



Oregon Labor Commissioner Brad Avakian Testimony

Senator Tom Harkin's HELP Committee Hearing

March 14, 2013

Mr. Chair, Senators. Thank you for the opportunity to discuss Oregon's ten-year history of indexing our voter-passed minimum wage to the Consumer Price Index (CPI).

My name is Brad Avakian and I serve as Oregon's Commissioner of Labor and Industries, a non-partisan statewide elected position. Our agency protects Oregon's workforce, supports local businesses with technical assistance, and enforces our state's civil rights and wage and hour laws so that workers are protected and responsible employers have a level playing field on which to operate.

We also administer the state's indexed minimum wage law, passed in 2002 by a diverse coalition of labor, senior, religious and hunger security organizations and advocates.

I'm here today to offer our agency's perspective on Oregon's successful experience in administering the measure and applaud Senator Harkin and the committee for raising this important discussion.

After more than ten years of implementation, we know that Oregon's minimum wage law has been good for workers and businesses. By indexing the minimum wage to inflation, we've made sure that workers don't lose ground as the costs of everyday goods increase. Our system also provides employers with greater certainty and predictability for payroll expenses over time.

Oregon's law is guided by the understanding that increasing workers' purchasing power leads to a healthier economy. Virtually every dime that comes through a higher minimum wage is reinvested in the local economy when the worker buys groceries, gas, clothes, school supplies and other essentials. We know that the price on goods and services will increase with inflation. The success of local business is dependent on customers continuing their ability to purchase by seeing their wage keep pace with the cost of living.

How it works

The Oregon measure directs the Labor and Industries Commissioner to adjust the minimum wage for inflation every September, rounded to the nearest five cents. The adjustment accounts for inflation as measured by the CPI, a statistic published by the United States Bureau of Labor Statistics to track the average change in prices over time for a fixed "market basket" of goods and services.

For example, in September 2012, Oregon's minimum wage was \$8.80. Based on an increase in the CPI of 1.69 percent from August 2011 to August 2012, my office used a simple calculation to determine the rate for 2013:

$$\mathbf{\$8.80 \times .0169 = \$0.1487, \text{ rounded to } \$0.15}$$

The administration is simple and straight-forward.

Notably, we have not seen major spikes or steep wage increases year-to-year. The increases have been steady for employers – providing them with a healthy level of certainty and predictability. In fact, the largest wage increase in the decade since voters enacted Oregon's minimum wage law occurred in 2008 with a modest \$.45, six-percent increase.

The following year – as Oregon and the rest of the country struggled with the Great Recession – we saw no wage increase because of the declining CPI. This is an important built-in protection for workers during difficult economic times, and I appreciate the committee's approach in not having a drop in the CPIW trigger a decrease in wages when working families need it most.

Protecting all Oregonians

Notably, Oregon's voter-enacted system also guarantees a minimum wage to wait staff. Our restaurant industry is doing well – we have 8,867 restaurants that employ 171,900 Oregonians across the state. According to the National Restaurant Association, restaurants remain “a driving force in Oregon's economy.”

Oregon: Open for business

The Oregon Bureau of Labor and Industries provides technical assistance for more than 17,000 businesses each year. In addition, I frequently travel the state to meet with business leaders and local chambers of commerce.

When I meet with business owners, they ask me about creating a pipeline of skilled workers to get our economy back on track. Oregon's minimum wage is not an issue in those discussions. In fact, the last time that the issue came up in a meeting with an employer, it was in the context of the business owner saying that the federal minimum wage was too low for workers because it hasn't kept up with the cost of raising a family.

Oregon is a great place to do business. We value our workforce through a minimum wage that ensures that workers' buying power doesn't slip as the cost of everyday essentials rises.

Thank you again for your consideration of this issue and the critical work of protecting America's workforce. I look forward to your questions.

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