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News Release

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Rise in Oregon's Minimum Wage Set to Take Effect

Lowest-paid workers will keep up with inflation, but many won't escape poverty

(Silverton) – The ushering in of the New Year will bump up Oregon's minimum wage by 15 cents, helping low-wage earners keep pace with inflation. Despite the increase, many at the bottom rung of the pay scale will remain mired in poverty, according to the Oregon Center for Public Policy.

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 earlier this year. The increase reflects the rise of the cost of living as defined by the Consumer Price Index and is mandated by Ballot Measure 25, approved by voters in 2002.

The increase means an extra $312 a year and a total annual income of $16,536 for a full-time minimum wage worker. That is still below the $17,170 that constitutes the 2007 federal poverty line for a family of three.

"Adjustments to the minimum wage are essential for keeping the lowest-paid workers from falling further behind, but they are not a ticket out of poverty for most families depending only on a minimum wage job," said OCPP policy analyst Michael Leachman.

In 2006, the most recent year for which data is available, about one out of every 15 working families with children remained poor despite their work effort, said Leachman. He stressed that the percentage of working families falling below the federal poverty line is more than twice as high as a generation ago.

Moreover, the federal definition of poverty undercounts the poor, critics have long noted. Devised in the 1960s, the definition excludes costs such as child care, housing and transportation, which today make up a larger portion of a family's budget than they did a half-century ago, said Leachman.

Although 2008's minimum wage increase won't necessarily help alleviate poverty, it will help ensure that the problem does not worsen, according to the Silverton-based think tank.

"The minimum wage sets the floor," said Leachman, "and in that respect, Oregon has demonstrated leadership."

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With the 2002 passage of Measure 25, Oregonians voted to increase the state's minimum wage from $6.50 to $6.90 per hour effective January 1, 2003, and to tie it to inflation, as defined by the August Consumer Price Index.

In 2008, Oregon will have the nation's third-highest minimum wage, behind Washington ($8.07), California ($8.00) and Massachusetts ($8.00). Oregon's minimum wage will remain ahead of the national minimum wage of $5.85 per hour, scheduled to increase to $6.55 per hour on July 24, 2008.

Oregon's inflation-adjusted minimum wage has not dampened job growth, as critics of Measure 25 predicted, according to OCPP. The Center's analysis shows that Oregon's non-farm payroll employment growth was 12th fastest in the nation from 2002 to 2007.

The Oregon Restaurant Association's 2002 prediction that "nearly 30,000 more Oregonians could lose their jobs" as a result of Measure 25 has not panned out. Since the measure's enactment, employment in the restaurant industry — one with a relatively large share of minimum wage workers — has grown 19 percent, more than twice as fast as the overall non-farm payroll statewide, OCPP found.

And job growth in the restaurant industry appears set to continue. The Oregon Employment Department recently forecast that from 2006 to 2016 the restaurant industry will add more jobs — about 22,700 — than any other industry in the state. The department estimated that during that period, restaurant jobs will grow by 19 percent, faster than the projected 14 percent growth in all non-farm payroll jobs.

"This New Year Oregonians should make a resolution to focus on how we can best help those in our state who cannot make ends meet despite the minimum wage gains," said Leachman.

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.