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Oregon Small Businesses Can Thrive With a Higher Minimum Wage

Study finds past wage hikes have not dampened small business growth

Raising Oregon's minimum wage to \$15 per hour could boost the bottom line of small businesses, a sector that has enjoyed growth even after substantial wage hikes over the years. That's according to a new study by the Oregon Center for Public Policy.

"History shows that the small business sector can thrive following an increase to the state minimum wage," said the Center's executive director, Chuck Sheketoff.

The legislature is considering a bill that would raise Oregon's minimum wage to \$15 per hour by 2018, up from the current \$9.25 per hour. HB 2009 would phase in the increase in three steps.

When fully phased in, the increase would directly raise wages for an estimated 589,000 workers, according to the Center. Some additional workers already earning above \$15 per hour would also see their wages rise, according to the Center. Over the three years, lower-income workers directly and indirectly affected would gain about \$3.2 billion in added wages.

"More money in the pockets of workers means more customers for small businesses all across the state," Sheketoff said.

Minimum wage increases over the years have not held back Oregon's small business sector, according to the study. Oregon raised the minimum wage three times from 1989 to 2002, not counting the annual inflation adjustments that began in 2004. The 1989 legislature enacted a phased increase that resulted in a 42 percent hike in Oregon's minimum wage by January 1, 1991.

The \$15 proposal pending before the legislature would similarly increase the minimum wage over the first two years (43 percent), according to the Center's calculations. Over the entire three-year phase-in, Oregon's minimum wage would go up a total of 62 percent.

Voters by initiative increased the minimum wage two other times, in 1996 and 2002.

From 1988 to 2007, before the start of the Great Recession, the number of small businesses and small business jobs in Oregon grew by more than a third, the Center's study noted. The growth was mostly uninterrupted, with "contractions seemingly tied to the business cycle, not to minimum wage increases."

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One of the ways in which businesses adjust to higher minimum wages is through increased worker productivity, the study said.

“When you pay your workers more, they tend to stick around longer and go the extra mile for the business,” said Sheketoff. “Lower turnover and better productivity means savings for the owners.”

While the impact of a higher minimum wage on small businesses draws a great deal of attention, Sheketoff noted that most of the jobs in Oregon currently paying less than \$15 are with “larger businesses.” The Center’s study explained that there is no standard definition of “small business.” That said, the study found that about 52 percent of the jobs paying under \$15 per hour are jobs with businesses with 100 or more employees, and another 10 percent are with businesses with 50 to 99 employees.

“An increase in the minimum wage is good for workers, good for small businesses and good for Oregon,” Sheketoff concluded.

The Oregon Center for Public Policy is a non-partisan, non-profit institute that 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.