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Statement by Paul Filson, Director of Service Employees International Union (SEIU) Connecticut State Council in support of SB 1044 –AN ACT CONCERNING THE RECOUPMENT OF STATE COSTS ATTRIBUTABLE TO LOW WAGE EMPLOYERS – before the Human Services Committee.

CONNECTICUT
STATE COUNCIL

SERVICE EMPLOYEES
INTERNATIONAL UNION
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Good Afternoon, Co-Chairs, Senator Moore, Representative Abercrombie and distinguished members of the Human Services Committee. I appreciate the opportunity to testify today. My name is Paul Filson and I am Director of SEIU's Connecticut State Council. The State Council represents over 65,000 members in Connecticut. SEIU is Connecticut's largest union. SEIU whole-heartedly supports SB 1044 a law that would ensure that large for-profit corporation wages are not massively subsidized by public tax dollars.

SB 1044 makes a clear policy decision. It is time for hugely profitable large corporations to pay their employees a decent wage. Wal-Mart and the other corporations covered by this bill have developed a model for making money that relies on public subsidies. Workers employed for 30-40 hours a week at one of these low paying employers are eligible for multiple public subsidies including: HUSKY, Food Stamps, Earned Income Tax Credits, Housing, Child Care and others. Should the state and its tax payers encourage this model?

There are over 40 Wal-Mart and Sam's Club stores and over 150 McDonald's restaurants in Connecticut. According to an OLR report from 2011 nearly 28,000 workers and their family members who were employed at Wal-Mart, McDonald's, Dunkin Donuts and 22 other huge companies were enrolled in HUSKY. As Medicaid expands under the Affordable Care Act there are likely thousands more. Those who work hard for a living should not have to rely on public subsidies to obtain health insurance.

Let us look at some indisputable facts:

- *Some of the largest and most profitable corporations in the world pay poverty wages equal to or just above the minimum wage to most of their employees.*
- *Only 61% of employers provide insurance for their workers.*
- *Many of Connecticut's most profitable corporations do not provide affordable quality health insurance including Wal-Mart, Dunkin Donuts and McDonald's. Over 28,000 workers and their family members at these and other large profitable corporations are enrolled in HUSKY. Over 2/3rds of HUSKY recipients come from families that are working.*

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- *Corporate business taxes add less than 5% to collected revenue for Connecticut's budget. This is down from over 11% 20 years ago. Many CT based small businesses pay more in Connecticut taxes than hugely profitable national corporations.*

The low wage model is not necessary nor should it be tolerated. Most other companies pay their workers decently including the majority of small businesses. **SB 1044** charges large low wage employers a fee to offset their exploitative business model. One study showed that each Wal-Mart ends up costing tax payers over \$1 million in subsidies to ensure workers get decent health care and basic needs. At least a \$1.00/hour fee for each employee paid less than a decent wage of \$15 per hour would encourage higher wages or at least reimburse the State and tax payers for subsidizing poverty wages.

Here is something **SB1044** does not do. It does not add any expenses to small businesses. The fee pertains only to employers with over 500 employees and it does NOT collect any fees from individual franchisees. Fees would be collected from the large corporate franchisors that have a total of 500 workers in their franchised workplaces.

SEIU also recommends several small clarifying changes to **SB1044**. The bill should be slightly modified so that a system of graduated fees is incorporated. The fee would increase gradually from zero at 500 employees to \$1 or \$1.50 for much larger employers. This system would eliminate a steep cliff that exists in the bill from 499 to 500 and would be more fair – charging larger corporations more than smaller ones. The bill should also make clear that the fee is calculated and collected on regular wages not on wages plus overtime. Also, tipped workers' wages should include tips in determining whether or not they earn more than or less than \$15 per hour.

The argument that providing decent wages and benefits will cause Connecticut to lose jobs is a scare tactic – it's unproven. Nor is it a given that prices would rise more than a little. In fact, leveling the playing field should have the opposite effect - providing an incentive for other decent companies to open and compete with bottom feeders like Wal-Mart. Decent wages will also inject massive amounts of money into the consumer market also creating jobs.

The Department of Social Services, The Department of Developmental Services and the Office of Early Childhood would receive needed revenues from the fees paid by large for profit companies like McDonald's and Walmart to support and enhance health care services and child care programs that are being threatened with cuts due to our current budget shortfalls. These programs have been short changed for years and should be funded to allow for the expansion of quality services that make it possible for Connecticut's workers to get jobs and stay in them.

Last year the Office of Fiscal Analysis estimated a similar bill would raise nearly \$250 million dollars a year. **SB 1044** is good policy that will grow Connecticut's economy, improve services in health care for the elderly, those with disabilities and the children of working families. Connecticut's economy and budget should be designed to reflect values that place human needs first. Please support **SB 1044**.

Executive Summary

Nearly three-quarters (73 percent) of enrollments in America's major public benefits programs are from working families. But many of them work in jobs that pay wages so low that their paychecks do not generate enough income to provide for life's basic necessities. Low wages paid by employers in the fast-food industry create especially acute problems for the families of workers in this industry. Median pay for core front-line fast-food jobs is \$8.69 an hour, with many jobs paying at or near the minimum wage. Benefits are also scarce for front-line fast-food workers; an estimated 87 percent do not receive health benefits through their employer. The combination of low wages and benefits, often coupled with part-time employment, means that many of the families of fast-food workers must rely on taxpayer-funded safety net programs to make ends meet.

This report estimates the public cost of low-wage jobs in the fast-food industry. Medicaid, the Earned Income Tax Credit and the other public benefits programs discussed in this report provide a vital support system for millions of Americans working in the United States' service industries, including fast food. We analyze public program utilization by working families and estimate total average annual public benefit expenditures on the families of front-line fast-food workers for the years 2007–2011.¹ For this analysis we focus on jobs held by core, front-line fast-food workers, defined as nonmanagerial workers who work at least 11 hours per week for 27 or more weeks per year.

Main Findings

- More than half (52 percent) of the families of front-line fast-food workers are enrolled in one or more public programs, compared to 25 percent of the workforce as a whole.
- The cost of public assistance to families of workers in the fast-food industry is nearly \$7 billion per year.
- At an average of \$3.9 billion per year, spending on Medicaid and the Children's Health Insurance Program (CHIP) accounts for more than half of these costs.
- Due to low earnings, fast-food workers' families also receive an annual average of \$1.04 billion in food stamp benefits and \$1.91 billion in Earned Income Tax Credit payments.
- People working in fast-food jobs are more likely to live in or near poverty. One in five families with a member holding a fast-food job has an income below the poverty line, and 43 percent have an income two times the federal poverty level or less.
- Even full-time hours are not enough to compensate for low wages. The families of more than half of the fast-food workers employed 40 or more hours per week are enrolled in public assistance programs.

Figure 1: Participation in Public Programs

