Approved: Date March 3, 2003

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE.

The meeting was called to order by Chairman Donald Dahl at 9:00 a.m. on February 18, 2003 in Room 243-N of the Capitol.

All members were present:

Committee staff present: Jerry Ann Donaldson, Kansas Legislative Research Department
Renae Jefferies, Revisor of Statutes
June Evans, Secretary

Conferees appearing before the committee: Representative Dale Swanson
Jim DeHoff, Executive Secretary, Kansas AFL-CIO
Judy Ancel, Director, The Institute for Labor Studies, The University of Missouri-Kansas City and Longview Community College
Terry Leatherman, Vice President, Legislative Affairs, Kansas Chamber of Commerce and Industry
Mike Taylor, Government Relations Director, City of Wichita
Hal Hudson, State Director, National Federation of Independent Business
Jim Cox, President, Kansas Action Network
Sue Ledbetter, Board Member, Community Action Network of Wichita and Director Wichita/Hutchinson Labor Federation, AFL-CIO
Page Twiss, Flint Hills Living Wage Coalition
Sylvie Rueff, Kansas National Organization for Women
Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce

Others attending: See attached sheet

The Chairman called the meeting to order at 9:00 a.m. and recognized Representative Ruff.

Representative Ruff moved and Representative Grant seconded to Table **HB 2129** and to request the Speaker form a summer OSHA task force similar to 2002 **HB 2888.** The motion carried.

The Chairman opened the hearing on **HB 2276 - Family leave wage replacement act.**

Representative Dale Swenson, a proponent to **HB 2276,** testified that one hundred and forty-one nations have recognized the need and the value of having paid family leave. Eighty five of those countries require 100 percent wage replacement. California was the first state to adopt a paid family leave initiative. **HB 2276** allows employees to receive wage replacement benefits while they are off work. Benefits are equivalent to the benefits received if they had been laid off from work (Attachment 1).

Jim DeHoff, Executive Secretary, Kansas AFL-CIO, a proponent to **HB 2276** recommended the bill be referred to the Kansas Employment Security Council for complete review and action. The Council would make recommendations back to this committee (Attachment 2).

Judy Ancel, Director of The Institute for Labor Studies of The University of Missouri-Kansas City and Longview Community College, testified as a proponent to **HB 2276**. Since the passage of the Federal Family and Medical Leave Act (FMLA) in 1993, Ms. Ancel has provided training to union members and answered questions regarding FMLA.

The Federal FMLA was the first law passed by the federal government since the Pregnancy Discrimination Act in the 1960s which recognized that workers have responsibilities to their families which sometimes conflict with responsibilities to their employers. Workers often have to choose between caring for a newborn child or aging parent and their jobs. FMLA does not cover workers at businesses that employ fifty or less workers in a seventy-five mile radius. In Kansas only 52 percent of workers meet this standard. FMLA is a right many cannot afford to use because it provides only for unpaid leave, so many workers simply cannot afford to use it. **HB 2776** would make Kansas one of a growing number of states moving toward paid leave in a nation that is one of the most backward in the world on family leave (Attachment 3).

Terry Leatherman, Vice President–Legislative Affairs, Kansas Chamber of Commerce and Industry, testified in opposition to **HB 2276**. This social welfare program would place a massive tax increase squarely on the backs of Kansas employers. In June 2000, the Kansas Department of Human Resources (KDHR) estimated what it would cost to implement an Executive Order from President Bill Clinton to permit states to provide paid leave through unemployment benefits for parents of newborn or adopted children. KDHR reported an estimated 38,206 men and women would qualify for the paid leave. Using the average unemployment weekly benefit amount at that time, $218.87 a week, KDHR estimated the six-week program would cost more than $50M. **HB 2276** goes much further; it would cost significantly more. Kansas employers are paying an estimated $220M in unemployment compensation taxes to Kansas this year and this bill would increase that amount by nearly 50%. It would be fair to estimate the cost of the plan at about $100M annually (Attachment 4).

Mike Taylor, Government Relations Director, City of Wichita, testified in opposition of **HB 2276**. The Family Leave Wage Replacement is an expensive mandate which far exceeds the intent or requirements of the federal FMLA. The bill would impose a heavy financial burden on Wichita taxpayers, encourage absenteeism and fraud by employees, and punish employees who have strong work ethics. The City of Wichita strongly encourages the committee to reject the costly and unnecessary financial burdens **HB 2276** would impose on the taxpayers and citizens of Wichita (Attachment 5).

Hal Hudson, State Director, National Federation of Independent Business, an opponent to **HB 2276**, testified that small business owners already are overburdened with regulations and red tape. They want no more mandates from state or federal government. **HB 2276** would be just another mandate that would be costly and make it harder to operate a business successfully. **HB 2276** would encourage government to micro-manage private enterprise; some might say it is an "anti-employee" bill (Attachment 6).

The Chairman closed the hearing on **HB 2276**.

The Chairman opened the hearing on **HB 2277 - Minimum wages, state contractors shall pay minimum wage.**

Staff gave a briefing on **HB 2277**, concerning employment; ensuring the employees of government contractors are paid a living wage. Any employers, other than a not-for-profit corporation with a value in excess of $25,000 per year to the state shall provide: (1) employer's employees earn a wage of not less than $9.37 per hour or equivalent salary based rate of compensation based on a 40 hour week (2) proof of the existence of a group health care insurance plan providing to its employees benefits not less than those available under the state uninsurable health insurance plan and to which its employees contribute not more than 30% of total premium costs (3) annual leave policy providing not less than 12 days of compensated leave and 10 days of uncompensated leave.

Representative Dale Swanson testified as a proponent to **HB 2277.** This bill requires contractors and recipients of state economic development incentives to pay a "living wage" and provide health insurance for their employees. Many Kansas full-time workers do not earn enough to climb out of poverty. A wage earner working full-time at federal minimum wage of $5.15 per hour would earn approximately $10,700 a year which is $4,300 below the 2002 poverty line for a family of three and $7,400 below the poverty line for a family of four.

When state economic development incentives create jobs that pay sub-poverty level wages, Kansas is pursuing a shortsighted economic policy. **HB 2277** insures that Kansas economic development incentives create jobs that will lift Kansans out of poverty while improving quality of services received under state contracts

(Attachment 7).

Jim Cox, President, Kansas Action Network, testified as a proponent to **HB 2277** which ensures that employees of government contractors are paid a living wage. The primary beneficiaries of the living wage are the affected workers and their families. The living wage movement is a movement for family values, raising children in decent circumstances without having to depend on government subsidies (Attachment 8).

Sue Ledbetter, Board Member, Community Action Network of Wichita and Director Wichita/Hutchinson Labor Federation, AFL-CIO, testified as a proponent to **HB 2277**. A "living wage" policy establishes an absolute minimum level of pay higher than the state or federal minimum wage. The federal government standards by the Census Bureau sets the benchmark at $9.39 per hour, 130 percent of the federal poverty line, for a family of three. Living wage laws cover only those companies that receive local or state government contracts, subsidies and/or tax breaks, and economic development funds (Attachment 9).

Jim DeHoff, Executive Secretary, Kansas AFL-CIO testified as a proponent to **HB 2277.** The state should set working guidelines that would prevent low wage workers from being in poverty. Businesses who contract with the state should not pay wages so low that it causes their employees to seek government assistance to survive (Attachment 10).

Page Twiss, Flint Hills Living Wage Coalition, a proponent to **HB 2277**, stated this bill ensures that government contract jobs and economic development jobs, subsidized by citizens' taxes, must meet the standard of a living wage. The federal minimum wage is $5.15 an hour and the Kansas minimum wage is $2.65 an hour- the lowest state minimum wage in America. According to the Kansas Department of Labor, about 20,000 Kansas citizens are paid less than the federal minimum wage. Both of these wages are below the poverty level for a family of three (Attachment 11).

Sylvie Rueff, Kansas National Organization for Women, supported **HB 2277** which ensures that employees of government contractors are paid a living wage. The state minimum wage is insufficient to afford life anywhere in Kansas. A living wage can end homelessness for fully one third of America's homeless citizens and prevent homelessness for all minimum wage workers. The $9.37 minimum wage, and the formula for determining annual adjustments indexed to the cost of living, would ensure that any 40-hour-per week minimum-wage worker could afford housing. A living wage would ensure a 40 hour a week, minimum wage worker, adequate income to support a family of four above the poverty level (Attachment 12).

Terry Leatherman, Vice President - Legislative Affairs, Kansas Chamber of Commerce, an opponent to **HB 2277**, stated the bill would limit job creation. By making the cost of labor increase, a business is compelled to respond. Often that response is to eliminate employment positions. Often the positions eliminated tend to be the low wage workers. This hurts the people living wage ordinances are allegedly proposed to help (Attachment 13).

Christy Caldwell, Vice President Government Relations, Greater Topeka Chamber of Commerce, testified as an opponent to **HB 2277**. It is believed that **HB 2277** would dramatically raise the cost of state government and would serve as a detriment to the future growth of the private sector in Kansas by reducing capital investment and job creation in the state. It is believed that the state can ill-afford these consequences at this time (Attachment 14).

The Chairman closed the hearing on **HB 2277**.

The following attachments were distributed on **HB 2276:** Sandra Jacquot, Director of Law/Legal Counsel, League of Kansas Municipalities, an opponent (Attachment 15). **HBs 2276 and 2277** Ashley Sherard, Vice-President, Lenexa Chamber of Commerce, an opponent (Attachment 16). **HB 2277**: Liz Hicks, President, Wichita Chapter of National Organization for Women, a proponent (Attachment 17), **HBs 2276 and 2277** Jesse Romero, Southwest Director, Center for Policy Alternatives, a proponent (Attachment 18).

**COMMERCE AND LABOR**

DATE February 18, 2003

| NAME | REPRESENTING |
|---|---|
| Christy Caldwell | Gr. Topeka Chamber of Comm. |
| Julie Clark | Hallmark Cards |
| Sue Ledbetter | Wichita/Hutchinson Labor Fed AFL-CIO |
| Oriel W Weber | KDHR |
| Bill Layes | KDHR |
| Glenn Griffeth | KDHR |
| Andy Shaw | Goodyear Tire & Rubber |
| Ron Appletoft | WaterOne |
| Bernie Koch | Wichita Chamber |
| Rudy Leutzinger | KDHR |
| Ashley Sherard | Lenexa Chamber |
| Bill Thompson | KS Dept. of Commerce |
| Karen Hutmiller | SRS |
| Nancy Ferris | Flint Hills Living Wage Coalition |
| Mary Jane Stattelman | KGFA/KARA |
| Jim Cox | Kansas Action Network |
| Ron Seeber | Hein Law Firm |
| Terry Leatherman | KCCI |
| Pat Bush | Westar Energy |
| H Born | KDHR |
| Pam Scott | KS Funeral Directors Assn |
| Kevin Davis | Am Family Ins |
| Martin Hawver | Hawver's Capitol Report |
| Natalie Bright | WIBA |
| Nicole Romine | GBBA |
| Erik Sartorius | City of Overland Park |
| Hal Hudson | NFIB/KS |
| Nancy Pierce | KHCA |

# COMMERCE AND LABOR

DATE Feb 18 2003

| NAME | REPRESENTING |
|---|---|
| Tom Burgess | KHCA |
| Mike Pepoon | Sedgwick County. |
| Chris Wilson | KS Building Industry Ass'n |
| A Michael Klein | The Salvation Army |
| Capt. David Womack | The Salvation Army |
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CORRECTIONS & JUVENILE JUSTICE
JUDICIARY
JOINT COMMITTEE ON CORRECTIONS & JUVENILE JUSTICE
SPECIAL CLAIMS AGAINST THE STATE

Testimony HB 2276

Commerce and Labor Committee

February 18, 2003

One hundred and forty-one nations have recognized the need and the value of having paid family leave. Eighty five of those countries require 100 percent wage replacement. California is the first state in the Union to adopt a paid family leave initiative. In signing this legislation enacting paid family leave in California, Governor Gray Davis said, "I don't want Californians to choose between being good parents and good employees."

Currently employees needing to use FMLA benefits must forego compensation to dealing with the needs of sick, injured, or dying family members. HB 2276 allows these employees to receive wage replacement benefits while they are off work. These benefits are equivalent to the benefits they would receive if they had been the victims of a lay off.

Paid family leave allows parents to spend more time with sick children, which improves physical and mental health. Jody Heymann, Ph. D., Director of Policy for the Harvard University Center for Society and Health points to numerous studies that prove that parental presence helps children recover more rapidly from illnesses and injuries, reduces the duration of children's hospital stays, and lowers children's anxiety levels. Parents who have some paid leave are 5.2 times more likely to care for their children themselves when their children are sick.

More than one in three families have family care giving needs requiring 2 weeks or more of their time each year. Children recover more rapidly from illnesses and injuries when their parents are present. While the importance of parental involvement in caring for sick children has been well documented, little attention has been paid to the factors that influence whether parents can be involved in the care for their children's health

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Adults also fare better when they receive support from family members. An extensive body of research demonstrates that the elderly live longer when they enjoy higher levels of social supports from friends and family. Social supports have also been linked with improved survival rates for patients with coronary disease and postmyocardial infarction.

Parental involvement is crucial to children's schooling. When parents are involved in their children's education, children achieve more in school. Parental involvement is associated with children's higher achievement in language and mathematics, improved behavior, greater academic persistence, and lower dropout rates. At all ages, children do better in school if their fathers are involved as well as their mothers. But without paid leave, working parents have a difficult time meeting their children's educational needs. Of parents who have a child scoring in the bottom quartile on math, more than half at times lacked any kind of paid leave. One out of two lower-income working parents face work-related barriers to becoming involved in their children's education.

Paid family leave is supported internationally. The International Declaration of Human Rights includes paid leave as a basic right.

With this in mind I respectfully request the committee to support House Bill 2276.

## Research Evidence in Support of Paid Family and Medical Leave

### Paid Maternity and Paternity Leave

*Paid maternity and paternity leave can improve children's health outcomes.*

- **Paid leave results in lower infant death rates.** A recent study analyzing data from 16 countries over 25 years concluded that nations that implemented paid parental leave policies had significantly lower child mortality rates than nations without paid parental leave laws. [1]

- **Paid leave increases the likelihood of breastfeeding and therefore reduces risk of illness and death.** Around the world, the availability of parental leave benefits has been shown to increase the likelihood that mothers will breastfeed their infants during the critical first months of life.[2 3 4] Breast milk contains the ideal mix of nutrients that are key for infant development.[5] Breastfeeding reduces the rates of childhood illness such as gastrointestinal infections,[6 7] respiratory tract infections,[8 9] otitis media,[10] meningitis,[11] diarrhea[12] and other infections.[13] Studies around the world have revealed that infants who are breastfed have a 1.5- to 5-fold lower relative risk of mortality than infants who are not breastfed.[14 15]

- **Paid leave policies promote mother-child and father-child bonding.** A close and satisfying bond between parents and infants is an important factor in children's psychological and social development.[16] By spending time with their mother in the first weeks and months of life, children develop feelings of attachment and affection and a sense of security.[17 18] Research has also explored the negative short and long-term outcomes in cases when children are separated from their mothers and experience neglect, stress or abuse.[19] Having paid leave gives mothers the time and economic security necessary to spend time with newborns. Researchers also found that fathers who were able to take paid leave spent more time with their children than fathers who did not take leave[20]

*Paid maternity leave is beneficial for both workers and employers*

- **Paid parental leave improves the long-term employment prospects and the earnings of working mothers.** When parents are guaranteed to get their jobs back after taking a leave for pregnancy and early child care, they are more likely to stay employed after their children's birth.[21 22] Parental leave policies have also been found to improve the earnings of parents, by helping to reduce the wage "child penalty" mothers often pay.[23]

- **Paid leave provides economic returns to employers.** Paid parental leave policies can result in economic returns to employers as well as employees and their children by increasing job retention rates and reducing turnover.[24 25]



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*Paid Parental Leave is Promoted Internationally*

- **International agreements call on nations to provide paid parental leave.** Both the International Covenant on Economic, Social and Cultural Rights (ICESCR), accepted by 145 nations, and the Convention on the Elimination of Discrimination Against Women (CEDAW), accepted by 168 nations - promote paid parental leave. The ICESCR stipulates that "special protection should be accorded to mothers during a reasonable period before and after childbirth. During such period working mothers should be accorded paid leave or leave with adequate social security benefits." The CEDAW likewise calls on states to "introduce maternity leave with pay or with comparable social benefits without loss of former employment, seniority or social allowances."

- **The overwhelming majority of the world's countries have paid leave policies.** 141 nations have acted in accordance with these conventions and already have laws guaranteeing paid maternity leave for working mothers.[26]

## Paid Leave for Family Health Needs

*Paid Leave Can Help Parents Improve their Children's Health*

- **Paid leave can help parents promote their children's physical health.** Children recover more rapidly from illnesses and injuries when their parents are present.[27, 28, 29] The presence of parents has been shown to speed recovery from outpatient procedures[30] and reduce hospital stays by 31%.[31] . Because of the importance of parental care, pediatricians have increasingly offered parents the chance to become involved in different aspects of the care of their children's health.[32,33]

- **Paid leave can help parents promote their children's mental health.** Receiving care from their parents is important for children's mental health.[34,35] The detrimental effects of separating young children from their parents when they are sick have been repeatedly demonstrated.[36,37,38] When parental involvement in the care of sick children is increased, children's anxiety decreases. [39,40,41,42]

- **Paid leave policies may increase the likelihood that children receive necessary immunizations.** Studies in the US[43 44] and around the world[45 46] have all found that women report conflict with work schedules as a significant barrier to getting their children immunized.



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*Paid Leave Can help Working Caregivers Improves the Health of Adults*

- **Paid leave can help working caregivers provide support to elderly family members.** Researchers found that elderly individuals **live longer** when they enjoy higher levels of social supports from friends and family.[47 48]
- Social supports have also been linked with lower mortality rates and reduced severity of coronary artery disease[49 50] and with higher survival rates from heart attacks.[51 52]

- **Caregiving to family members has a large financial value**. Informal caregivers are estimated to contribute $196 billion per year to health care, a figure that is substantially larger than spending on both for formal home health care ($32 billion) and nursing home care ($83 billion). [53]

*Paid Leave would be Useful to the Many Americans who Balance Work and Family Responsibilities*

- **A large portion of Americans balance work and caregiving.** An estimated 22.4 million households, over 23% of all American household, provide informal care to elderly friends or family members. Close to two-thirds of these caregivers are working, with 52% working full-time, and 12% part-time. [54]

- **The majority of children in the U.S. are raised in homes where all adults work.** Care for children's health needs typically falls to their parents, and currently, over 70% of American children are raised in families in which all adults work for pay.[55]

- **Caregiving responsibilities can impact adults' ability to work.** Not surprisingly, studies have shown that having young children[56] and caring for an elderly person[57] are both conditions that make workers more likely to be absent from work.

- **Working Adults Have a Variety of Caregiving Responsibilities.** Findings from a national survey found that over the course of a week, 30 percent of the respondents had to cut back on at least one day to meet the needs of family members, 12 percent needed to cut back on two or more days, and 5 percent needed to cut back on three or more days.[58]

*Without Paid Leave, Working Caregivers and their Families are in Jeopardy*

- **Research has shown that without paid leave policies, the combined strain of working and caring for ageing family members can result in reduced wages or even a loss of work.**[59]

- **The current system leaves too many American employees without the security they need to provide adequately for their families.** In 2000, more than **one third of America's working parents lacked paid sick leave** in their primary jobs. **More than one in five lacked paid vacation leave.**[60] Even when paid leave and flexibility are available to families, the amount of leave is woefully inadequate. Twenty nine percent of America's working



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parents must get by with only one week or less of paid sick leave. More than thirteen percent have one week or less of paid vacation leave.[61,62,63,64]

- **Without adequate paid leave and flexibility, it is difficult for workers to meet the health needs of their family.**[65,66] A recent study found that only 42% were able to stay at home when their children were sick on a regular workday. Of those who were able to stay at home with their sick children, more than half said that they could do so because they received some type of paid leave.[67]

- **Those who most need paid leave for health needs are less likely to have them.** A national study found that 60 percent of working parents who had more than one child with a chronic condition had lacked both sick leave and vacation between 1990 and 1996, thereby experiencing double jeopardy. Among families who had one child with a chronic health condition, 42 percent found themselves at times in double jeopardy. [68]

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# Kansas AFL-CIO

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February 18, 2003

House Commerce and Labor Committee
Representative Don Dahl, Chairman
HB 2276
Tuesday, February 18, 2003 9:00 AM - 11:00 AM

Chairman Dahl and Committee Members,

I am Jim DeHoff, Executive Secretary of the Kansas AFL CIO. I represent 100,000 members in the state of Kansas.

HB 2276 makes some significant changes in the Kansas Employment Security Law. We support and encourage the positive changes for workers who lose their job through no fault of their own. However, as a member of the Kansas Employment Security Council, I strongly recommend that HB 2276 be referred by your committee to the Employment Security Council for complete review and action. We would report back to the House Commerce and Labor Committee with our recommendations.

Your support of this request would continue the relationship business - labor and the general public members have established in reviewing all Employment Security Law changes.

Thank you.

Jim DeHoff

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## Testimony of Judy Ancel on HB 2276

I am the Director of The Institute for Labor Studies, a labor education program which is a joint project of The University of Missouri-Kansas City and Longview Community College. Since the passage of The federal Family & Medical Leave Act in 1993, I have, on a number of occasions, provided training to union members and answered questions about FMLA on numerous phone calls from workers, both represented by unions and unorganized about the FMLA. Thus I have gained a good degree of knowledge about both how FMLA rights are being exercised and deficiencies in the law.

The Federal FMLA was the first law passed by the federal government since the Pregnancy Discrimination Act in the 1960s which recognized that workers have responsibilities to their families which sometimes conflict with responsibilities to their employers. All too often workers have had to choose between caring for a newborn child or aging parent and their jobs. FMLA also was the first law to limit the pervasive pressure to come to work when a worker is seriously ill. FMLA took some of the fear out of choosing for health and family and forced employers to recognize in a small way the right of their workers to have a life.

The federal FMLA, however, has two serious deficiencies. First, the number of workers covered by the law does not include workers at companies that employ fifty or less workers in a seventy-five mile radius. In Kansas, only 52% of workers meet this standard.[1]

Second, FMLA is a right many cannot afford to use because it provides only for unpaid leave, so many workers simply cannot afford to use it. I have heard from both mothers and fathers who would love to take off work to give their newborn child the crucial attention it needs, but their bills don't take a six or twelve week leave of absence. As those of us who are baby boomers age and get sick we will find out what our parents generation already knows, that when we get sick and need full-time care and have only our kids to do it, we will force them into poverty if they try to be the good son or daughter. In fact nearly two-thirds of us who are under 60 already expect we will have to take off work to care for our aging parents in the next ten years. Of course, the fact that FMLA leave is unpaid particularly impacts women workers, as they are the ones who are most likely to care for an aging parent or to stay home with a new born baby.

Independent studies commissioned by the U.S. Department of Labor in 1995 and 2000 found that 78% of the people who don't use their FMLA rights do so because they can't afford to. These studies also found that nearly one in ten FMLA users is forced to resort to public assistance during their leave.[2]

House Bill 2276 is a great step toward solving the second deficiency of the FMLA. While it does not address the first problem since it doesn't change the number of workers eligible for leave, it will make Kansas one of a growing number of states moving toward paid leave in a nation that is one of the most backward in the world on this issue.

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[1] National Partnership for Women and Families, Expanding the Family & Medical Leave Act to Cover Businesses With 25-49 Employees: The Impact in the U.S. and In Each State

[2] *Nicole Casta, ed, National Partnership for Women & Families, 2001* Highlights of the 2000 U.S. Department of Labor Report - Balancing the Needs of Families and Employers: Family and Medical Leave Surveys

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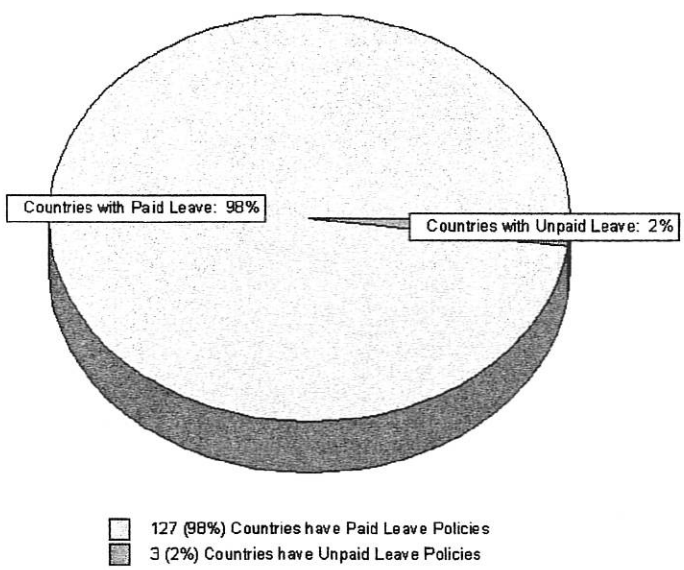
The United States spends billions each year for security, but not a cent for the security of having mom or dad at home when you're sick. Employers spend billions on corporate security yet many spend nothing to help you take care of mom or dad when they're dying. Our society has chosen to tell families that no one else but them has any responsibility to help them during birth or the crises of death and illness. But we all pay. Never forget that. Our children and our sick family members are paying, and of course the government is paying in welfare and the social problems which ensue when a society neglects its own. So the question is really who should pay and how should the burden be shared. It's really a question of social priorities.

And here we can learn from other nations, a high number of which have chosen to put families first. Just last year, Canadian moms won the right to take off a full year from work after the birth of a child at 60% pay. In Italy, new moms get twenty weeks leave with 100% pay; in Norway, they get a year at 80% of pay.

I strongly urge you to put Kansas alongside the vast majority of countries in the world who provide some form of paid leave. Paid leave will save the State of Kansas money now paid out in public assistance. It ultimately could save employers money in reduced turnover. A study in California done shortly before it passed a paid family leave bill found that employers would save $89 million and the State would save $25 million in TANF and food stamps if paid leave were in effect. Improved leave policies, European studies have shown, led to a significant decrease in the death rate of children under the age of one, and improved health of children aged 1-5.

For these reasons, I strongly urge you to support House Bill 2276.

**Countries which offer new parent paid leave**




***Of the 130 countries that have leave policies, 127, including Russia, Iraq, Libya, France, Mexico, Georgia, Spain and Brazil, provide some pay. Only 3-- Ethiopia, Australia and the United States -- provide only unpaid leave. Note that 121 of these 130 countries only offer leave to mothers, not to fathers.***[3]

[3] *Source:* A study by Sheila Kamerman, Professor of Social Work at Columbia University and Director of the Institute for Child & Family Policy, Leave Policies for New Parents World-wide (http://www.nationalpartnership.org/)

# LEGISLATIVE TESTIMONY

the Kansas Chamber of Commerce and Industry
*The Unified Voice of Business*
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HB 2276

February 18, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Committee on Commerce and Labor
By Terry Leatherman, Vice President – Legislative Affairs

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express the reasons why the Kansas Chamber opposes passage of HB 2276.

HB 2276 pursues a laudable social goal. The legislation would financially encourage employees to bond with new family members after a birth, adoption or foster care placement. Further, it would provide income replacement when workers care for an ill family member or themselves. The challenge for this Committee is whether you wish to provide this social welfare program by targeting a massive tax increase squarely on the backs of Kansas employers. Here is why KCCI respectfully suggests you say "no" to this proposal.

First, make no mistake that this is a major tax increase. In June, 2000, the Kansas Department of Human Resources estimated what it would cost to implement an Executive Order from President Bill Clinton to permit states to provide paid leave through unemployment benefits for parents of newborn or adopted children. In their report, KDHR estimated 38,206 men and women would qualify for the paid leave. Using the average unemployment weekly benefit amount at that time, $218.87 a week, KDHR estimated the six-week program would cost more than $50 million. Please note what is included in HB 2276 that is ***NOT*** included in that KDHR estimate. HB 2276 would extend the same leave to foster parents, to parents with seriously ill children, spouse or parents, and to workers who need to stay home due to their own illness. In all candor, doubling that $50 million KDHR estimate of 2000 would not be enough to pay the leave rights granted by HB 2276.

This year, Kansas employers are paying an estimated $220 million in unemployment compensation taxes to Kansas. By supporting HB 2276, you are telling employers they should take their 2003 unemployment tax bill and increase it by around 50%. Further, this just reflects the tax load being piled on employers. That figure just might be

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dwarfed by the money employers would need to spend on replacement personnel for employees taking leave, the administrative personnel needed to keep track of these leave rights, and for inevitable legal squabbles that will erupt as a result of this new legal right this bill would grant to workers.

HB 2276 is linked to the current unemployment compensation process in Kansas. KCCI would further object to burdening this important program with this additional responsibility. Unemployment is now around 70 years old, and is founded on the principle that employees who find themselves unemployed "through no fault of their own" need a financial buffer as they look for a new job in the labor market. In creating this social program, it has always been the exclusive responsibility of employers to fund this program through an experienced-based tax process. In the case of unemployment, there is greater logic to business bearing total responsibility to pay for this social program, due to its relationship to the employment setting. In other words, the employer needed to reduce the workforce, producing the unemployed worker. Unlike unemployment, the employer relationship does not exist in the benefits provided under HB 2276. As a result, there is no logic to deciding business should pay the bill for this benefit plan.

There are also challenges to HB 2276 that would create employer difficulties. Parental leave can be taken at any time during the first year of the child, rather than right after the child's arrival. The definition of "serious health condition" appears quite broad. There is no mention of whether leave needs to be taken at one time, creating the potential of employees taking their paid leave in daily doses. However, permit me to close with one broad point. HB 2276 would provide a benefit everyone here would like to see extended to all Kansans. It would be fair to estimate the cost of the plan at about $100 million annually. As lawmakers with the ability to tax, would you support a ½ cent sales tax increase, or a $100 million cut in current state spending, to pay for this program? If your answer is no, I would further challenge you to consider why you would impose the cost for this social program on the Kansas business community.

Thank you for the opportunity to explain why KCCI opposes HB 2276. I would be happy to answer any questions.

**About the Kansas Chamber of Commerce and Industry**
The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

# TESTIMONY

City of Wichita
**Mike Taylor, Government Relations Director**
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**mtaylor@wichita.gov**

CITY OF WICHITA

## House Bill 2276
## Family Leave Wage Replacement Act

**Delivered February 18, 2003**
**House Commerce and Labor Committee**

The City of Wichita opposes House Bill 2276. The Family Leave Wage Replacement is an expensive mandate which far exceeds the intent or requirements of the federal Family Leave Act. The bill would impose a heavy financial burden on Wichita taxpayers, encourage absenteeism and fraud by employees and punish employees with strong work ethics.

The purpose of the federal Family Medical Leave Act is to assure employees who must take extended leaves they will get their jobs back when they return. Under the City of Wichita's policies, an employee can have up to 12 weeks off with job protection during a 12 month period. The absence is covered by vacation days, sick leave, or is taken without pay. The federal act does not promise continuing pay during an extended leave. HB 2276 does.

In 2002, 63 city employees were on unpaid Family Medical Leave. Those leaves totaled 11,104 unpaid hours. All of these hours would be subject to wage replacement under HB 2276. But it's more complex than that. In 2002, the City of Wichita had a total of 249 employees on some kind of extended leave. So far in 2003, 119 employees are taking continuous, intermittent or reduced schedule leaves. The cost of wage replacement for these employees is hard to estimate because of varying requirements in the bill, but it is safe to say HB 2276 would impose hundreds of thousands of dollars a year in additional costs on Wichita taxpayers. The administrative rules mandated by HB 2276 are also a burden which will put an additional drain on taxpayers.

HB 2276 encourages fraud. Under section 6, if an employee falsely certifies a medical condition to get wage replacement, the employee only has to pay back 25% of it if caught. They can keep 75% of what the money they got by lying.

HB 2276 treats responsible employees unfairly. Employees who use all of their sick leave or vacation pay are able to secure "wage replacement". But employees who use vacation and sick leave judiciously do not receive the benefits of this plan. Employee A, who took a long vacation and used every day of sick leave is eligible for wage replacement when family leave is needed. Employee B, who used vacation and sick leave sparingly does not get wage replacement. That is unfair. It punishes employees with strong work ethics and rewards employees who miss work a lot.

HB 2276 encourages absenteeism. An employee on intermittent family leave would be better off missing a whole day of work and get wage replacement, than take only a partial day off. Under the bill, wage replacement kicks in after 7 continuous days of absence. This encourages employees to take entire days off when they might only need a day or two, or several partial days off. Under this bill, a person who works mornings, but takes afternoons without pay for a medical treatment would not be eligible for wage replacement, but an employee who takes whole days off could be eligible.

The City of Wichita strongly encourages the committee to reject the costly and unnecessary financial burdens HB 2276 will impose on the taxpayers and citizens of Wichita.

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# LEGISLATIVE **NFIB** TESTIMONY

The Voice of Small Business®

KANSAS

**Statement by Hal Hudson, State Director**
**National Federation of Independent Business**
**Before the House Committee on Commerce and Labor**
**On House Bill 2276**
**February 18, 2003**

Mr. Chairman and Members of the Committee:

Thank you for allowing me this opportunity to speak to you. My name is Hal Hudson, and I am the State Director for the National Federation of Independent Business. I appear before you today to oppose enactment of HB 2276.

Small business owners already are overburdened with regulations and red tape, and they want no more mandates from state or federal government. HB 2276 would be just another mandate that would another cost, and make it harder to operate their businesses successfully.

Unemployment compensation tax is a tax employers pay to provide benefits to workers unemployed through no fault of their own. Employees pay none of its cost. It is not designed to be a privilege to be abused by those who would choose to be paid for not working.

HB 2276 does not specify how much it would cost employers. However, unemployment compensation tax rates are based, somewhat, on experience. Employers with fewer claims pay less than those with the greater number of claims.

Aside from the increased costs, the provisions of HB 2276 might be workable in a large business, say with more than 2,000 employees. Unless, of course, if too many decided to take "family leave" the same week.

Consider this hypothetical example: A small company has nine employees. In one year, each of these employees takes the maximum (six weeks) time off - - for a 1) sick child, 2) sick spouse, 3) & 4) two sick parents, 5) adoption of a child, and 6) their own illness. Collectively that could add up to 54 weeks of non-productive time. That's more than one full time employee.

What should the employer do? Hire an additional employee to cover the lost production and higher UC tax? Then cut wages, and employee benefits to recover the cost? A third option, if enough productivity and profits are lost, might be to close the doors, lay off all employees, and let them all take six weeks of leave paid by the unemployment compensation fund.

HB 2276 is just another bill designed to encourage government micro-management of private enterprise. Some might even say it is an "anti-employee" bill.

I urge you to reject it.

National Federation of Independent Business – KANSAS
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Commerce & Labor
2-18-03
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HOUSE OF
REPRESENTATIVES

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DALE A. SWENSON

COMMITTEE ASSIGNMENTS
COMMERCE & LABOR
CORRECTIONS & JUVENILE JUSTICE
JUDICIARY
JOINT COMMITTEE ON CORRECTIONS & JUVENILE JUSTICE
SPECIAL CLAIMS AGAINST THE STATE

# Statement of Dale Swenson, 97th District

# House Commerce & Labor Committee

# Kansas State Legislature

Mr. Chairman, members of the committee, I want to begin by thanking you for this opportunity to speak to you about HB 2277, a bill to require contractors and recipients of state economic development incentives to pay a "living wage" and provide health insurance for their employees.

The need for action is clear.

**Thousands of hardworking Kansans live in poverty.**
Thousands of Kansas workers work full-time, but don't earn enough to climb out of poverty. Unfortunately, the federal minimum wage of $5.15 per hour is simply insufficient. A wage earner working full-time at the minimum wage earns approximately $10,700 a year-$4,300 below the 2002 poverty line for a family of three, and $7,400 below the poverty line for a family of four. All too often in America, hard work goes unrewarded.

**Kansas is not an innocent bystander in the payment of sub-poverty level wages.**
Kansas awards millions of dollars in service contracts each year, resulting in the employment of thousands of individuals. Many of these individuals employed indirectly by the state-such as janitorial, healthcare and clerical workers-are paid wages that keep them in poverty. Workers who directly or indirectly serve the state should be paid at least enough to feed their families.

**When the state supports sub-poverty wages, it strains the state's public assistance programs.**
When they are paid wages at or near the minimum wage, workers and their

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families must rely on public assistance to survive. They need Medicaid, subsidized housing, childcare programs, and free school lunches. According to one study, every new minimum wage job that is created costs taxpayers $9,000 in social service programs for the underpaid worker and his or her family.[1] It simply makes no sense for the state to use taxpayer funds to promote or support sub-poverty wage jobs.

**When state economic development incentives create jobs that pay sub-poverty level wages, Kansas is pursuing a shortsighted economic policy.**
A rational economic development policy promotes the creation of good jobs, not bad ones. The creation of sub-poverty level jobs does not lead to a self-sufficient workforce. Such jobs cannot provide the basis for sustainable economic growth. Public dollars should be leveraged for the public good-supporting "high road" private sector employers that demonstrate a commitment to providing decent, family-supporting jobs throughout the state.

**HB2277 insures that Kansas economic development incentives create jobs that will lift Kansans out of poverty.**
HB 2277 applies to contractors who do business with the state in excess of $25,000 per year and excludes not-for profit corporations. HB 2277 also requires employers who benefit from state economic development incentives, including tax exemptions and IRBs, to pay their employees a living wage and provide health insurance.

**HB 2277 can lift families above the poverty line while improving the quality of services received under state contracts.**
The bill requires employers who receive major service contracts from the state to pay a living wage to employees working on those contracts. The living wage will not only make sure that companies accepting public money are creating good jobs for state residents, it will mean that work for the state will be performed by workers who are more productive, with lower turnover and training costs, and less absenteeism.[2]

**The living wage is a far more appropriate base earnings rate than the minimum wage.**
In the 1960s and 70s, the federal minimum wage gave Americans an income slightly over the poverty line. If the minimum wage of the 1960s were adjusted for inflation, it would exceed $9 per hour today. HB 2277's proposed rate of $9.37 per hour provides an income that is just below the current federal poverty level for a family of four, plus health insurance.

**Since 1994, more than 80 cities and counties have adopted a living wage.**

Living Wage laws have been enacted in more than 80 cities and counties, including Baltimore, Boston, Chicago, Cleveland, Des Moines, Detroit, Los Angeles, Milwaukee, Minneapolis, New York City, San Antonio, San Francisco, and St. Louis. Many studies demonstrate that the living wage is a success, lifting families out of poverty without adversely affecting local economies.[3]

**The public strongly supports the living wage.**

Americans overwhelmingly support the living wage in public opinion polls. According to a Lake Snell Perry & Associates poll, 84 percent of Americans support the idea that anyone who works full-time should not have to live in poverty.[4]

**In conclusion, HB 2277 is good public policy.**

It gets Kansas out of the poverty business and into the business of helping the private sector create good jobs that lift Kansans out of poverty. It is not an entitlement program, it insures that thousands of hard-working Kansans will receive at least a living wage for their labor. It is a bill that makes fiscal sense, saving the state money while improving the lives of the working poor.

Endnotes

1 Michael Reich, "Living Wages and the San Francisco Economy-The Benefits and the Costs," June 1999.
2 Michael Reich, Peter Hall and Ken Jacobs, "Living Wages, Airport Security and Worker Performance: The San Francisco Model." Institute of Industrial Relations, University of California, Berkeley, 2002.
3 E.g., David Card and Alan Krueger, "Myth and Measurement: The New Economics of the Minimum Wage," 1995; Jared Bernstein and John Schmitt, "Making Work Pay: The Impact of the 1996-97 Minimum Wage Increase," 1998.
4 Lake Snell Perry & Associates, "A National Survey of American Attitudes Towards Low-Wage Workers and Welfare Reform," April 2000.

# Picking a Food Fight

## Rick Berman Says He's Defending Your Restaurant Rights: Life, Liberty, Red Meat, a Smoke and a Drink at Lunch

*Carole Sugarman Washington Post Staff Writer*
November 10, 1999; Page F1

**Rick Berman** has a theory: When a group goes out for lunch and the first person to order asks for a glass of wine, somebody else will too. If the first person orders iced tea, forget it. The table turns into teetotalers. "People are afraid of being judged about drinking," says **Berman**, sipping a Campari and soda at Morton's restaurant recently while waiting for his chopped steak.

And that's just one example of how the "nannies"--that growing collection of food cops, environmentalists, animal rights activists and meddling bureaucrats--are subconsciously intimidating us, according to **Berman**. A Washington lawyer and lobbyist who has represented the hospitality industry for more than 25 years, **Berman** is also executive director of the Guest Choice Network, a D.C.-based coalition of 30,000 restaurateurs, tavern operators and restaurant suppliers who want to preserve guilt-free enjoyment.

Frustrated that no one was taking a stance against the "lunatic claims" of the nanny culture, **Berman** started the network about two years ago, with the urging of his clients, who include about 50 of the nation's major mid-priced chain restaurants. Suppliers who sell products under attack, such as alcohol, cigarettes, meat, coffee and caffeinated soft drinks, have also contributed money to the network. As part of its irreverent education campaign, Guest Choice publishes a newsletter and operates a Web site, and **Berman** gives speeches and helps place newspaper Op-Ed pieces that espouse our rights to make personal decisions about what we eat and drink, whether it be medium-rare hamburgers, high-fat foods, espresso or a glass or two of wine.

And it also shows how threatened restaurants and taverns have felt by more sophisticated and well-organized political interests. While they've been busy serving nachos, states have been introducing legislation to lower the legal threshold for drunk driving, jurisdictions have been banning smoking in bars and certain foods have become taboo. Restaurants, one of society's last meeting places, says **Berman**, have turned into the "unintended battlefield" for many social issues.

"There's a strange phenomenon going on in America that people want to tell you what to do," echoes Tim Gannon, one of the founders of Outback Steakhouse and a member of the advisory committee of Guest Choice. "They want to climb into the window and



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say, 'Don't eat this, don't eat that.' "

Obviously, Guest Choice's purpose is as much economic as it is philosophical. But **Berman**, who also manages two other associations (one that represents restaurants and taverns that serve alcoholic beverages and another that represents businesses that oppose raising the minimum wage) maintains that he's not pushing smoking, drinking or eating red meat. He's resisting the nannies' efforts to protect us from ourselves; these groups lead people to make decisions out of proportion to the risks, he says. For example, in the war against drunk driving, the message "Don't Drive Drunk!" has been stretched by the "neo-Prohibitionists" to now restrict driving after any responsible drinking, according to a recent Guest Choice newsletter.

And although he admits it sounds far-fetched right now, he foresees the day when somebody sues Haagen-Dazs for giving them arteriosclerosis. After all, he says, who would have ever thought that anybody would sue a tobacco company for giving them cancer?

Provocative and boldly politically incorrect, **Berman**, 56, is an industry front man who's not afraid to liven things up. "We'll do things and say things designed to break through the clutter of plain vanilla press releases," he says, referring to the bland, predictable faxes industry groups often issue.

So in its newsletter and on its Web site, Guest Choice uses the same sarcasm and attention-getting verbiage that some of its opponents employ. The Center for Science in the Public Interest describes fettuccine Alfredo as "a heart attack on a plate"; Guest Choice counters by describing CSPI as "the Godzilla of the anti-choice movement."

CSPI, the consumer group that analyzed the high-fat, high-calorie content of restaurant foods--Italian, Chinese, Mexican, seafood--is expectedly a frequent target in Guest Choice's materials. "Succulent junk science smothered in spicy sound bites" is how one newsletter describes CSPI's scientific approach to its restaurant surveys.

Michael Jacobson, executive director of CSPI, had this to say: "We developed the protocol for our studies with researchers at the Department of Agriculture. Their integrity and accuracy has not been questioned by anybody outside the restaurant industry."

As for **Berman**'s general derisiveness of CSPI, Jacobson said "he's elevating CSPI into the role of giant bogeyman in order to let his clients know they need him in Washington." **Berman**'s publications are "silly, sophomoric propaganda," he added.

Other critics say that Guest Choice takes things out of context and misrepresents the facts, complaints Guest Choice frequently lodges against them.

In one newsletter, Guest Choice attacks Fenton Communications, a public interest public relations firm, for its work on Alar, a pesticide once used on apples that has since been removed from the market. The newsletter says that with the help of David Fenton, president of the agency, an environmental group helped terrify parents across America in 1989 by claiming Alar-treated apples would give their children cancer.

"According to the Environmental Protection Agency, one would have to eat 50,000 pounds of apples a day over a lifetime to contract cancer from Alar," says the newsletter.

David Fenton called the statement "very erroneous." And EPA spokeswoman Denise Kearns said "to my knowledge, EPA never issued that kind of statement."

On further checking, **Berman** said the source of the information came from four newspaper articles, and that it was a statement made by Uniroyal, the manufacturer of Alar, based on an extrapolation of a mice-feeding study submitted to the EPA.

"There is some extremism there," says Andy Devine, a professor of hotel, restaurant and tourism management at the University of Denver and a member of the advisory committee of Guest Choice. "But it [Guest Choice] is confronting the very extreme positions that generally get more favorable coverage from the news media than the other side."

Like other professors of hospitality management and culinary education across the country, Devine receives the newsletter and hands it out to his students. It "definitely sparks discussion," he says.

Similarly, the newsletter is sent to 30,000 restaurants, many of whom send copies through their management ranks. It's "a cold splash in the face," says Joe Micatrotto, chairman and chief executive officer of Buca di Beppo, a Minneapolis-based restaurant chain that recently opened its first location in Washington, on the corner of Florida and Connecticut avenues. But Micatrotto doesn't take it all on face value. "If you find something in there that's provocative, then you'll do homework on it."

Much of the discussion is taking place on the Web, where a particularly unflattering Guest Choice article will spur a barrage of hate e-mails from environmental organizations and the like.

The Web site--www.guest choice.com--features the organization's views on everything from snacks and soft drinks to taxes, bans, laws and lawsuits, as well as Op-Ed pieces written by Guest Choice advisory committee members that have appeared in newspapers (including one by former committee member and Democratic presidential candidate George McGovern, who also used to own an inn in Connecticut).

Then there are links to "good guys" and "bad guys" (Web sites Guest Choice agrees with or disdains), a forum for "speaking out" and a special feature called the "Nanny of the Year Award," which was bestowed in 1998 to Kelly Brownell, a Yale University professor who called for a "Twinkie tax"--on high-calorie foods.

Brownell said he learned of this "honor" from his research assistant, who tracks the Web for hits about the tax. He said he thought it was funny, but hasn't gotten any comments about it. "It makes me think this is not a very visible Web site," he said.

What might bring more visitors to the site is the "Attack of the Nanny" game, a takeoff on the children's arcade game, Whac-A-Mole. Using your mouse, which operates a nanny in an apron and blue hair, you try to click (or whack) the nine people popping



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out of holes in front of a restaurant--eating fried chicken, drinking coffee, munching on a burger, and other behaviors unacceptable to nannies. After a person is hammered twice, a sign goes up above the hole that says "No caffeine," "No smoking," etc. The point, says **Berman**, is that as the nanny eliminates the choices, the restaurant is precluded from offering them. Then, when the game is over, the restaurant goes out of business.

February 17, 2003

House Commerce & Labor Committee
Representative Don Dahl, Chairperson
February 18, 2003
9:00 - 11:00 AM
HB 2277

Chairman Dahl and Committee Members,

Thank you for the opportunity to appear before you today. I am Jim Cox, President of the Kansas Action Network.. The Kansas Action Network is a broad based coalition for worker's rights, social justice and economic fairness seeking a common ground in the pursuit of a just society. We call upon our common values in order to educate, organize, and mobilize on issues that will improve the working and living conditions for all men, women, and children in Kansas.

KAN supports HB 2277 which is an act concerning employment; ensuring that employees of government contractors are paid a living wage.

The primary beneficiaries of the living wage are the affected workers and their families. But there are other beneficiaries as well. These include the various branches of the government, which benefit when the subsidies they pay to working poor families decline. The communities in which the affected workers live will gain modestly when workers bring home increased spending power into their communities.

The living wage movement is a movement for family values: the value of adult workers raising children in decent circumstances without having to depend on government subsidies. Anyone in this country that works for a living should not have to raise a family in poverty.

For these reasons I ask for your support of HB 2277.

Thank you.

Jim Cox

Jim Cox
3855 Vineyard Road
Wamego, Kansas 66547

Commerce & Labor
2-18-03
Atch #8

Wichita/Hutchinson
LABOR FEDERATION of CENTRAL KANSAS
AFL-CIO

3219 West Central Suite 103
Wichita KS 67203

Telephone 316/941-4061
FAX 316/941-4061

February 18, 2003

To: The Honorable Chair and Committee Members of the Kansas House-Business, Commerce and Labor Committee

RE: House Bill 2277 Living Wage:

Thank you for allowing me to testify before you today. I would like to commend Rep. Dale Swenson for his continuing commitment to the living wage and his concerns about the use of Kansas taxpayers money.

The living wage movement began in 1994 when religious leaders in the city of Baltimore realized that growth in low wage employment, fueled by privatization of city services and by the city's economic development practices, forced working families to rely increasingly on area churches for help to make ends meet. The living wage movement is the grassroots response to the governmental practice of rewarding companies with subsidies and contracts without regard to the well-being of those companies', their workers, and the overall impact they have on our state and communities.

A "Living Wage" policy establishes an absolute minimum level of pay that is higher than the state or federal minimum wage. It is usually calculated on what salary it takes to raise a typical family of three or four just above poverty level. The federal government standards by the Census Bureau sets the benchmark at $9.39 per hour, 130 percent of the federal poverty line, for a family of three. Living wage laws cover <u>only</u> those companies that receive local or state government contracts, subsidies, and /or tax breaks and economic development funds.

Two premises underlie a living wage: First, citizens who work for a living should not be poor; and second the government should not subsidize low-wage business practices of employers with taxpayers dollars. Instead taxpayers' dollars should go to creating good jobs that pay well-jobs that pay at lease a "living wage."

A living wage translates into higher wages for workers at the bottom, enabling many to pay for doctor visits, kids clothes, groceries, education, and other expenses that were previously beyond their reach. Passing living wage legislation places the burden on low-wage paying employers. It sends a strong message that the state will no longer use taxpayer money to subsidize low-wage business strategies.

A living wage can play an invaluable role in creating and changing the dialog about economic fairness and corporate accountability. Please ask yourself:

1. What is the state's role in supporting and providing good jobs ?
2. Does a state have the right to expect certain standards from companies doing business with and for them ?
3. With today's economic crisis how are businesses with low paying jobs affecting our state's tax base ?
4. Are any of these low-wage paying businesses also receiving state subsidies, tax incentives or economic development funds ?

One hundred and three (103 ) cities and counties are currently enforcing a living wage. The research is clear that a living wage does offset poverty. For example research by the Economic Policy Institute and the Preamble Center for Public Policy several years later has shown that Baltimore taxpayers were, in effect, subsidizing low-wage business practices through the city's policy on contracting, subsidies and tax abatements. Churches and charities were picking up the tab at the back end. Passing the ordinance did not show any evidence of significant job loss, increase in contract costs, and does not mark a community or state known as being anti-business. In fact, Minnesota, with some of the toughest laws had one of the largest increase in new jobs in the country in 2002. Minnesota's provision include "claw back" legislation-allowing the state to recoup tax abatement, subsidies and economic development money if a company leaves or sends jobs out of state, or does not meet the state's job-creation and wage targets within two years.

A newly released study, by the Public Policy Institute of California shows living wages actually reduce poverty. David Neumark, economics professor Michigan State University and no friend to minimum wage increases or living wage recently stated about living wage laws, "If someone's getting up on a soapbox saying these are a disaster, they may believe it, but there's really no evidence."

According the United State Conference of Mayors' Status Report on Hunger and Homelessness in American Cities 1998, 37% of all adults requesting emergency food assistance were working. Officials in 4 out of 5 cities surveyed identified low-paying jobs as the primary cause of hunger. The Mayors also reported that 22 percent of the homeless were employed.

A living wage can play an invaluable role in creating or changing the community dialog about economic fairness and corporate accountability. I speak to community groups all around our area about the importance of a living wage and <u>all</u> believe that the state has a high established standard for contracting, tax abatements, economic development and tax subsidies and they are truly shocked when they learn there are minimal to no criteria established for use of these taxpayers dollars. As one man recently put it: Who's guarding the cookie jar?

Respectfully Submitted,

Sue Ledbetter

By Sue Ledbetter, Board Member
Community Action Network of Wichita
and Director Wichita/Hutchinson Labor Federation, AFL-CIO

# Dispelling the Myths Around a Living Wage

**Myth:** Mandating a living wage is a misguided public policy. Raising wages will cause job loss, hurting the people the policy is intended to help.

**Reality: There is no evidence that significant job loss has occurred as a result of the enactment of living wage requirements.**

Studies by the Economic Policy Institute (EPI) and the Preamble Center for Public Policy on the impact of Baltimore's living wage ordinance found that the ordinance did not result in job loss among employees of the contracting companies.

There is a solid body of contemporary studies which have found no job loss resulting from modest increases in the minimum wage. While living wage and minimum policies differ, the evidence from minimum wage studies is strong support for the argument that living wage requirements do not cause job loss.

**Myth:** Living wage requirements will lead to an increase in contract costs; employers will pass along the cost of the wage increase to the government in the form of increased contract costs, which will lead to higher taxes for taxpayers.

**Reality: The evidence shows that living wage requirements do not lead to an increase in contract costs.**

The Preamble Center and EPI studies both found that Baltimore's living wage ordinance did not increase contract costs. In fact, in comparing contract costs before the living wage requirement was implemented with contract costs after the living wage requirement took effect, the studies found that total contract costs actually declined (after adjusting for inflation).

**Myth:** Living wage requirements mark a city as unfriendly to business.

**Reality: The evidence shows that living wage requirements do no mark a community as being "anti-business".**

The Preamble Center found that business property values fell in Baltimore until 1994, and there after increased dramatically. The living wage ordinance went into effect in 1994. Baltimore's experience thus suggests there's no reason to believe that a living wage requirement acts as a negative signal to employers, marking the locality as unfriendly to business.

Indeed, the Preamble Center Study suggest that living wage requirements may be good for business. Some of the Baltimore employers affected by the living wage ordinance reported that employee productivity had increased as a result of the living wage requirement, a benefit to employers.

# "LIVING WAGE"

- The living wage movement is the grassroots response to the government practice of rewarding corporations with subsidies and contacts without regard to the well-being of those companies' workers, and the overall impact on communities.

- The living wage movement began in 1994 when religious leaders in the city of Baltimore realized that growth in low wage employment, fueled by privatization of city services and by the city's economic development practices, forced working families to rely increasingly on churches for help to make ends meet.

- What they found was that Baltimore taxpayers were, in effect, subsidizing low-wage business practices through the city's subsidies and contracts to certain employers; and that the local churches and charities were picking up the tab at the back end. Forming a broad-based coalition including churches, low-wage workers, unions and progressive elected officials they passed the first municipal living wage ordinance.

- Since Baltimore started the living wage movement, more than one hundred and three (103) cities and counties across the country have enacted living wage requirements. In the process, the movement has laid the groundwork to raise wages for thousands of workers and has helped build strong coalitions to fight for fairness in the community.

- A living wage policy establishes an absolute minimum level of pay that is higher than the state or federal minimum wage. Enacted either through local ordinance or through legislation adopted by governing bodies, living wage laws cover companies that receive government contracts, subsidies, and/or tax breaks, and economic development fund.

- The wage level typically is the hourly wage for a worker employed full-time, year round that will bring a family of three or four out of poverty. New federal government standards by the Census Bureau sets the poverty level benchmark at $9.39 an hour (130% percent of the Federal Poverty Line for a family of three)

- Living wage campaigns are also not simply about setting wage rates. Many ordinances also encourage standards of health benefits and provide for certain types of emergency leave.

People who work full-time, year-round should earn enough to rise from poverty. They should earn enough to take care of their families, without having to choose between paying the rent or buying groceries, between taking a sick child to the doctor or replacing a pair of broken glasses. Workers families should not have to rely on public or private assistance to make ends meet, nor should taxpayers be required to foot the bill for employers who profit from low-wage business strategies. Taxpayers' dollars should be used to strengthen the economy and should go to those companies that create good jobs and pay a living wage.

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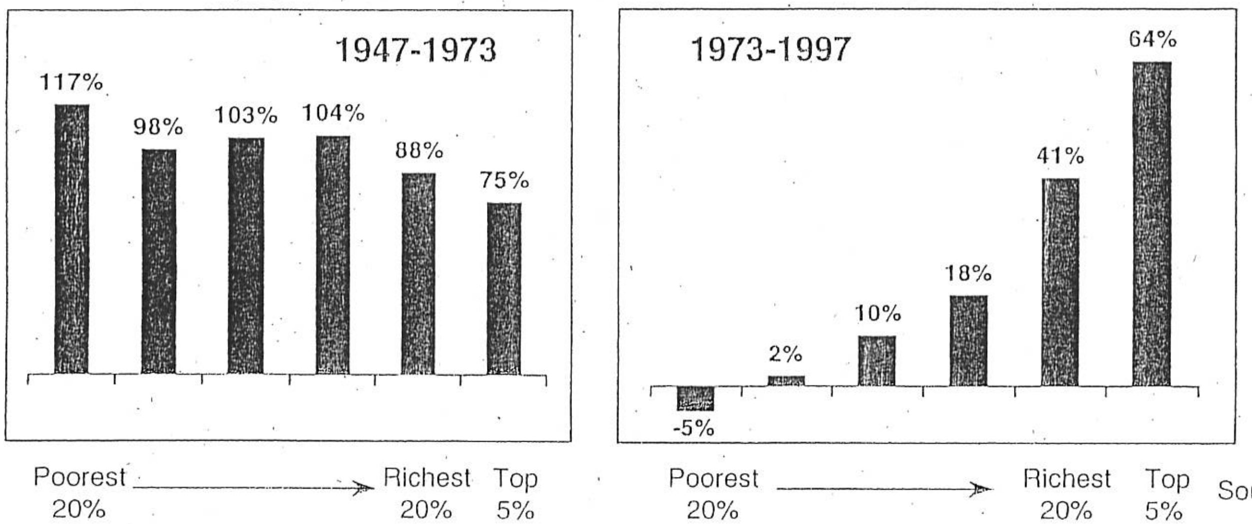
# We Used to Grow Together, Now We're Growing Apart

## Real Family Income Growth Adjusted for Inflation




Source: U.S. Census Bureau. Based on mean family income

### We Used To Grow Together, Now We're Growing Apart.

Between 1947 and 1973 incomes of all income groups grew ranging from 75% to 117% and as you can see incomes were more equally distributed then.

In fact between 1947 and 1973, you can see that incomes grew the fastest 117% for the poorest 20% of families, and the slowest for the richest 20% of families.

But between 1973 and 1997 the picture changed completely! The Average income for the richest 20% grew by $39,077 and the top 5% average income grew by $91,336.

So as you can see we are witnessing a growing divide between the have's and the have-nots, and the division is further reflected by the increase concentration of wealth.

Wages for the working poor and middle income class have not kept up with the changing economy. We are working harder and longer for less. We are working one full month longer (# hours average worker now puts in) than we did 20 years ago and from 1973 -1995 the number of people holding multiple jobs increased by 92%. It now takes two people to make the same amount of money in real dollars that it took one person to make in 1955 and in less than five years it is estimated it will take 2 1/2 persons.

Table 3.1
Kansas Self-Sufficiency Standards

| | Single Adult | Adult, Infant | Adult, Infant, Preschcoler | Adult, Preschcoler, Schcolage | Adult, Schcolage, Teen | Adult, Infant, Preschcoler, Schcolage | 2 Adults, Preschcoler, Schcolage |
|---|---|---|---|---|---|---|---|
| Housing | 377.10 | 377.10 | 480.02 | 480.02 | 480.02 | 643.36 | 480.02 |
| Child Care | 0.00 | 529.05 | 974.68 | 635.77 | 190.14 | 1164.81 | 635.77 |
| Food | 164.29 | 241.96 | 325.85 | 364.60 | 431.69 | 430.69 | 503.71 |
| Transportation | 193.00 | 193.00 | 193.00 | 193.00 | 193.00 | 193.00 | 386.00 |
| Medical Care | 65.81 | 196.18 | 204.37 | 196.18 | 196.18 | 204.37 | 226.37 |
| Miscellaneous | 80.02 | 153.73 | 217.79 | 186.96 | 149.10 | 263.62 | 223.19 |
| Total Taxes | 189.69 | 163.71 | 378.09 | 148.96 | -63.99 | 473.33 | 317.63 |
| Monthly Earnings | 1069.91 | 1854.71 | 2773.81 | 2205.50 | 1576.15 | 3373.19 | 2772.68 |
| Hourly Wage | 6.42 | 11.13 | 16.64 | 13.23 | 9.46 | 20.24 | 16.64* |

### 3.2. The State Self-Sufficiency Income

Table 3.1 lists the individual expenditure components and the self-sufficiency wage for each of seven family types. Monthly self-sufficiency income ranges from $1,070 for single adults to $3,373 for single adults with three children. The hourly self-sufficiency wage is based on full-time employment (40 hours a week, 50 weeks per year) and range from $6.42 to $20.24. Although families with children receive considerable tax breaks, the table shows the dramatic impact of child care expenses on the self-sufficiency standard. For example, the self-sufficiency wage of an adult with an infant is almost twice that of a single adult.

Table 3.2 presents the consumption categories as percentages of total household expenditures. Households with an infant in full-time care expend more than 28 percent of the household budget on child care. When two children are in full-time child care that share of the household budget goes up to more than 34 percent. Also, only one of the typical households presented in these tables was able to avoid taxes as a significant factor in household expenditures



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# Kansas AFL-CIO

2131 S.W. 36th St. Topeka, KS 66611 785/267-0100 Fax 785/267-2775



February 17, 2003

House Commerce & Labor Committee
Representative Don Dahl, Chairman
Re HB 2277
Tuesday, 2/18/03 9:00 AM - 11:00 AM

Chairman Dahl and Committee Members,

Thank you for the opportunity to appear before you today. I am Jim DeHoff, Executive Secretary of the Kansas AFL CIO. I represent 100,000 members of our state association.

HB 2277 would set a minimum amount that contractors who perform work for the state must pay to their employees. The minimum amount would be $9.37 per hour, based on a 40 hour work week. We support HB 2277 because we believe the state should set working guidelines, so low wage workers are not held in poverty.

There are several points that need to be considered. Health care costs for Kansans are increasing at an alarming rate. Recently our office had an increase of $1.00 per hour for our five employees. This amounted to an increase of $870.00 per month. This increase is due, in part, to the number of people who don't have health insurance. Non-profit hospitals have to treat everyone, which they should, even those who don't have health care coverage. These Kansans are workers who just don't make enough to have insurance. So, those of us who have insurance pay, or the state or federal government does. Workers who are low paid rely on food distributed by churches or government sponsored food centers. We don't believe that businesses who contract with the state should be paying wages so low as to cause their employees to seek government assistance to survive.

You will hear from the business sector that the free market should prevail concerning wages. What we find hard to understand is that the free market approach only applies to workers and their wages. Businesses are given many <u>non</u> free market incentives. They include: government training grants; tax exemptions, etc. If its private industry, the list of incentives is even longer: free land; reduced property tax; free infrastructure, grants, etc. So the free market business talks about really does not apply.

We do support most business incentives to attract jobs, we are just asking for a level playing field. A fair wage for a fair days work. We urge your support and consideration for passage of HB 2277.

Jim DeHoff



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2-18-03
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**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Office of the Assistant Secretary for Planning & Evaluation*

# Computations for the 2003 Annual Update of the HHS Poverty Guidelines for the 48 Contiguous States and the District of Columbia

| (1) Size of family unit | (2) Poverty thresholds for 2001 (weighted averages)[a/] | (3) Column 2 multiplied by 1.016 price inflator[b/] | (4) Difference between successive Column 3 entries | (5) Average difference in Column 4[c/] | (6) February 2003 poverty guidelines |
|---|---|---|---|---|---|
| 1 | $9,039 | $9,184 | | | $8,980 |
| | | | $2,570 | $3,140 | |
| 2 | 11,569 | 11,754 | | | 12,120 |
| | | | 2,600 | 3,140 | |
| 3 | 14,128 | 14,354 | | | 15,260 |
| | | | 4,040 | 3,140 | |
| 4 | 18,104 | 18,394 | | | 18,400[d/] |
| | | | 3,353 | 3,140 | |
| 5 | 21,405 | 21,747 | | | 21,540 |
| | | | 2,835 | 3,140 | |
| 6 | 24,195 | 24,582 | | | 24,680 |
| | | | 3,375 | 3,140 | |
| 7 | 27,517 | 27,957 | | | 27,820 |
| | | | 3,160 | 3,140 | |
| 8 | 30,627 | 31,117 | | | 30,960 |

**Notes:**

**a/** Column 2 entries are from U.S. Census Bureau, Current Population Reports, Series P60-219, *Poverty in the United States: 2001*, Washington, D.C., U.S. Government Printing Office, September 2002, p. 5.

**b/** Price inflation calculated from Table 1A of U.S. Department of Labor, Consumer Price Index press release (USDL-03-15), January 16, 2003. (The Consumer Price Index (CPI-U) for all items was 177.1 for calendar year 2001 and 179.9 for calendar year 2002, an increase of 1.6 percent.)

**c/** The arithmetic average of Column 4 entries, rounded to the nearest multiple of $20.



10-2

Good Morning, Chairman Dahl and Members of the Committee of Commerce and Labor:
My name is Page Twiss. I live at 2327 Bailey Drive, Manhattan, Kansas, and I am here for the Flint Hills Living Wage Coalition, which consists of civic, labor, and church groups and individuals.

Our Coalition strongly supports HB 2277, which ensures that government contract jobs and economic development jobs subsidized by citizens' taxes must meet the standard of a living wage.

We strongly oppose having our tax revenues used to add to poverty in Kansas. That is what can happen if economic development companies or government contractors who are paid fairly by the state, fail to pay their workers a living wage. People who work full-time ought to be able to meet the basic needs of their families---to put food on the table and a roof over their heads, etc. If they are **not** paid a living wage, they are forced to turn to public assistance.

That isn't fair to these workers, nor is it healthy for our state's economy. And it isn't fair to Kansas taxpayers to have to pay twice: once up front to pay companies and contractors, and then again---this time in a hidden payment---to pay for public services, to make up for short shrift to the worker.

Incredibly, the minimum wage in Kansas is $2.65 an hour....the lowest state minimum wage in America. That is an income of less than $425 a month.....less than $5100 a year. That's how low any state contractor not covered by federal wage requirements could go. Already about 20,000 Kansas citizens are paid less than the federal minimum wage, according to the Kansas Department of Labor. The federal minimum wage, at $5.15 an hour is an income of less than $825 a month.... less than $10,000 a year. Both wages are below the poverty level for a family of three.

Under current state law, it is possible for our scarce Kansas tax dollars to be spent on a company or contractor who pays wages so low that they not only erode the dignity of our citizens, but also create a drain on our public services, weakening the economic health of our state.

Workers with a living wage are able to make purchases---at the shoe store, the hardware store, etc. And they pay taxes. The multiplier effect of those wages, as they circulate, contributes to the economic well-being of the entire state. Workers receiving **less** than a living wage, however, **don't** shop at the hardware store and they hunt for shoes from a charity; they have to seek public assistance for food and shelter; they pay less in taxes, and their money is **not** circulating and multiplying.

As we all know, Kansas is contending with a financial crisis. What our state needs is jobs that pay enough for full time workers to be self-sufficient, not jobs that require the state to make up, in tax-supported services, what a fair salary could have bought.

So, as a matter of basic <u>good sense</u>, <u>fairness and justice</u>, and <u>state self-interest</u>, we cannot afford to permit state subsidized businesses to pay below-subsistence-wages. The time has come for Kansas to assure that the wages paid by contractors who receive public tax money contribute to our state's economic **health**, not to our state's **poverty**. Thank you.

Commerce & Labor
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**Testimony for the Kansas House of Representatives Commerce and Labor Committee**

Sylvie Rueff, representing the Kansas National Organization for Women February 18, 2003
P. O. Box 1061, Lawrence, KS 66044 Phone:785.832.2992

**In support of HB2277,** an act concerning employment; ensuring that employees of government contractors are paid a living wage.

**In as much as:**

- The state minimum wage is insufficient to afford life anywhere in Kansas; and
- 32.4% of Kansas women and 16% men working full time are earning less than $20,000 per year, and
- 63.4% of Kansas women and 84.1 % of men 16 and older are in the workforce, and
- 71% of working women are employed full time, and
- Kansas women are 17th in the nation in education, and
- 102, 657 women make up 59% of all Kansas adults living in poverty, and
- 12% of Kansas women , 12% (360,202 ) children and 8% of men are living below poverty, and
- 37.6 percent of all female-headed households are living below poverty in the Kansas; and
- The 2000 Conference of Mayors Report described the minimum wage as the most significant contributing factor to homelessness today; and
- Because homeless minimum-wage workers have, for no other reason than because they are homeless, become the specific target of hate crimes; their ability to work themselves off the streets of Kansas would remove them as targets of these hate crimes; and
- A living wage can end homelessness for fully one third of America's homeless citizens and prevent homelessness for all minimum wage workers, and
- The $9.37 minimum wage and the formula for determining annual adjustments indexed to the cost of living would ensure that any 40-hour-per-week minimum-wage worker can afford housing; and
- A living wage would ensure that a 40 hour a week, minimum wage worker adequate income to support a family of four above poverty level, and
- The imposition of living wage and health insurance requirements for those businesses contracting with and/or receiving special benefits from government will represent the will of Kansas women who pay taxes, advance the cause of pay equity and ensure the most essential needs for working Kansans;

**The Kansas National Organization for Women endorses and supports HB 2277 with two reservations:**

- That an additional exemption be made for those small businesses employing 10 or fewer workers, and
- That provisions be made that would preclude the outsourcing of manufacturing or services to avoid the intent of this bill.

Commerce &
Labor
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Atch #12

# LEGISLATIVE TESTIMONY

the Kansas Chamber of Commerce and Industry

*The Unified Voice of Business*

835 SW Topeka Blvd. • Topeka, KS 66612-1671 • 785-357-6321 • Fax: 785-357-4732 • E-mail: kcci@kansaschamber.org • www.kansaschamber.org

HB 2277

February 18, 2003

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony before the House Committee on Commerce and Labor
By Terry Leatherman, Vice President – Legislative Affairs

Mr. Chairman and members of the Committee:

I am Terry Leatherman, with the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to express KCCI's opposition to passage of HB 2277, which proposes to make Kansas the first state in the country to pass what its proponents call a "living wage" law.

As in other examples of government imposition of wages, "living wage" proposals are the wrong way to go about establishing what a worker should be paid for the work performed. When private enterprise prevails, issues of skills to perform a job, revenue generated from the work and the availability of employees leads to determining a wage. In living wage, government is saying "here is how much it costs to live in our state" and business must pay a wage to meet that level. At its heart, the wage has no relationship to the work being performed.

HB 2277 would limit job creation. By making the cost of labor increase, a business is compelled to respond. Often, that response is to eliminate employment position. Additionally, the positions eliminated tend to be the low wage work, thereby hurting the people living wage ordinances are allegedly proposed to help. Further, by imposing a "wage tax" on the state, this bill would drive up government costs. As a result, inherent in the proposals is the potential for higher local government costs and therefore higher taxes.

An inequity in the bill should also be noted. While a "living wage" would be imposed on certain businesses, the bill does not impose the same responsibility on the state of Kansas. Please consider the cost Kansas would incur if it complied to the provisions in HB 2277. Then consider what steps you would have to take to comply with these provisions, as the holders of the state's budget responsibilities.

For your further information on this topic, I have enclosed a summary of a study on the economic impact the state

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of Florida would face if a "living wage" law were to pass. The report was prepared by Dr. Dave Macpherson, an economist at Florida State University. It estimates the state would lose between 130,000 to 220,000 jobs, while employer wage costs would increase by $5 to $9 billion. In fairness, the Florida study looked at local communities passing the living wage concept, rather than a state law. In addition, Florida is a much larger state than Kansas. As a result, the Florida study exaggerates how Kansas would be impacted, but does illustrate the magnitude of this issue.

Mr. Chairman, thank you for the opportunity to explain KCCI's opposition to HB 2277. I would be happy to respond to any questions.

**About the Kansas Chamber of Commerce and Industry**

The Kansas Chamber of Commerce and Industry (KCCI) is the leading broad-based business organization in Kansas. KCCI is dedicated to the promotion of economic growth and job creation and to the protection and support of the private competitive enterprise system.

KCCI is comprised of nearly 2,000 businesses, which includes 200 local and regional chambers of commerce and trade organizations that represent more than 161,000 business men and women. The organization represents both large and small employers in Kansas. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

PDF files require the free Adobe Acrobat Reader which can be downloaded from the Adobe web site. < ACROBAT >

Other EPI related research. < RESEARCH >

# The Employment Impact of a Comprehensive Living Wage Law
## *Evidence from Florida*

**Author:** Dr. David Macpherson, Florida State University

**Date:** June 2002

**PDF Version:** study_MacphersonFlo_6-2002.pdf

## Executive Summary

With financial support from trade unions, liberal foundations and social activist groups, the self-styled "living wage movement" has been pressing state and local governments to require employers to pay high entry-level wages regardless of skill or ability. The philosophy behind the living wage laws is that the government should require employers to pay workers according to their need, not according to their productivity. This is a radical departure from free market-based wages, which have been the norm in this country with a few exceptions. Currently, 82 local governments, including three in Florida, have passed such living wage laws. In addition, living wage campaigns are active in 125 jurisdictions, including five in Florida.

Initially, such laws were narrowly drawn to cover only employees of local governments or their contractors. However, increasingly, the living wage movement has been advocating high minimum wages that would apply to all private sector employers within a defined geographic area. An example is Santa Monica, which has passed a law requiring all employers in the "Coastal Zone" to pay at least $10.50 an hour if stipulated health benefits are provided, and at least $12.25 an hour if benefits are not provided. Another example is Berkeley, which covers all employers in the Berkeley Marina, city-owned public land. The movement is also pushing for a city-wide minimum wage in New Orleans that would be tied to the federal minimum wage.

The living wage movement has been active in Florida. In 1999, Miami-Dade County passed a living wage ordinance, which now requires the county and contractors to pay their employees $8.81 with benefits, or $10.09 without benefits. Other local governments in Florida have followed suit, including Gainesville (municipal employees) and Miami Beach. In addition, living wage campaigns are active in Broward County, Alachua County, Jacksonville, Orlando, and Tampa. Living wage advocate Bruce Nissen of Florida International University has recently urged the state to pass a $6.00 minimum wage applicable to all employers, and to require the state to pay even higher wages for state government employees and contractors.

In view of the startling successes and growing demands of the living wage movement, it is very timely and relevant to assess the likely economic effects of such laws on the Florida economy and its workers. This report examines the employment and income consequences of setting a minimum wage throughout Florida of $8.81 or $10.09, wage levels corresponding to the Miami-Dade County law for employers, with and without health benefits.

This study reaches three broad conclusions. First, such minimum wages would result in approximately 131,000 to 222,000 workers losing their jobs. Second, Florida employers would see their wage costs skyrocket in the range of $4.9 to $8.8 billion. Third, many of the projected wage gains would go to low-wage workers in higher income families rather than to those most in need. For example, about one-third of the wage gains would go to families with incomes over $40,000. Finally, compared with living wage mandates, targeted employment tax credits are a better policy to assist poor families because they reward work, do not cause workers to lose jobs, and also reduce costs by providing assistance only to those in need.

Richard S. Toikka | Chief Economist

**For a full copy including tables and charts:**
**Download our PDF version: study_MacphersonFlo_6-2002.pdf**

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Testimony before the House Commerce and Labor Committee
HB 2277
February 18, 2003
By Christy Caldwell, Vice President Government Relations
Greater Topeka Chamber of Commerce

Chairman Dahl, and members of the Committee, my name is Christy Caldwell. I am Vice President of Government Relations with the Greater Topeka Chamber of Commerce. I am here today to express the Topeka Chamber's opposition to HB 2277, concerning an alternative state minimum wage for state contractors and businesses receiving economic development assistance from the state.

HB 2277, we believe, will dramatically raise the cost of state government and will serve as a detriment to the future growth of the private sector in Kansas by reducing capital investment and job creation in the state. It is also our belief that the state can ill-afford these consequences at this time.

Requiring employers who contract with the state to pay a minimum wage of $9.37 per hour, annually adjusted to the CPI, plus mandating certain benefits may cause businesses determined to do business with the state to increase their prices. It also likely would affect the number of contractors that would be willing to bid on state jobs. If an employer is required to artificially inflate wages and benefit costs, the employer may well be making themselves uncompetitive in bidding on jobs not related to the State of Kansas. Before even considering this type of legislation the state would be well advised to embark on a study of the effect mandating state contractors maintain higher minimum wages and mandated benefits would cause. Would the number of contractors bidding on state projects decrease? Would the price of products and services go up? How much? How would the state pay for an increase in costs? Will the state be willing to cut some services in order to pay higher prices for other goods and services? Will the legislature be willing to raise taxes to pay for higher prices for goods and services? Will the taxpayers of the state be willing to pay higher taxes to support more expensive state services? We simply do not know the ripple effect this may have throughout our state's economy. Passing this legislation without having the answers to these questions would be a disservice to the citizens of the state.

In the same vein, mandating companies to comply with a state adjusted minimum wage and mandated benefits prior to receiving economic development assistance from the state will hinder the growth of private capital investment and jobs in Kansas, particularly in the rural areas of the state whose wage rates are lower than the more urban areas. Communities and chambers of commerce across Kansas are trying every means possible to attract investment to our communities. The Department of Commerce currently provides increased incentives for

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companies with higher wages but at the same time current law allows for differentials between urban and rural communities. Local incentives in Topeka are based upon the number of jobs created and wage rates. We do not mandate wage rates, but rather provide increased levels of an incentive based on our local wage statistics. Each area of the state and community is different; creating a state mandate will only disadvantage the areas of the state whose wage levels are less. Communities are better equipped to set local policies in how they determine their tax abatement incentives. HB 2277, if passed, would only deter growth not attract it; resulting in less opportunity for providing more job opportunities to Kansas citizens. The impact of requiring businesses to charge more for labor inputs when there is no tangible quality differential between Kansas workers and workers in other states means that Kansas will be at a grave disadvantage in attracting investment, when national and international corporations locate their facilities and decisions are made to expand existing companies. The incentives Kansas offers will do little to offset higher labor costs. Providing competitive incentives to attract business development and allowing the free market to dictate wage rates will do more to create job opportunities for Kansas citizens.

The US Chamber of Commerce in a recent publication says, "living wage [proposals] lessen job opportunities for those at the bottom of the economic ladder while increasing costs for all citizens. Living wage proposals are unfair because they change the basis on which our economy operates. Wage mandates ignore the principals of free market economics; they prevent businesses from making profits, growing and hiring more workers and they base wages on what the worker wants instead of on the value of the worked preformed. The negative consequences of mandated wage increases will fall disproportionately on those with the fewest skills and the least experience and will hit small business the hardest." The Wall Street Journal, in an editorial (May, 2002) says, "Advocates say the working poor stand to benefit from these laws, and they do—but only the ones who are lucky enough to keep their jobs. The economic reality is that living-wage requirements raise employer costs, and the first to go are low-skilled workers. As the 1990s showed, the working poor benefit most from economic growth and a booming job market that opens more opportunity."

The Greater Topeka Chamber of Commerce respectfully requests that you vote "no" on HB 2277. Thank you.

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LKM
League of Kansas Municipalities

300 SW 8th Avenue
Topeka, Kansas 66603-3912
Phone: (785) 354-9565
Fax: (785) 354-4186

TO: House Commerce and Labor Committee

FROM: Sandra Jacquot, Director of Law/Legal Counsel

DATE: February 18, 2003

RE: Opposition to HB 2276

I want to thank you on behalf of the League of Kansas Municipalities for the opportunity to submit written testimony today in opposition to HB 2276, the Family Leave Wage Replacement Act. This act would require employers to pay into a fund in the same manner and amount as the employment security act to fund payment to employees who take leave under the federal Family and Medical Leave Act (FMLA). Therefore, it doubles an employer's current obligation, creating a huge unfunded mandate on Kansas employers, including municipalities. In fact, the act does not distinguish between employers whose employees are eligible for FMLA leave. Under the current language, if an employer pays under the employment security act, they must pay under this act regardless of whether or not their employees are eligible for FMLA; i.e. 50 or more employees.

Our cities are facing the loss of $150,000,000 over the next eighteen months. A recent survey from the National League of Cities indicates that because of budget woes, at least one out of every four cities in the nation is making cuts in its law enforcement and fire service departments, even with the current threat for terrorism at a high level. Cities cannot absorb unfunded mandates like HB 2276 in the current economic environment. We need to be looking at ways cities can retain essential employees, not mandating more benefits that cities cannot fund. For all the above reasons, the League urges the committee to reject this bill as unwise legislation at this time.



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Lenexa Chamber of Commerce

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TO: Representative Don Dahl, Chairman
Members, House Commerce & Labor Committee

FROM: Ashley Sherard, Vice-President
Lenexa Chamber of Commerce

DATE: February 18, 2003

RE: **HB 2277—Minimum Wage and Benefits Required for State Contracts or Incentives**

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The Lenexa Chamber of Commerce would like to express its strong opposition to House Bill (HB) 2277, which requires employers who contract with the state in excess of $25,000 to provide goods or services or who receive any state economic development incentives to demonstrate that all of the employer's employees earn a wage in excess of $9.37 an hour, a group health insurance plan is offered at a prescribed level of benefits with employee premium contributions not exceeding 30%, and that the employer annually provides employees at least 12 days of compensated leave and 10 days of uncompensated leave.

The impact of HB 2277 would be significant. **<u>First, the requirements of HB 2277 would likely inflate the current cost of state contracts and, as a result, increase state spending. Second, the bill would create costly and unnecessary paperwork and require ongoing administrative oversight for both the state and employers. Lastly, the bill would serve as a substantial barrier preventing businesses – particularly smaller companies -- from either bidding on state contracts or seeking state incentives that would retain or attract them to Kansas, discouraging economic growth and potentially costing Kansas jobs, capital investment, and taxes.</u>**

Because it promotes government waste, mandates, and poor economic development policy, the Lenexa Chamber of Commerce strongly urges the committee not to recommend HB 2277 for passage. Thank you for your time and attention to this issue.

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Support Living Wage 2/18/03
Liz Hicks, President, Wichita chapter of National Organization for Women

Living Wage sets a base salary to bring a family of four out of poverty. For a full-time, year round worker with health benefits, the hourly wage would be $9.37. The immediate benefit to state government is an increase in taxable income and a decrease in the use of welfare support.

In Baltimore, the first city to enact Living Wage requirements for city contracts, the cost of the contracts not only did not increase; they actually declined slightly after adjusting for inflation. There were no jobs lost in the contracting companies, who reported increased employee productivity. Additionally the city became more business friendly as the business property values increased.

According to the US Mayors' Report on Hunger and Homelessness in American Cities (1998), 37% of adults requesting emergency food aid were workers and 22% of the homeless were employed.

In the Kansas population, the poverty rate for 1997-98 was 9.7%, partly because of jobs that pay poverty-level wages (29.9% of all jobs, which is 3.1% higher than the US average). The inflation-adjusted median wage (the wage of workers in the middle) was 4.0% lower in 1997 than in 1979.

The general unemployment rate was 3%, but for women with less than a high school education, it was 14.3%. (1) The pay gap between men and women shows why more women and their children remain in poverty. The US Department of Labor Statistics compiles data on 300 job classifications. Women earn less in every one of them. The average Kansas woman earns 74 cents compared to the average man earning one dollar. The discrepancy increases for women of color: African-American women get 65 cents and Hispanic women get only 53 cents to the dollar.
Equal pay for comparable work would raise family incomes and decrease poverty. The poverty rate for single women with children would decrease from 31.5% to 17.8%. (2)

Establishing a living wage with equal pay for women is good for workers, for business and for the state.

(1) Mishel, "The State of Working America 2000-2001", Economic Policy Institute
(2) AFL-0CIO and the Institute for Women's Policy Research: Equal Pay for Working Families (1999)

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February 17, 2003

Rep. Don Dahl
Chair, Commerce & Labor Committee
Kansas House of Representatives

Dear Chairman Dahl and Committee Members:

I am writing in support of House Bills (H.B.) 2276 and 2277 as filed by State Representative Dale Swenson. House Bill 2276 addresses the issue of paid family leave, and H.B. 2277 addresses the importance of establishing a living wage. Both issues are crucial to a viable Kansas. While there may be opposition to these bills, there can be no question that in these trying economic times, H.B. 2276 and H.B. 2277 are investments in Kansans.

H.B. 2276 addresses paid family leave that would enable Kansas residents up to six weeks to: 1) care for a seriously ill child, spouse or parent, 2) for the birth, adoption or foster placement of a new child, or 3) for the employee's own serious health condition. The program would be funded by employer contributions and administered through the Department of Human Resources.

While some business interests may claim that the program will result in a loss of productivity, the exact opposite is true. According to the Commission on Family Leave, "a vast majority of employers, eighty-four per cent, found that the benefits of providing leave under the federal Family Medical Leave Act (FMLA) offset or outweighed the costs. Nearly forty-two percent of employers reported a positive return on their leave programs, and another 42% said the costs had a neutral effect. Ninety-eight percent of employees who took family leave returned to work for the same employer, and 77% of those employers reported cost savings because of decreased turnover. Currently, California, Minnesota and Washington require private employers to allow employees to use paid sick leave to care for sick children. In 2002, Oklahoma became the 25th state to require state and/or local governments to allow employees to use paid sick leave to care for ill family members. As one can see, these programs have been implemented in other states and are working. House Bill 2276 would seek to implement this very important program at no cost to the state, while increasing worker productivity and generating cost savings to the businesses that participate.

H.B. 2677 addresses the fact that, today millions of Americans, and Kansans, live in poverty. We are not talking stereotypical poverty such as destitution, here we are talking about the thousands of Kansans who work full-time, yet continue to live in poverty as they are paid by the woefully inadequate federal minimum wage of $5.15 per hour. This salary, too many times with no benefits, pays only $206 for a forty-hour week and only $10,712 for the year, before any deductions. States are not innocent bystanders in the payment of sub-poverty wages. Yearly, states award billions of dollars in service contracts that result in the employment of thousands of individuals. The problem is that these individuals, such as janitorial, healthcare and clerical workers, are often paid low wages that keep them in poverty. H.B. 2677 would remedy this situation by requiring

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businesses who contract with the state and receive taxpayer dollars to pay Kansans a living wage of $9.37 cents an hour. This living wage act will lift thousands of Kansas's families above poverty and improve the quality of services received under state contracts. H.B. 2677 will not only make sure that companies accepting public money are creating good jobs for state residents, it will mean that work for the state will be performed by workers who are more productive. As a result, businesses participating will then see lower turnover and worker training costs and less absenteeism. Since 1994, more that eighty cities and counties have adopted a living wage. Cities such as: Baltimore, Boston, Chicago, Cleveland, Des Moines, Detroit, Los Angeles, Milwaukee, Minneapolis, New York, San Antonio, San Francisco and St. Louis. It should be noted that some of these cities have more population than the state of Kansas, and if it can work for the residents of those municipalities, it can work for Kansas.

Thank you for your attention to these matters.

Sincerely,

Jesse Romero
Southwest Director
Center for Policy Alternatives