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Statement by Jonathan Hogstad, International Representative of Service Employees International Union (SEIU) department of Capital Stewardship in support of HB 5069 AN ACT CONCERNING LOW WAGE EMPLOYERS— before the Joint Committee on Labor and Public Employees

Good Afternoon, Co-Chairs, and distinguished members of the Joint Committee on Labor and Public Employees. Thank you for the opportunity to speak on this important issue. I'm Jonathan Hogstad. I'm a representative of the capital stewardship department of Service Employees International Union, which represents 2.1 million public and private sector workers across the country. I'd like to speak today specifically drawing on my background in economic and political development and policy studies.

In economics and policy studies there are clear roles for government. Government allows society to cooperate—to make and enforce decisions that allow for optimal outcomes for society as a whole. There are areas that need support; there are areas that need to be regulated and heavily taxed; and there are areas that government should neither support nor tax beyond their fair share. What I want to highlight today is that the basic economic principles that are touted by market fundamentalists and certain employer lobbies actually help us understand that when businesses that do not provide a public good are receiving government subsidies, society as a whole is losing because resources are being syphoned away from where they are needed.

To explain this concept in more detail: goods and services that benefit more people than just the producer and consumer have what are called positive externalities. For example, when a school produces education and a student consumes it, many more people in society benefit from an educated workforce and citizenry. If it was left up to individuals to purchase education on the private market, the overall level of education would be far less than optimal for society. Therefore we get together as a society and pay taxes that are used to subsidize schools so that we are all better off together and economic activity is higher. There are also products and services with negative externalities, which harm or impose costs on society. Society gets together and imposes sufficient taxes on these companies to pay to clean up their harm and we regulate these companies so they harm less.

There is also a third case of producers of goods and services that are in the middle of the road—they produce neither positive nor negative externalities. These companies do not need

to receive subsidies and they should pay only their portion of taxes to support the public goods that they benefit from like education for their workforce, roads for the transport they need, and the safety provided by police and fire fighters. Any company must obviously maintain healthy employees to keep producing. Companies must pay their workers at least enough for food and shelter and to raise children that will be part of the next generation's workforce. If there are companies that do not pay even this much, then we are left with two options: 1) we can let these workers die, which does not work from a moral or business standpoint, or 2) society can step in and make sure that these workers are able to survive and support their families. So we step in as society and provide a social safety net through government, using our tax dollars. The problem with this solution is that we must now either raise taxes for everyone, which decreases economic demand and hurts the economy, or must divert tax dollars from roads, education, and security to subsidize businesses that have no positive externalities at all. In either case, workers and employers both suffer in the long run as the economy is undermined.

Bill 5069 provides a way for society to correct this market distortion without letting the workforce die and the companies fail. If an employer here says his or her business cannot survive without this subsidy, or if he or she has to pay this subsidy back to society, then that person's business should fail and make way for a business that will not divert resources from where they are needed. Anyone that opposes this bill under pretenses that government intervention is bad and market solutions are better is being disingenuous. These people should be called out for being self-interested leeches on society. They need to pay their fair share and stop hurting workers, community members, and their fellow employers that do not use a low-wage business model. This is about basic economics.