged 5.9 percent for the state. Over the next several years, the unemployment rate fell, going to 5.8 percent in 1997, 5.6 percent in 1998, 5.7 percent in 1999, and 4.9 percent in 2000. Since all of the increase in unemployment relative to the mid-1990s' low-point happened prior to the implementation of the first minimum wage increase, it is difficult to see how the minimum wage could have "caused" higher unemployment.

Another measure of labor market "tightness," non-farm employment as a share of the working-age population, also shows favorable conditions in the late 1990s. In 1990-93, non-farm employment was 71 percent of the working-age (18-64) population. In other words, for every 100 Oregonians ages 18 to 64, there were 71 jobs. Employment as a share of the working age population rose to 74.5 percent in 1994-96, and to 77 percent by 1997-99.<sup>18</sup> These figures suggest that labor markets remained tight and that employment opportunities were not diminished in the late 1990s.

### ***Labor Shortages in Low-Paying Industries***

On top of generally low unemployment, many Oregon industries have had difficulty finding employees. Restaurants and other retail establishments that pay low wages have had a particularly tough time attracting and retaining workers, despite the \$6.50 minimum wage. Slower population and labor force growth rates combined with relatively low unemployment made it easier for job seekers to find better jobs than these industries offered. As one mid-1999 newspaper story described, many Oregon businesses were struggling to find workers, particularly "businesses that pay workers \$7.50 an hour or less, including many hotels and restaurants."<sup>19</sup>

Reports from the Employment Department show that fast food workers, waiters and waitresses, and cooks have been among the toughest jobs to fill across the state for several years.<sup>20</sup> The situation was severe enough, that toward the end of 1999 a business reporter noted, “If Oregon restaurants collectively craved one thing, they would clasp their hands in prayer for a few good workers to staff bustling kitchens and serve jam-packed dining rooms.”<sup>21</sup>

An Oregon Employment Department survey conducted in 2000 indicated that one-third of Oregon employers were having difficulty attracting and retaining workers. Retail and wholesale trade establishments reported having a more difficult time than most employers in hiring for sales, production and service positions.<sup>22</sup> Thirty-four percent of retail firms reported having a high level of difficulty in hiring seasonal and part-time positions, and 45 percent had a high level of difficulty hiring for regular positions.<sup>23</sup> Other industries had an easier time hiring, with only 19 percent of all firms reporting high levels of difficulty hiring seasonal and part-time positions, and 31 percent hiring regular positions.<sup>24</sup> The retail trade industry also did more hiring in general, with 79 percent of firms attempting to hire in the 12 months prior to the survey, compared with 67 percent of all firms in Oregon.

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***“If Oregon restaurants collectively craved one thing, they would clasp their hands in prayer for a few good workers to staff bustling kitchens and serve jam-packed dining rooms.”***

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*--The Oregonian,  
12/17/99*

Other recent analysis by the Employment Department also observed, “With much of the available labor force employed, there may be constraints on the available number of workers who are qualified and seeking work in the restaurant industry. ... (M)any workers will opt to seek work in other industries where the average workweek is longer and employment is less seasonal. According to the National Restaurant Association surveys, ‘finding qualified and motivated workers would be the most significant challenge that their business would face in both 1998 and 1999.’”<sup>25</sup>

Given that low-paying industries have continued to have difficulty hiring new workers, it is hard to understand how paying even lower wages would improve their ability to recruit and retain workers. This, however, is the implication of claims that increases in Oregon’s minimum wage may have caused slower employment growth in low-paying establishments such as restaurants.

**Former Welfare Recipient Job Placement Rates**

It also appears that a rising minimum wage has not affected the ability of welfare recipients to find work. The share of the Adult and Family Services caseload finding work increased each year following the changes in the minimum wage. In 2000, 10.6 percent of Oregon welfare recipients found work in an average quarter, up from 8.2 percent in 1998 and 6.4 percent in 1996.<sup>26</sup>

	1995	1996	1997	1998	1999	2000
Placement rate	4.3%	6.4%	7.3%	8.2%	9.3%	10.6%
Placements	19,839	23,439	19,564	18,025	19,630	20,981

Source: OCPP analysis of AFS monthly performance data.

The absolute number of welfare recipients finding work in any given quarter is below the record high set in 1996. This should be expected, however, as the total welfare caseload has declined dramatically. The steadily improving rate of welfare recipients leaving the system for work provides evidence that the labor market has not turned against single mothers leaving welfare.<sup>27</sup>

**Employment Rates of Young Workers**

Census Bureau data from the monthly Current Population Survey also support the conclusion that employment has not declined as a result of Oregon’s higher minimum wage. Young workers with low education are the population commonly cited as facing the greatest risk of unemployment from minimum wage increases. The data suggest that young workers with low education had greater chances of being employed after Oregon’s minimum wage increases. Young workers, aged 16-24, with a high school degree or less did not experience declines in employment following Oregon’s minimum wage increases.

While the employment rate (the share of the population that is employed) for those aged 16-24 was 55.9 percent in 1995, it had risen to 58.3 percent by 1998.<sup>28</sup> The low-education youth employment rate not only grew following the 1997 and 1998 increases in the minimum wage but also grew faster than the employment rate of the rest of Oregon’s population.<sup>29</sup> The

	Aged 16-24 with high school degree or less	All persons ages 16+
1995	55.9	64.8
1996	57.4	65.2
1997	57.7	64.9
1998	58.3	65.5
1999	57.5	64.5
2000	58.5	66.1
1995-1998 change	2.4	0.7
1998-1999 change	-0.8	-1.0
1995-2000 change	2.6	1.3

Source: OCPP analysis of Census Current Population Survey

employment rate for young workers grew by 2.4 percentage points between 1995 and 1998, while the employment rate of the total population grew less than one percentage point.

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***The data suggest that young workers with low education had greater chances of being employed after Oregon's minimum wage increases.***

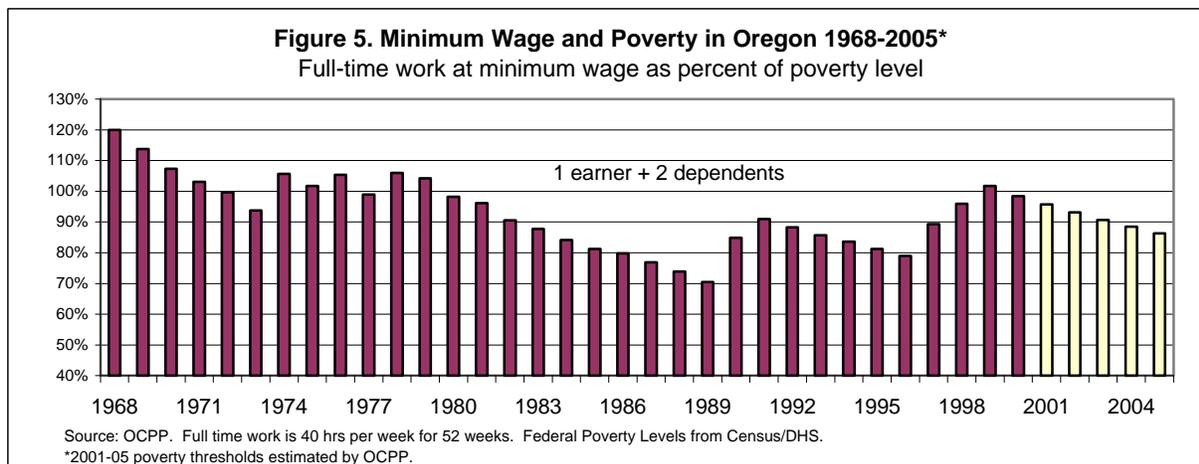
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As total employment growth slowed in 1999, the employment rate dropped slightly for these young workers, declining 0.8 percent between 1998 and 1999. The drop, however, was less than the employment rate decline for the entire working age population, and still left the employment rate higher than during the years preceding the minimum wage increase.

The employment rate for all adults, including low-educated younger workers, rebounded between 1999 and 2000. By 2000, the employment rate for low-educated younger workers was 2.6 percent higher than in 1995, compared to an increase of just half that much for the 16 and over population. Because the employment of young people with low education has not been harmed it would be difficult to claim that there have been negative impacts from the minimum wage increase.<sup>30</sup>

### **Falling Behind Inflation**

Increases in Oregon's minimum wage helped boost the real earnings of low-paid workers in Oregon in the late 1990s. By 1999 the purchasing power of Oregon's minimum wage was just high enough to lift a family of three with one full-time worker up to the federal poverty level. The voter-backed increase reversed a long-term decline in the purchasing power of Oregon's minimum wage, but still did not return it to levels from the late 1960s and 1970s. Oregon's 1999 minimum wage was still \$1.16 lower than its inflation-adjusted value from 1968, and \$.23 lower than its 1976 level.<sup>31</sup>



After the last of the three increases was implemented in 1999 the real value of the minimum began falling once again. In 1999, full-time work effort brought a family of three to 102 percent of the federal poverty level.<sup>32</sup> By 2000, full-time work effort only brought this family to 98 percent of poverty, and is expected to drop to 96 percent in 2001 and 86 percent by 2005.<sup>33</sup> Unless the minimum wage increases again or is indexed to inflation, its value will continue to fall.

In 1998 and 1999, Oregon's minimum wage was the highest in the country. Since then, however, other states have raised their minimums, leaving Oregon behind. Massachusetts' minimum wage rose to \$6.75 in January 2001.<sup>34</sup> In August 2000, California raised its minimum, which will hit \$6.75 in 2002.<sup>35</sup> Connecticut's minimum wage will rise to \$6.70 in 2002.<sup>36</sup> In 1998, Washington State enacted a minimum wage increase that contained a cost-of-living escalator. Washington's minimum wage was equal to Oregon's at \$6.50 in 2000, and rose along with inflation to \$6.72 in January 2001.<sup>37</sup>

A bill recently introduced in the Oregon legislature, House Bill 2786, follows Washington's lead by indexing the minimum wage for inflation.<sup>38</sup> The bill would increase the level of the minimum wage each year along with changes in the US consumer price index. This step would prevent the minimum wage's purchasing power from being eroded by rising prices.

In addition to indexing the level of the minimum wage for all future years, the 2002 increase in HB 2786 would raise Oregon's minimum to account for price increases since the implementation of the last phase of the previous minimum wage increase in January 1999. In January 2002, Oregon's minimum would rise from \$6.50 to \$7.03.<sup>39</sup> In following years, the minimum wage would rise at the same level as inflation for the previous 12-month period.

If the provisions of HB 2786 had been implemented in 1999, Oregon's minimum wage would have risen to \$6.65 in January 2000 and \$6.87 in January 2001. Instead, because the minimum wage is not currently indexed to inflation, its purchasing power has fallen, dropping to \$6.29 in 2000, expressed in 1999 dollars. The expected value of the minimum wage for 2001 is \$6.12, and it is projected to decline to \$5.52 by 2005. By the fourth quarter of 2000, the minimum wage had already lost most of the increase from the final phase of the increase, dropping back to \$6.22 in inflation-adjusted 1999 dollars.

House Bill 2786 would leave Oregon's minimum well below levels from the late 1960s and 1970s, but would raise its purchasing power back to the 1999 level set by voters. Fixing the minimum wage's purchasing power at the 1999 level will guarantee that three-person families working full-time do not fall below poverty.

## End Notes.

<sup>1</sup> Special thanks to Ed Lazere of the Center on Budget and Policy Priorities and Jared Bernstein of the Economic Policy Institute.

<sup>2</sup> Official results for Measure 36: [www.sos.state.or.us/elections/nov596/results/m36.htm](http://www.sos.state.or.us/elections/nov596/results/m36.htm).

<sup>3</sup> Earnings are a combination of hours worked and hourly wages. Since the minimum wage increase, wages have risen and hours worked have increased or remained steady. In retail trade, an industry thought to be sensitive to the minimum wage, average weekly hours worked were 29.7 in 1995, 28.9 in 1996, 29.4 in 1997, and 29.6 in 1998 and 1999.

<sup>4</sup> Thompson, Jeff & Leachman, Michael. 2000. *Prosperity in Perspective: The State of Working Oregon 2000*. Oregon Center for Public Policy. Silverton, OR. Available on the Internet at [www.ocpp.org/2000/es20000904.htm](http://www.ocpp.org/2000/es20000904.htm).

<sup>5</sup> OCPP analysis of the Census Current Population Survey (CPS). Workers' hourly wages combine the reported wage of hourly-paid workers with a calculated hourly wage for non-hourly-paid workers using weekly wages and weekly hours. All respondents with wages are included, except outlier wages discussed in Economic Policy Institute, *State of Working America*, Cornell University Press, 2001. Appendix B.

<sup>6</sup> This figure includes workers paid hourly and hourly wage estimates for salaried employees.

<sup>7</sup> While most workers are protected by the minimum wage, some are not covered, including related workers in family-owned businesses, informal workers such as baby-sitters, some agricultural workers, domestic service workers, and the self-employed. In addition, some employers are slow to adjust to new increases and there may be some violation of the minimum wage law.

<sup>8</sup> The number of workers affected by the 1999 increase includes hourly paid workers and salaried workers. The number of affected workers cited in previous OCPP research, *Oregon's Increasing Minimum Wage*, included only hourly paid workers.

<sup>9</sup> Workers impacted by the minimum wage increase are those employees with wages between 25 cents lower than the existing minimum wage and 50 cents higher than the forthcoming minimum wage in the year prior to the minimum wage increase. For example, impacted workers from 1998 are workers with hourly wages between \$5.75 and \$7.00. The minimum wage was \$6.00 in 1998 and moved to \$6.50 in January 1999. The profile of impacted workers and the total workforce presented in Table 1 combines workers from 1996, 1997 and 1998, whose wages were affected by the 1997, 1998 and 1999 increases.

<sup>10</sup> Estimates of median income and distribution of household income are for nominal dollars that have not been adjusted for inflation.

<sup>11</sup> OCPP analysis of Adult and Family Services quarterly performance data. Wages are hourly starting wages for full-time workers as reported to AFS by former welfare recipients. Quarterly average starting wage is deflated using the US CPI-U. While welfare recipients finding part-time work had lower wages, they experienced the same trends as full-time workers. The majority of former welfare recipients moving to work found full-time work. Roughly one fourth of placements find part-time work in any given quarter. The share of former recipients finding full-time jobs has risen slightly since Oregon's minimum wage increases.

<sup>12</sup> Data on nominal wage distribution from AFS Quarterly Performance Update, various editions.

<sup>13</sup> Oregon Employment Department (1998, December). *Oregon Labor Trends*.

<sup>14</sup> Average hours worked in sectors sensitive to the minimum wage have increased. See note 3.

<sup>15</sup> A few of the recent studies include: Bernstein, Jared and John Schmitt, "Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase," Economic Policy Institute, 1998. Bernstein, Jared and John Schmitt, "The Impact of the Minimum Wage: Policy Lifts Wages, Maintains Floor for Low-wage Labor Market," Economic Policy Institute, 2000. Card, David and Alan Krueger, "A Reanalysis of the Effect of the New Jersey Minimum Wage Increase on the Fast-Food Industry with Representative Payroll Data," January 1998, WP#393, Princeton University. Turner, Mark, "The Effects of Minimum Wages on Welfare Reciprocity," June 1999. Levin-Waldman and George W. McCarthy, "Small Business and the Minimum Wage," 1998/3 Jerome Levy Economics Institute. Dickens, Richard, Stephen Machin, and Alan Manning, "The Effects of Minimum Wages on Employment: Theory and Evidence from Britain," *Journal of Labor Economics*, 1999, vol. 17, no. 1.

<sup>16</sup> Oregon Labor Commissioner Jack Roberts has made this suggestion. *Mail Tribune*, "Labor Chief Runs Again for Job He Tried to Wipe Out," March 10, 1998.

<sup>17</sup> Even if the minimum wage increase had led to the job losses that opponents predicted, Oregon's unemployment rate would still be above the US rate. The Employment Policy Institute predicted that Oregon's 1998 and 1999 minimum wage increases would cause 5,451 jobs to be lost in the state. In 1999, Oregon's unemployment rate was 5.7 percent. If one assumes that the number of unemployed decreased by 5,451, as predicted by the Employment Policy Institute, Oregon's unemployment rate would have been 5.4 percent, still considerably higher than the US rate of 4.2 percent in 1999. Accordingly, the claim that minimum wage increases are what keep Oregon's unemployment rate higher than the national level does not add up.

<sup>18</sup> Employment to population ratios are constructed using employment data from the Oregon Employment Department and population estimates from the Portland State University Center for Population Research and Census, analysis contained in OCPP *Prosperity in Perspective*.

<sup>19</sup> *The Oregonian*, "Oregon's low jobless rate translates to plentiful pickings," 1/30/2000.

<sup>20</sup> Oregon Employment Department, Labor Trends, July 1999.

<sup>21</sup> *The Oregonian*, "Hungry for Help," 12/17/99.

<sup>22</sup> *Workforce 2000, An Oregon Employer Perspective*, Oregon Employment Department, page 12.

<sup>23</sup> Retail trade data from special tabulation conducted by Bradley Angle, Oregon Employment Department.

<sup>24</sup> *Workforce 2000*, pages 14-18.

<sup>25</sup> Tauer, Guy, "Restaurant Industry in Oregon," *Oregon Labor Trends*, September 2000. While noting the labor force shortages faced by restaurateurs in Oregon, this article also mentions that the declining restaurant employment share of total employment might also be the result of Oregon's minimum wage. This claim, illustrated by comparing data for the years 1993 and 1999, is not supported when examining data covering the entire decade. Data on the shifting employment patterns over the 1990s for Western states suggests that restaurant industry employment as a share of total employment rose in all states through the mid-1990s and began to decline in 1997 for all states. All of the Western states share a similar pattern, with the relative levels changing very little since 1990. Employment and establishment growth have slowed in Oregon in recent years, as they have for all industries. In 1999, employment growth for restaurants was 1.7 percent, indistinguishable from the 1.8 percent growth in total covered employment. The number of restaurants in Oregon even grew by 1.1 percent in 1999, compared to a -0.2 percent decline in total business establishments. OCPP analysis of Oregon Employment Department Covered Employment and Payroll data.

<sup>26</sup> OCPP analysis of AFS Statewide Data publication for various months.

<sup>27</sup> The steady rate of placement provides evidence that the labor market has not turned against those single mothers leaving welfare, but this placement rate is not necessarily a particularly good measure of the agency's performance. How well former clients fare in the labor market is partly a result of labor market conditions and individual effort (factors on which AFS has little impact), as well as job readiness training and employment opportunities enhancements, job skills and job market connections acquired while participating in AFS programs. To determine how much the agency is contributing to clients' ability to find work, it is important to distinguish among the different types of services received by different clients. Because this measure looks at placements as a share of all clients, and the agency has classified virtually all clients as being part of its JOBS program regardless of the services received, without more information from the agency it is difficult to differentiate the contribution of the agency as opposed to the labor market and other factors.

<sup>28</sup> The change between 1995 and 1998 is significant at the 90% confidence level. Those excluded from this measure are not necessarily "unemployed." Some are unemployed, while others are outside of the labor force, which usually means enrolled in school for this age group.

<sup>29</sup> The "employment rate" used for young workers and all workers 16 and over differs slightly from the rates reported on page nine for several reasons. The figures on page nine use aggregated employment data from the Oregon Employment Department and population estimates from the PSU Center for Population Research and Census. The employment rates for young workers and for all workers 16 and over are calculated by the OCPP from Current Population Survey micro-data. Also, the employment rate figures on page nine refer to non-farm employment, while those reported on page eleven reflect all employment. The two sets of employment rate figures also differ slightly because of the different age groupings used. Despite all of these differences, the two indicators yield similar results. The aggregate data for the employment-to-population rate show that non-farm employment as a share of the 18-64 year old population was 77 percent in 1997-99. The Census micro-data show that the employment-to-population rate for the 18-64 age group was 76.4 percent in 1998.

<sup>30</sup> Evidence showing that young workers' employment has not been harmed by the minimum wage increase is also confirmed by OCPP analysis of data from the Oregon Population Survey (OPS). OPS data show that in 1996 the employment rate of all teenagers (ages 16-19) was 52 percent and had risen to 55 percent by 1998, although the change was not significant at standard confidence levels. Because of changes to the survey, no comparable data exist from the 2000 OPS. Using the Census CPS data also fails to reveal negative employment impacts for teenagers. The employment rate for Oregon teens was 45 percent in 1994, 50 percent in 1995, 51 percent in 1996, 48 percent in 1997, 50 percent in 1998, and 46 percent in 1999.

<sup>31</sup> These differences between the 1999 value of the minimum wage and earlier years are calculated using the US CPI-U.

<sup>32</sup> In this paper, following standard research practice, the OCPP uses the federal poverty threshold, not the "guidelines" issued by Health and Human Services in February or March of each year. See [www.ocpp.org/poverty/how.htm](http://www.ocpp.org/poverty/how.htm).

<sup>33</sup> The 2001-05 poverty thresholds for three-person families are projected by adjusting the 2000 threshold with the US CPI-U. The 2000-05 price increase estimates are based on projections from the Congressional Budget Office in its 2002-11 *Budget and Economic Outlook*. The 2001 poverty threshold will not be officially established until 2002.

<sup>34</sup> <http://www.state.ma.us:80/dos/pages/CMR455002.htm>

<sup>35</sup> <http://www.ca.gov>.

<sup>36</sup> <http://www.ctdol.state.ct.us/communic/2000-12/minwageinc640jan1.htm>.

<sup>37</sup> <http://www.wa.gov:80/lni/news/pr122100a.htm>.

<sup>38</sup> Under HB 2786 Oregon's minimum wage would be adjusted each September to reflect the change in prices for the most recent 12-month period. The change would become effective the following January. The inflation measure to be used for this adjustment is the US All-City Average Consumer Price Index for All Urban Consumers, published monthly by the US Department of Labor, Bureau of Labor Statistics. To estimate the price changes that would be used to adjust the minimum wage in this paper OCPP uses the August to August price change.

<sup>39</sup> The projection of the January 2002 minimum wage level under HB 2786 is based on US Congressional Budget Office projections for price changes between 2000 and 2001. Because August to August changes in the CPI-U are nearly identical to the average annual change, OCPP uses CBO's 2000-01 annual average CPI-U projection for the August 2000 to August 2001 price change.