MINIMUM WAGE CHANGE COMES TO OREGON

A bill has been introduced in the Oregon legislature which would raise the state's current minimum hourly wage rate by more than 40 percent over the next three years.These proposed changes would affect approximately six percent of the wage and salary employment in the state. The new legislation (Senate Bill 335) would significantly alter the current minimum wage law in Oregon. Some of the major changes would be:

- Add coverage of agricultural workers with some exemptions for students who are 16 years old or younger. The exemptions would allow the employer to pay the student at less than the established minimum hourly rate. However, the exempted student would have to be paid the same piece rate as the workers who are over 16 years old.
- Define subject agricultural employers as those who had 500 piece rate work days in any quarter of the previous year. A "piece rate" workday would be defined as having worked at least one hour for the established piece rate standard during any one day by one worker.
- Eliminate the "training wage" provision of the current law.
- Raise the current minimum wage of $3.35 per hour in three annual adjustments to $3.75, $4.25 and $4.75 per hour effective July 1 of 1989, 1990, and 1991. Biennial adjustments after 1991 would be indexed to 50 percent of the average annual weekly wage as determined by the Oregon Employment Division. The average weekly wage would be divided by forty hours to derive the comparable total average hourly wage rate.

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The discussions that occurred in the Oregon Senate on this proposed piece of legislation centered on the direct economic impacts of the wage changes specified in the bill.

These debates ranged from raising the purchasing power of workers in lower wage jobs to job losses created by increasing employer costs to the potential of product price increases. These debates were usually based upon the assumption that raising the minimum wage leads to significant job losses, product price increases, and business closures. One of the first major issues discussed was the characteristics of the people who are currently working at or below the current minimum wage level of $3.35 per hour. From studies that have been done on this question the following profile of minimum wage workers emerges at the national level.

AGE
Over half (57.2%) were young people under 25 years of age. Teenagers (age 16-19) accounted for 36.3% of minimum wage workers.

SEX
In 1987, nearly twice as many women as men earned the minimum wage or less. Women accounted for 65% of all minimum wage workers.

RACE-ETHNIC GROUP
Nearly one-fourth of all minimum wage workers were either Black(14.3%) or Hispanic(8.9%).

FULL OR PART-TIME
Two-thirds of those earning $3.35 or less worked part-time (i.e.less than 35 hours per week).

GEOGRAPHIC DISTRIBUTION
Minimum wage workers were much more likely to live in the South (41%) or the Midwest (28.6%). Only 14.4% lived in the Northeast region, while 16.1% lived in the West.

OCCUPATION
Over half (52.5%) of all minimum wage workers were employed in service occupations. Sales and administrative support (including clerical) occupations also employed a relatively large share (22.7%).

INDUSTRY
Nine out of ten (88.5%) minimum wage workers were employed in service-producing industries. One industry, retail trade, employed over half (51.4%) of all minimum wage workers.

EDUCATION
Years of school completed and wage levels were strongly related. Over 80% if all minimum wage workers had either completed no more than four years of high school (45.7%) or had not yet finished high school (34.7%).

With some minor variations, most of these characteristics of minimum wage workers would be applicable to the Oregon workforce. This conclusion was reached after analyzing labor force information that was available to the Employment Division. The second major question that came up in the analysis of this legislation was the potential unemployment that would be created if the minimum wage was increased in Oregon. A review was conducted of several minimum wage studies to attempt to answer this question. The minimum wage studies were segregated into two separate groups based upon the time period in which they were completed. Most of the minimum wage studies completed during the 1970s suggested that a 10 percent increase in the minimum wage would reduce teenage (16-19 years old) employment by 1 to 3 percent. If these factors are applied to the estimated 87,750 teenagers in Oregon's 1987 workforce, the job loss would range between 880 and 2,630 for teenagers.However, these minimum wage changes will also affect the employment opportunities for young adults (20-24 years old) in Oregon. Using information from these studies conducted in the 1970s shows that for this group a 10 percent increase in the minimum wage would reduce employment by on-quarter to one-half of one percent. Applying these factors to Oregon's 1987 young adult workforce estimate of 157,380 would produce job losses of 390 to 790. Combing th two age groups would produce an estimated job loss of between 1,270 and 3,420 for every 10 percent increase in the minimum wage.

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The second set of minimum wage studies used to analyze the impact of minimum wage changes in Oregon were those that were conducted using information developed during the 1980s. These studies estimated that a 10 percent increase in the minimum wage would reduce teenage employment by approximately one percent and about one-fourth of one percent for young adults. These new factors, if applied to the two workforce estimates mentioned previously, would produce job losses of 1,270 for every 10 percent increase in the minimum wage.

The questions that remained after these analyses were completed were:

- What factors were creating the differences between the job loss estimates developed for Oregon using the data from the two groups of minimum wage studies?
- What other possible local sources of information could be used to select which set of factors to use in estimating the job losses crated by the [proposed changes in Oregon's minimum wage by Senate Bill 335?

The answers to the first question involve understanding the different economic and labor force environments which existed in the 1960s and 1970s versus those that persisted throughout the 1980s. During the 1960s and 1970s the labor markets were driven by a surging workforce which was filled by large numbers of people and females entering the workforce for the first time. Although the state and national economies were growing rapidly, this growth was not strong enough to absorb all of the new entrants to the labor market. This created a situation throughout this twenty year period where there was a tremendous surplus of labor available for the new jobs that were being created by the economic growth. The 1980s brought a complete reversal in this pattern of labor force growth. Due to a decline in birth rates in the 1960s and early 1970s and the slowing down in the rate with which women entered the workforce in the 1980s, the supply of labor began to decline for the new minimum wage jobs which were being generated by the economy. This change in the labor force demand/supply for these minimum wage jobs caused shortages of applicants to develop which as caused wages to rise for many of the jobs which had previously paid the minimum wage. In some areas of the United States, some of the wages for these jobs have risen to the $5-$6 per hour range.

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The second question above required the identification of an alternate local data source which would support using the results of one of the two minimum wage group studies to estimate the employment impacts of the proposed minimum wage law changes in Oregon. The independent data source chosen for this analysis was the job orders arrayed by wage listed with the Oregon Employment Division between 1984 and 1988. These job orders were compared both for the absolute number listed by hourly wage and the percentage these groups made up of the total number of job orders. The comparisons showed that in 1984 the Employment Division registered 13,509 job orders paying $3.35 per hour. This represented 19.4% of the 69,698 jobs which were listed during that year. In contrast, the Employment Division registered 11,791 job orders paying $3.35 per hour in 1988 which comprised only 10.5% of the 112,173 job orders taken during that year. The analysis of the job orders over this five year period shows both an absolute reduction (-1,718) in the number and a decline in the percentage of job orders (-8.9 percentage points) that pay $3.35 per hour. The trends identified in this data source led to the selection of the minimum wage studies completed in the 1980s to estimate the job loss which would be created by the current changes being considered by the Oregon legislature in the minimum hourly wage.

The final act in this article is to apply the selected factors from the 1980s minimum wage studies to estimate the total impact of these proposed changes in Oregon over the three year period. Since the proposed changes would increase Oregon's minimum wage by 42 percent between 1989 and 1991, job losses for youth could be expected to be approximately 4 percent or 3,510 jobs. The same analysis applied to young adults would cause a job loss of 1 percent or about 1,570 jobs. This represents a combined total job loss estimate of almost 5,100 jobs over the three year period if the proposed minimum wage legislation becomes law.

Although other modifications will probably be made to the current proposal in the legislature, there is sufficient support to assume that Oregon's minimum wage will rise in the next two or three years. Similar legislature to raise the federal minimum wage (currently $3.35) is also being considered in the U.S. Congress. This article has focused only on the proposed increase in the State minimum wage.

HUD TAKE NATIONAL ACTION

Secretary of Housing and Urban Development Jack Kemp today took steps to ensure reforms in the sale and disposal of all HUD-owned properties to bring HUD into strict accordance with federal laws and regulations and Department standards.

Secretary Kemp has ordered all HUD Regional Administrators and Field Office Managers to implement new property disposition procedures to more adequately monitor sales closing, closing agent performance, and the handling of sales proceeds on HUD property.

The new procedures include a new standard contract for all closing agents; stricter documentation of closing agent performance; prompt wire transfer of sales proceeds on HUD-owned properties; swift review of all closing packages to ensure the accuracy, completeness, and timeliness of the entire closing process; and greater accountability for HUD's Regional Administrators and Field Office Managers for monitoring and maintaining these standards.

The HUD Inspector General will audit key areas around the country including Denver, Dallas, Houston, New Orleans, Los Angeles, and Washington, DC, to ensure that these standards are met.

In addition, an independent accounting firm will undertake an audit of HUD's internal systems for monitoring the sale of HUD-owned properties to determine the financial and managerial integrity of the system.

"President Bush and I are committed to maintaining the highest standards of conduct and accountability for the Department of Housing and Urban Development, including the proper disposal of HUD-owned properties", Secretary Kemp said. "These actions will help us achieve that goal."