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July 19, 2016

The Honorable Kurt Schrader
U.S. House of Representatives
2431 Rayburn House Office Building
Washington, D.C. 20515

Subject: Overtime Reform and Enhancement Act

Dear Representative Schrader:

I am writing to express Associated Oregon Industries' strong support for the Overtime Reform and Enhancement Act. AOI appreciates your leadership on this issue of critical importance to the business community.

The new overtime regulations present a variety of troubling issues that impact all Oregonians, from workers to consumers to employers. As a predominantly small business state with a significant rural population, Oregon bears a disproportionately heavy burden relative to other states.

Oregon's unique economy

The recently-imposed overtime rules ignore the variation in individual states' economies and typical salaries. The cost of living—and, therefore, the wage required to maintain that standard of living—varies widely by state and region. According to data from the U.S. Bureau of Economic Analysis, in 2013 Oregonians paid less to live in Oregon than their counterparts across the U.S.

And, because the cost of living is lower, it's not surprising that Oregon's median wage is also less. This fact alone means that the new overtime rules include up to about the 50th percentile of Oregon wage earners, far beyond the intended 40th percentile impacted nationally. Due to its higher share of lower income earners, Oregon has a disproportionate number of newly eligible employees as compared to other states.

Disproportionate impact on rural Oregon

The Oregon Employment Department does not report median wages by county; however, it does report Average Pay. Overall, in Eastern Oregon's eight counties, Average Pay was about 25% less than the statewide average.

That means that in Oregon's lower-wage counties, the nationally targeted 40th percentile of $50,440 is actually a much higher local percentile, pushing more and more workers into eligibility and adding new, higher costs that local economies just can't support.

Oregon's rural communities have struggled in recent years with high unemployment rates and stagnant job growth. A phased-in approach to the new rules would greatly benefit these areas, allowing them more time to absorb the rules' cost impacts into their troubled economic reality.

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When overtime rules were first instituted, it made sense to have one federal eligibility threshold. At the time, there was very little access to local-area wage statistics or regional cost-of-living calculators. But today, local data is available, and it illustrates that the U.S.'s regional economies are too complex and diverse to support a single national eligibility threshold that can include many workers above the local 40th percentile.

Oregon is a small business state

When the change to overtime rules was originally proposed, the Notice of Proposed Rulemaking pointed out that it would *"transfer income from employers to employees in the form of higher earnings*," acknowledging that these changes come with costs. While larger employers may have the income available—or can raise their prices—to pay significantly more in overtime benefits, Oregon's small businesses may not have that luxury. The Small Business Administration reports more than three quarters—77.4%— of Oregon's employers are businesses with 1 to 19 employees.

These small businesses typically are "price takers"—not "price makers". That means they are small enough producers of goods and services that the market, comprised of many sellers, sets their prices. If a small business charges much more than the market price, consumers switch to competitors with lower prices.

Since small businesses have limited ability to raise prices, there are few options for absorbing new costs; they can lay off workers or they can reduce current workers' hours. Either option places a burden on the remaining employees, who may have fewer hours to complete for the same amount of work. And workers who are laid off place a new burden on state services such as unemployment insurance and Medicaid.

Uneven impact of proposed regulations is unfair to Oregonians

Due to Oregon's lower statewide and local wage rates, a disproportionate number of those 5 million impacted people are expected to be in Oregon. That means Oregon consumers, small businesses, and employees themselves who could end up working fewer hours—are also higher than average.

The new overtime wage threshold increase unevenly affects Oregon businesses due to Oregon's lower wages while failing to address the varying characteristics of local and regional economies. This abrupt increase endangers the job security and opportunities for advancement for far too many Oregonians.

Given these concerns, AOI welcomes the introduction of the Overtime Reform and Enhancement Act. AOI strongly supports this legislation, and other efforts to address the overtime rule in a way that benefits both employers and employees.

Thank you again for your leadership.

Sincerely,

Elizabeth A. Earls

Elizabeth A. (Betsy) Earls
Vice President & Counsel

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