



## OREGON LEGISLATIVE POLICY, RESEARCH, & COMMITTEE SERVICES

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### *Issue Brief: Minimum Wage*

**Federal Minimum Wage.** In 1938, President Roosevelt signed into law the Fair Labor Standards Act, which set a national minimum wage (25 cents per hour) and a maximum work week (40 hours). Since then the federal minimum wage has increased 17 times. The federal minimum wage applies to "employees engaged in commerce or in the production of goods for commerce" (with some exceptions for persons living in Puerto Rico and American Samoa, for agricultural workers, and a few other occupations). The most recent change in the federal minimum wage was an increase from \$4.25 to \$5.15 (HR 3448; passed August 1996).

The federal minimum wage is the default wage for all states, unless they choose to set a minimum wage above the federal rate (federal law provides that the higher of the two wages prevails). States may set a different minimum wage rate for those occupations not falling under the "engaged in commerce" definition.

**Oregon Minimum Wage.** The Oregon state minimum wage law was statutorily set in 1967 for occupations not covered by the federal wage. In 1989, the Oregon minimum wage was set above the federal rate and was applied to all occupations. There are some exemptions to this law, listed in ORS 653.020, including salaried administrative or professional workers, taxi cab drivers, and volunteer firefighters.

In November 1996, Oregonians approved a ballot measure to further increase the state minimum wage from \$4.75 to \$6.50 over a three-year period. In 1998, minimum wage is \$6.00; the rate will be \$6.50 effective January 1, 1999.

**Other Minimum Wages.** At \$6.00, Oregon currently has the highest state minimum wage in the nation. Several municipalities, however, have set minimum wages even higher, such as the District of Columbia with a minimum wage of \$6.15. Also, some municipalities have a "living wage" requirement for anyone working on a city service contract (e.g., Baltimore has a minimum hourly wage for city service contract workers of \$6.60).

**Who Earns the Minimum Wage?** Nationwide, a typical minimum wage earner is female (about two-thirds), young (half are aged 16 - 24), and works part time (60%). In 1998, about 936,000 Oregonians aged 16 and older were paid on an hourly basis. Roughly 107,000 (11%) of those hourly Oregon workers earned the minimum wage of \$6.00 per hour.

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***What is the Current Debate?*** Supporters of the minimum wage argue that the minimum wage should ensure that even the lowest paid workers live at or above the poverty level. In recent years, the minimum wage has not kept pace with inflation, and proponents of further increases to the minimum wage assert that at least cost of living adjustments should be made. Proponents also state that women and minorities make up a disproportionate share of minimum wage workers.

Opponents of the minimum wage fall in several categories. Some believe that there should be no minimum wage and that all wages should be set by the market. Others oppose further increases in the wage because they believe that the result will be higher unemployment, higher costs for employers, and higher prices for consumers. Opponents also assert that the minimum wage does not improve the abilities of low-skilled workers.

***Recent Activities.*** At the federal level, the debate over the minimum wage has increased recently due to proposals by President Clinton and some democratic members of Congress to increase the federal minimum wage. The proposals include increases ranging from \$6.15 to \$7.15 over two to five years. A recent attempt by the U.S. Senate to raise the federal minimum wage to \$6.15 failed to garner support.

In Oregon, the debate has focused largely on the response to the recently increased wage. Some business groups have proposed allowing a tip credit (deducting a certain amount of tips from the minimum wage), deductions for offering health care benefits, and allowing a training wage for young, new employees. A measure containing a tip credit and a training wage (HB 2971) failed to pass the legislature in 1997.

The City of Portland recently instituted an ordinance that requires firms with certain formal service contracts pay their employees at least \$7.50 per hour, increasing to \$8.00 per hour in 1999. The Multnomah County Commission will vote in October 1998 to require a floor of \$9 per hour (wages and benefits combined) on certain service contracts with the county.

***For More Information.***

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