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Policy Analysis: Minimum Wage in the Portland Metropolitan Area

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Abstract

Oregon's current minimum wage of \$9.25 per hour is unsustainable as it does not provide adequate nutritional resources or housing for full time workers. Additionally, employers of minimum wage workers often rely on social safety net benefits for their workers, which effectively publicly subsidizes wages. This creates an unnecessary burden on the taxpayer. Oregon Senate Bill 1532 increases the minimum wage incrementally within Portland's Metropolitan Area to \$14.75 in 2022. This wage provides full time minimum wage workers enough income for adequate nutrition and reasonable housing while reducing worker reliance on social safety net programs.

Introduction

The current minimum wage in Oregon of \$9.25 per hour as of January 1, 2016 is not justifiable or satisfactory on the basis of the Fair Labor Standards Act's (FLSA) standards of health, efficiency, and general well-being of workers. The newly enacted rate of \$14.75 per hour to be implemented in 2022 sufficiently meets the FLSA standards.

Minimum wage laws were initially drafted during the dawn of the Industrial Revolution in response to systematic worker under-compensation created, in part, by an overabundance of new labor, a lack of regulation, and Laissez-Faire government attitudes. Initial laws and proceeding court challenges resulted in the Federal Fair Labor Standards Act of 1938 ensuring American's a

standard of living necessary for health, efficiency, and general well-being through the minimum wage.¹

In Oregon, the minimum wage is currently \$9.25 per hour.² The debate over raising the minimum wage has been increasingly present in local, state, and federal politics. For example, during his 2014 State of the Union Address, President Obama called for the federal minimum wage to be increased from \$7.25 per hour to \$10.10 per hour. This year, with the support of the legislature, Oregon Governor Kate Brown signed into law a bill that will incrementally increase Oregon's minimum wage in the Portland metropolitan area to \$14.75 per hour by 2022.³

Opponents of an increased minimum wage above the current \$9.25 per hour wage argue artificially raising wages will increase costs, forcing employers to reduce their workforce and refrain from hiring. Proponents of the increased minimum wage argue that minimum wage has not kept pace with rising costs and businesses are unfairly profiting from government wage subsidization through social safety net programs. To analyze the effectiveness of the current minimum wage, this report poses the question: Does the current minimum wage satisfy the standards set forth in the FLSA that the minimum wage should provide for health, efficiency, and general well-being of workers? To further define the health, efficiency, and general well-being of workers, this report will reference the first tier of Maslow's Hierarchy of Needs, which includes the need for food, drink, and shelter.⁴

History of Minimum Wage Legislation

The Industrial Revolution in the early 20th Century fundamentally changed the economic landscape in America. Workers flocked to cities looking for work. This overabundance of labor, coupled with the Laissez-Faire attitude of government at the time, spawned the labor practice known as "sweating." Sweating is defined as the payment by an employer to his employees, in the form of a wage, that is insufficient for them to purchase the necessities of life.⁵ The necessities of life, in this instance, include food, housing, and clothing. Hours were long, child labor was accepted, and wages were often insufficient. Workers were often faced with choosing proper nutrition, sufficient clothing, *or* adequate housing.⁶ This commonplace practice of severe under compensation demanded intervention.

Unions and public interest groups such as the National Consumers League attempted to fight for higher wages but were largely unsuccessful.⁷ Corporations and conglomerates including those in the steel, tobacco, glass, and automobile industries vigorously opposed unionization. Business success was prioritized over the welfare of the average individual worker. This culture was summarized by

¹ U.S. Department of Labor "About minimum wage," 2015, <http://www.dol.gov/minwage/minwage-gdp-history.htm>.

² Brad Avakian, "Oregon minimum wage," *Oregon Bureau of Labor and Industries*, Accessed April 15, 2016, http://www.oregon.gov/boli/WHHD/docs/oregonminimumwage_eng_2016.pdf

³ Ian Kullgren, "It's Official: Kate Brown Signs Minimum Wage Bill for \$14.75 in Portland." *The Oregonian*, March 2, 2016, http://www.oregonlive.com/politics/index.ssf/2016/03/its_official_kate_brown_signs.html.

⁴ Abraham H. Maslow, "A theory of human motivation," *Psychological Review* 50 (1943).

⁵ Willis J. Nordland, *The Quest for a Living Wage: The History of the Federal Minimum Wage Program*, (Connecticut: Greenwood Press, 1997).

⁶ Ibid.

⁷ Ibid.

President Calvin Coolidge's proclamation that noted "the business of America is business."⁸ Regardless of the President's unsympathetic tone, demand for government intervention rose considerably. Elected officials, witnessing the desperation of low-wage workers, initiated the long journey towards minimum wage legislation. Minimum wage legislation started at the state level and can be attributed to three models from Massachusetts, Oregon, and Utah. In 1912, Massachusetts legislators passed the nation's first minimum wage law. Oregon, Utah, and six other states followed the next year.⁹

Minimum wage legislation in Massachusetts featured a tripartite commission to determine appropriate wages, a consideration for the financial strength of industry, and a voluntary enforcement system.¹⁰ Legislatures included a voluntary enforcement system and considered the financial strength of industry out of fear of lawsuits and uncertainty of any negative economic impact. While well-intentioned, the Massachusetts law met resistance immediately.

Oregon's law, similar to the Massachusetts law, determined appropriate wages through an appointed committee. Dissimilarly, however, Oregon's law disregarded the economic conditions of industry and enforced wages through fines and imprisonment.¹¹ Oregon's minimum wage legislation was the first to be widely promulgated in the United States since it was the first enforceable model. Lawmakers in Utah drafted minimum wage legislation similar to Massachusetts and Oregon. However, they changed one key provision: Utah's law established a flat-rate minimum wage via direct, in-state statute; Massachusetts and Oregon relied on independent commissions to determine wages.¹² Utah's minimum wage statutes were a precursor to the Fair Labor Standards Act of 1938.

As minimum wage legislation swept through the states, many businesses and employees challenged minimum wage legislation based on the Fourteenth Amendment's due process clause. As stated in *Lochner vs. New York* (1905) regarding the Fourteenth Amendment, "no state can deprive any person of life, liberty, or property without due process of law."¹³ The right to purchase or to sell labor is part of the liberty protected by this amendment." For example, Elmira Simpson, an employee in Oregon in 1913, claimed her Fourteenth Amendment rights were infringed upon because her eight-dollars-per-week salary was as much as she was able to obtain for her labor capabilities.¹⁴ If Elmira's maximum labor output was valued at eight dollars per week and new minimum wage standards were higher, business owners would be inclined to replace her with a more productive employee—thus infringing on her right to sell labor freely. After presiding Judge Cleeton dismissed the complaint, the case was appealed to the Oregon Supreme Court. After extensive review of the working conditions of low-wage workers in

⁸ Willis J. Nordland, *The Quest for a Living Wage: The History of the Federal Minimum Wage Program*, (Connecticut: Greenwood Press, 1997).

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ *Lochner v. New York* 198 U.S. 45, 53, 1905, retrieved from: https://www.law.cornell.edu/wex/quotation/%5Bfield_short_title-raw%5D_71.

¹⁴ U.S. Department of Labor, Bureau of Labor Statistics. "*Minimum-Wage Laws of the United States: Construction and Operation*." (Washington, DC: U.S. Government Printing Office).

Oregon, the Supreme Court unanimously upheld the lower court's decisions. The Oregon Supreme Court concluded, "we think we should be bound by the judgment of the legislature that there is a necessity for this act, and that it is within the police power of the State to provide for the protection of the health, morals, and welfare of women and children, and that the law should be upheld as constitutional."¹⁵ The courts concluded that working conditions were so dire that public safety should overrule the Fourteenth Amendment. Ultimately, this logic was used as a constitutional foundation for minimum wage legislation throughout the country leading to the creation of the Federal Fair Labor Standards Act of 1938. The act gives Congress the power to regulate commerce to eliminate labor conditions "detrimental to the maintenance of the minimum standard of living necessary for health, efficiency, and general well-being of workers."¹⁶ The theory was that employers must pay, at minimum, what it costs to produce labor, not what the labor produces for the employer.¹⁷

Minimum Wage Workers in the Portland Metropolitan Area Currently

As of January 1, 2016, the minimum wage in Oregon is \$9.25 per hour.¹⁸ Assuming an employee works forty hours per week for fifty weeks per year, an employee on minimum wage in Portland, Oregon would earn \$18,500 of gross income annually. Using the 2015 Tax Tables of Oregon's income tax code, an individual making \$18,500 will pay \$1,426 in income tax.¹⁹ With this reduction, a minimum wage worker in Portland will net \$17,074 per year. An estimated 82,968 workers in Portland metropolitan area, or Portland's urban growth boundary including Clackamas, Multnomah, and Washington counties, work for minimum wage.²⁰

Who are these minimum wage, or "low-wage," workers? For the purposes of this demographic analysis, a wage of \$12 per hour or an annual income of less than \$25,000 will be used as a description of low-wage workers.²¹ Contrary to popular belief, the majority of low-wage jobs are not entry-level positions held by young adults. National estimates show that over 88% of low-wage workers are over 20 years old. The average age for a minimum wage worker is 35 years old.²² Women and people of color are often employed in low-wage occupations. In Oregon, women made up 57% of the workforce, but were 64% of part-time workers and 60% of

¹⁵ U.S. Department of Labor, Bureau of Labor Statistics. "Minimum-Wage Laws of the United States: Construction and Operation." (Washington, DC: U.S. Government Printing Office).

¹⁶ U.S. Department of Labor. The Fair Labor and Standards Act of 1938, As Amended, 29 U.S.C. §202 May 2011. Retrieved from <http://www.dol.gov/whd/regs/statutes/FairLaborStandAct.pdf>

¹⁷ Thomas R. Powell, "The Oregon Minimum-Wage Cases," *Political Science Quarterly* 32 (1917): 297.

¹⁸ Brad Avakian, "Oregon minimum wage," *Oregon Bureau of Labor and Industries*, Accessed April 15, 2016, http://www.oregon.gov/boli/WHD/docs/oregonminimumwage_eng_2016.pdf

¹⁹ *Oregon Department of Revenue*. "2015 Tax Tables for Form 40," Accessed April 15, 2016.

https://www.oregon.gov/DOR/programs/individuals/Documents/full-year-income-tax-tables-rates-101-043_2015.pdf

²⁰ Will Burchard, "Oregon's Minimum Wage to Increase Each Year Through 2022," *State of Oregon Employment Department*, Last modified April 6, 2016, <https://www.qualityinfo.org/-/oregon-s-minimum-wage-to-increase-each-year-through-2022>.

²¹ Josh Lehner. "Job polarization in Oregon: An examination of occupational growth by wage level, 1980 – 2012," 2013, Retrieved from: <https://oregoneconomicanalysis.files.wordpress.com/2013/10/oregon-job-polarization.pdf>

²² Dan Essrow and David Cooper, "Low-wage workers are older than you think," *Economic Policy Institute* (2013). Retrieved from: <http://www.epi.org/publication/wage-workers-older-88-percent-workers-benefit/>

minimum wage workers in 2013.²³ 54% of female-headed households with children earn less than \$25,000 annually.²⁴ The wage gap between men and women persists in all industries including low-wage occupations. Additionally, people of color represent 20% of the low-wage workforce, which is disproportionate to the overall population.²⁵ Table 1 indicates the percentage of low-wage workers per community. Black or African American and Latino populations maintain the highest percentage of low-wage workers compared with any other group.²⁶

COMMUNITIES	PERCENTAGE WORKING IN LOW-WAGE INDUSTRIES†
All Oregon	39.8
Men	30.3
Women	50.3
White	39.8
Black or African American	52.3
Asian	32
Hispanic and Latino	45.3

Table 1: Communities of Color in Low Wage Work. *Source:* Reddy, et. al., 2014

Analysis of the Current \$9.25 Minimum Wage

Since its inception in 1938, the minimum wage has fluctuated in value. As seen in Figure 1, purchasing power of the minimum wage peaked in 1968 at \$10.56, when adjusted for inflation in 2012 dollars.²⁷ Compared with Oregon’s current minimum wage of \$9.25, the minimum wage has lost roughly 12% of its purchasing power since 1968.

²³ Jessica Nelson, “Working women: Participation and the earnings gap,” *State of Oregon Employment Department*, 2014. Retrieved from: <https://www.qualityinfo.org/-/working-women-participation-and-the-earnings-gap>.

²⁴ Raahi Reddy et al., “The High Cost of Low Wages in Oregon: Oregon Workforce Report 2014,” retrieved from <http://www.ocpp.org/media/uploads/pdf/2015/2014-lerc-oregon-workforce-report-the-high-cost-of-low-wages-in-oregon.pdf>

²⁵ Ibid.

²⁶ Ibid.

²⁷ U.S. Department of Labor “About minimum wage,” 2015, <http://www.dol.gov/minwage/minwage-gdp-history.htm>.

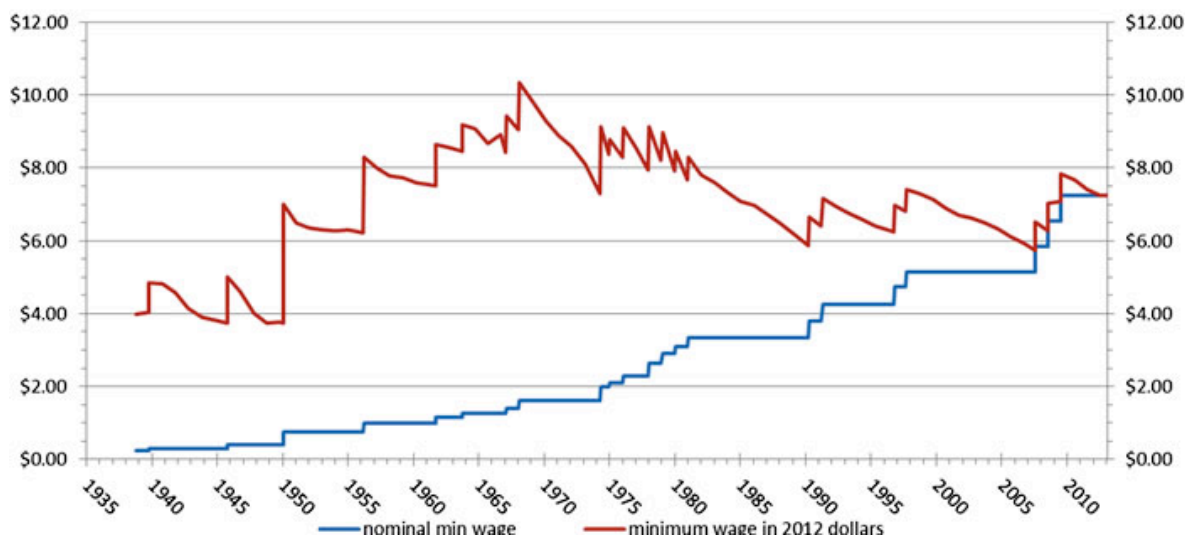


Figure 1: Graph of the federal minimum wage adjusted for inflation. *Source:* U.S. Department of Labor, 2015.

Therefore, does the minimum wage of \$9.25 per hour satisfy the requirements of the Fair Labor Standards Act of 1938—that wages paid must provide for a minimum standard of living necessary for health, efficiency, and general well-being for workers? More specifically, does the minimum wage provide for the first tier of Maslow’s Hierarchy of Needs, which includes the need for food, drink, and shelter?²⁸ This report based its analysis assuming full-time employment (which—to add—is uncommon for minimum wage paying jobs.) The two primary effectiveness measures for this analysis will be the necessity of government assistance to low-wage workers in the form of Supplemental Nutrition Assistance Program (SNAP) benefits and the affordability of adequate housing. The secondary effectiveness measure will be the tax burden resulting from government assistance to low-wage workers.

Government Assistance to Low-Wage Workers

The University of Oregon Labor Education and Research Center estimates taxpayers spend \$1.75 billion annually in safety net assistance to workers and their families in Oregon.²⁹ These safety net assistance programs include, but are not limited to, SNAP benefits, the Oregon Health Plan (Oregon Medicaid), and employment-related day care assistance. Reddy et. al. estimates the \$1.75 billion total is conservative as it does not include housing subsidies.³⁰ If a full-time minimum wage worker’s income maintains a standard of living necessary for health, efficiency, and general well-being, why do so many low-wage workers rely on government assistance to make ends meet?

²⁸ Abraham H. Maslow, “A theory of human motivation,” *Psychological Review* 50 (1943).

²⁹ Raahi Reddy et al., “The High Cost of Low Wages in Oregon: Oregon Workforce Report 2014,” retrieved from <http://www.ocpp.org/media/uploads/pdf/2015/2014-lerc-oregon-workforce-report-the-high-cost-of-low-wages-in-oregon.pdf>

³⁰ *Ibid.*

In August 2013, approximately 808,000 individuals in 443,500 households received SNAP benefits. Of those individuals, roughly 40% are children and roughly 50% are women. The average monthly benefit was about \$235 per household or \$127 per person.³¹ To qualify for SNAP benefits in Oregon, in 2015, an individual must have an annual income of less than \$21,780.³² As previously stated, a full-time employee working for the minimum wage of \$9.25 per hour nets roughly \$17,074 annually. A full-time minimum wage employee earns \$3,280 less than the qualification for food assistance. The income cap increases as persons in a household increase. Table 2 shows income requirements for SNAP benefits.

PERSONS IN FAMILY	ANNUAL	MONTHLY	WEEKLY
1	\$21,780	\$1,815	\$419
2	\$29,484	\$2,457	\$567
3	\$37,188	\$3,099	\$716
Monthly amounts go up \$642 for each additional person.			

Table 2: Eligibility Requirements for SNAP Benefits. *Source.* Partners for a Hunger-Free Oregon, 2015

Based on the SNAP benefit threshold, an individual would struggle to afford proper nutrition while working full-time at minimum wage. To overcome the SNAP benefit threshold, an individual would have to earn \$10.47 per hour working full-time. This report concludes that the current minimum wage of \$9.25 per hour does not satisfy the criteria of health, efficiency, and well-being established in the FLSA, nor does it provide for the basic needs of proper food and drink described on Maslow’s first tier of the Hierarchy of Needs.

Affordability of Housing

Federal standards state that no more than 30% of a household’s gross income should be spent on housing expenses. Housing expenses over 30% are considered a cost burden.³³ The median rent for a one-bedroom apartment in Portland, Oregon is \$1,400 as of April 2016. Median rent for a two-bedroom apartment is \$1,600.³⁴

³¹ Raahi Reddy et al., “The High Cost of Low Wages in Oregon: Oregon Workforce Report 2014,” retrieved from <http://www.ocpp.org/media/uploads/pdf/2015/2014-lerc-oregon-workforce-report-the-high-cost-of-low-wages-in-oregon.pdf>

³² Partners for a Hunger Free Oregon. “Applying for SNAP”, 2015. Retrieved from: <https://oregonhunger.org/applying-for-snap>

³³ Megan Bolton et al. “Out of reach 2015.” *National Low Income Housing Coalition*. Accessed April 15, 2016. http://nlihc.org/sites/default/files/oor/OOR_2015_FULL.pdf

³⁴ Leo Rosett and Andrew Woo, “April 2016 National Apartment List Rental Report,” *Apartment List Rentonomics*, last modified April 1, 2016, <https://www.apartmentlist.com/rentonomics/april-2016-national-apartment-list-rent-report-rentonomics/>

As previously stated, a minimum wage employee working full time would net roughly \$17,074 annually, or \$1,422 per month. This is clearly insufficient to independently house oneself during full-time employment at the minimum wage. A more reasonable housing option would be to share the cost of housing with another individual when possible. Using the \$1,600 median rent for a two-bedroom apartment, rent for half of this housing is \$800 per month. This represents roughly 56% of a minimum wage employee's monthly income which exceeds the federal cost-burdened 30% standard. A worker would need to earn about \$2,600 per month to afford \$800 rent at the recommended 30% standard. A worker earning the current minimum wage of \$9.25 per hour would need to work about 70 hours per week to meet the 30% standard.

This report concludes that the minimum wage of \$9.25 per hour is insufficient to adequately house an individual working full-time. The minimum wage fails to adequately satisfy the shelter requirement of the first tier Maslow's Hierarchy of Needs.

The Government Assistance Tax Burden

Within any society and community, the minimum cost of living may be composed of housing, food, medical expenses, transportation, and childcare. In the Portland Metropolitan Area, individuals that either do not work, cannot work, or do not earn an adequate salary fall into the social safety net of government assistance designed to help with the minimum cost of living. When employers pay a full time employee minimum wage, the government often provides assistance to individuals to promote a minimum standard of living. How much does that government assistance cost the taxpayer? The University of Oregon Labor Education and Research Council estimates the total annual cost of social safety net assistance for workers and their families to be \$1.75 billion. More than one-third of the Oregon population, or 1,367,005 individuals, were served by either SNAP, employment-related day care, or the Oregon Health Plan.³⁵ This equates to roughly \$1,280 per individual each year. This does not, however, include housing subsidies—so this figure can be considered a conservative estimate. The social safety net was intended to be a temporary assistance to individuals under a financial burden. However, as wages remain stagnant, businesses are effectively using government assistance as wage subsidization. Major employers such as Walmart, McDonald's, Safeway, Taco Bell, and Subway are some of the largest beneficiaries of wage subsidization.³⁶ While their workers must rely on the safety net, these companies are reporting significant profits, which Table 3 highlights.

³⁵ Raahi Reddy et al., "The High Cost of Low Wages in Oregon: Oregon Workforce Report 2014," retrieved from <http://www.ocpp.org/media/uploads/pdf/2015/2014-lerc-oregon-workforce-report-the-high-cost-of-low-wages-in-oregon.pdf>

³⁶ Ibid.

RETAIL TRADE	2013 PROFITS
Walmart	\$17.20B
Target	\$2.41B
Safeway	\$3.51B
Kroger	\$1.56B

FAST FOOD RESTAURANTS	2013 PROFITS
McDonald's	\$5.586B
Taco Bell (Yum Brands)	\$1.091B
Burger King	233.7M

Table 3: Nationwide Profits of Businesses Benefiting from Worker Wage Subsidization. *Source:* Reddy et al., 2014

Do corporate income taxes cover the cost of the social safety net in Oregon? No. For example, in fiscal year 2011, corporations paid only \$357 million, or 20%, of the \$1.75 billion spent on the safety net.³⁷ By essentially subsidizing wages, these social safety net benefits enable employers to continue to pay low wages. Employers like Walmart and McDonald's, whose profits are in the billions of dollars, are able to pay low wages knowing the government will provide social safety net benefits to employees whose wages are insufficient. This report concludes that with the current minimum wage of \$9.25 per hour, businesses pay insufficient taxes compared to the benefits they receive from wage subsidization, creating an unfair burden on taxpayers.

Recommended Policy Action

On March 2nd, 2016, Oregon Governor Kate Brown signed into law Oregon Senate Bill 1532 raising the minimum wage within Portland's urban growth boundary. The law incrementally increases the minimum wage each year, culminating in a \$14.75 per hour rate by 2022.³⁸ Based on the previous analyses, this report supports Senate Bill 1532. A minimum wage of \$14.75 satisfies the FLSA standards and Maslow's Hierarchy of Needs criteria. An individual working 40 hours per week, 50 weeks per year, would net an estimated \$27,084 annually working for \$14.75 per hour. This annual income, which is higher than the SNAP benefit threshold of \$21,780 per year, should result in adequate nutrition.³⁹ Furthermore, with a monthly income estimated at \$2,257, renting one room in a two-bedroom apartment at a median \$800 per month represents about 35% of the employee's total income. While this exceeds the recommended 30% of total income standard, it is certainly much more manageable than 56% at \$9.25 per hour.

³⁷ Oregon Department of Revenue. "Oregon Corporate Excise and Income Tax Characteristics of Corporate Taxpayers" (2013).

³⁸ Ian Kullgren, "It's Official: Kate Brown Signs Minimum Wage Bill for \$14.75 in Portland." *The Oregonian*, March 2, 2016, http://www.oregonlive.com/politics/index.ssf/2016/03/its_official_kate_brown_signs.html.

³⁹ Partners for a Hunger Free Oregon. "Applying for SNAP", 2015. Retrieved from: <https://oregonhunger.org/applying-for-snap>

Lastly, \$14.75 per hour will reduce employee reliance on government assistance therefore reducing overall burden state budgets.

Realistically, however, the average low-wage employee receiving SNAP benefits works an average of 910 hours per year, less than half of full time.⁴⁰ At this rate, that employee will gross an estimated \$13,422 working for \$14.75 per hour. While this worker may still be reliant on government assistance, this represents an estimated 17.3% increase in total earnings.

Opposing Arguments

Let the Free Market Raise Wages

Free market advocates may argue that wages will rise as the economy recovers and business owners reinvest earnings in increased wages. However, as Figure 2 describes, from 1980 to 2010, Oregon has experienced a polarization in wages. The highest and lowest income brackets have expanded while the upper middle and lower middle brackets have contracted, contradicting the common theory that as the top income bracket increases, wealth trickles down to the middle classes.

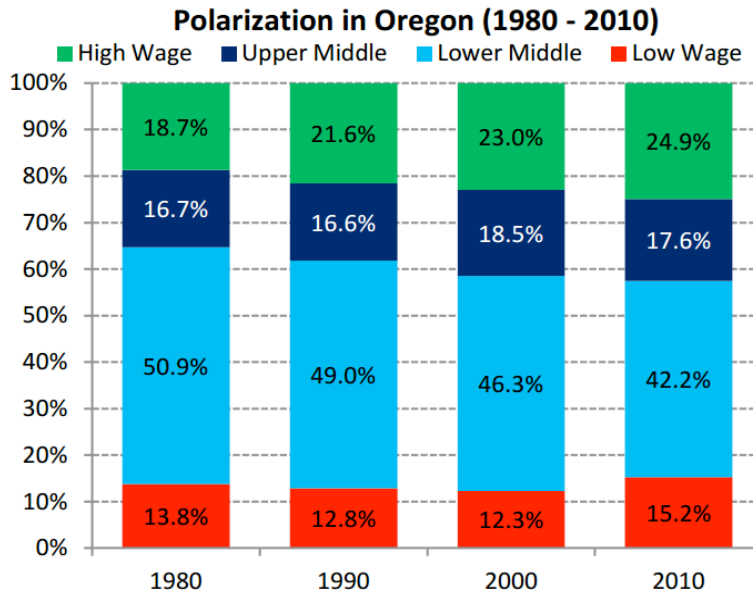


Figure 2: Wage polarization in Oregon. *Source:* Lehner, 2013.

⁴⁰ Raahi Reddy et al., “The High Cost of Low Wages in Oregon: Oregon Workforce Report 2014,” retrieved from <http://www.ocpp.org/media/uploads/pdf/2015/2014-lerc-oregon-workforce-report-the-high-cost-of-low-wages-in-oregon.pdf>

Increasing the Minimum Wage Will Increase Unemployment Rate

Opponents to an increase in minimum wage argue that artificially manipulating wages will negatively impact on the economy by forcing businesses to cut hours and reduce hiring, thus increasing unemployment. However, two major meta-studies do not support this. The first meta-study analyzed 64 minimum wage studies published between 1972 and 2007 measuring the impact of minimum wages on teenage employment in the United States.⁴¹ The authors of the study graphed over 1,000 employment estimates and found the most precise estimates were heavily clustered at or near zero employment effects as displayed in Figure 3

⁴¹ Hristos Doucouliagos, and T.D. Stanley, "Publication selection bias in minimum-wage research? A meta-regression analysis," *British Journal of Industrial Relations* 47 (2009): 406-428.

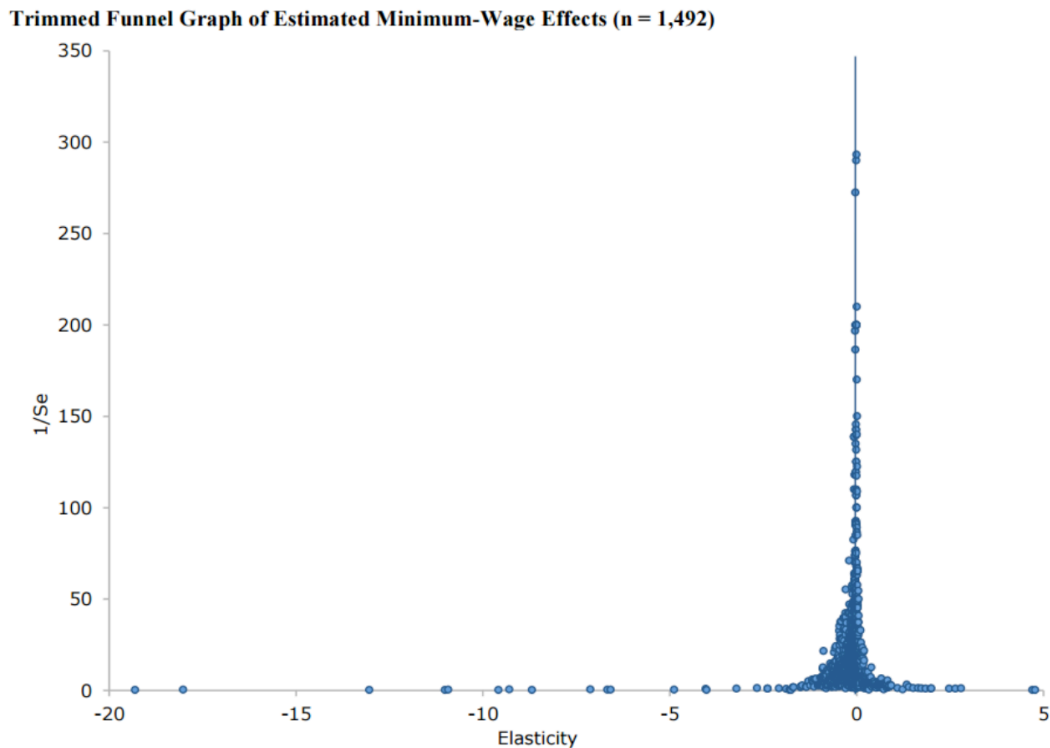


Figure 3: Effects of minimum wages on employment. *Source:* Doucouliagos & Stanley, 2009.

The authors concluded that a 10% increase in the minimum wage reduces employment by about 0.1%, which is “of no practical relevance.” Oregon Senate Bill 1532 increases the minimum wage incrementally. The first increase is to \$9.75 representing a 5.4% increase. The minimum wage continues to increase each year to \$11.25, \$12.00, \$12.50, \$13.25, \$14.00, \$14.75 representing increases of 15.4%, 6.6%, 4.1%, 6%, 5.6%, and 5.3% respectively. Using Doucouliagos & Stanley’s study, with the possible exception of the increase from \$9.75 to \$11.25, these increases to the minimum wage should have “no practical relevance” to employment rates.⁴² They continued, stating “the minimum wage could be doubled and cause only a 1% decrease” in employment.⁴³ Doucouliagos and Stanley concluded, “even under generous assumptions about what might constitute ‘best practice’ in this area of research, little or no evidence of an adverse employment effect remains in the empirical research record.”⁴⁴ The second meta-study by Paul Wolfson and Dale Belman analyzed 27 studies of minimum wage increases published since 2000 yielding 201 employment estimates in total. Wolfson and Belman’s analysis revealed no statistically negative effects of the minimum wage,⁴⁵ which supports the work of Doucouliagos and Stanley.⁴⁶

⁴² Hristos Doucouliagos, and T.D. Stanley, “Publication selection bias in minimum-wage research? A meta-regression analysis,” *British Journal of Industrial Relations* 47 (2009): 406-428.

⁴³ *Ibid.*

⁴⁴ *Ibid.*

⁴⁵ Dale Belman, and Paul J. Wolfson. *What does the minimum wage do?* Kalamazoo, MI: Upjohn Institute for Employment Research, 2014.

⁴⁶ Hristos Doucouliagos, and T.D. Stanley, “Publication selection bias in minimum-wage research? A meta-regression analysis,” *British Journal of Industrial Relations* 47 (2009): 406-428.

Increasing the Minimum Wage Will Increase Prices

John Schmitt, author of “Why Does the Minimum Wage Have No Discernible Effect on Employment?” from the Center for Economic and Policy Research, explains the results of the aforementioned studies. Schmitt explains employers may adjust for increased labor costs by reducing hours and non-wage benefits, shifting compensation from higher paid to lower paid workers, or increasing prices to consumers. However, employers will yield significant cost savings as a result of a reduction of labor turnover and increased worker productivity.⁴⁷ These cost savings should enable business to maintain employment at normal levels with higher wages.

Conclusion

The Federal Fair Labor Standards Act mandates that the minimum wage provide for the health, efficiency, and well-being of workers. Maslow’s first tier on the Hierarchy of Human Needs suggests humanity’s highest needs include food, drink, and shelter. A minimum wage of \$9.25 per hour at full time employment does not adequately provide for these standards. Minimum wage workers rely too heavily on government assistance and cannot adequately afford housing. Furthermore, wage subsidization through social safety net benefits imposes a significant burden on taxpayers. This report concludes that raising the minimum wage to \$14.75 per hour in the Portland Metropolitan Area through Senate Bill 1532 adequately provides a “living wage” to full time minimum wage workers.

⁴⁷ John Schmitt, *Why does the minimum wage have no discernible effect on employment?*, February 2013, retrieved from: <http://www.cepr.net/documents/publications/min-wage-2013-02.pdf>

Note about the Author

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