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WHY SHOULD TAXPAYERS SUBSIDIZE POVERTY WAGES AT LARGE PROFITABLE CORPORATIONS?

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THURSDAY, FEBRUARY 25, 2021

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, D.C.

The Committee met, pursuant to notice, at 10:17 a.m., via Webex and in Room SD–608, Dirksen Senate Office Building, Honorable Bernard Sanders, Chairman of the Committee, presiding.

Present: Senators Sanders, Whitehouse, Warner, Kaine, Van Hollen, Luján, Padilla, Graham, Crapo, Toomey, Johnson, Braun, Scott, and Romney.

Staff Present: Warren Gunnels, Majority Staff Director; and Nick Myers, Republican Staff Director.

OPENING STATEMENT OF CHAIRMAN BERNARD SANDERS

Chairman SANDERS. Good morning, everybody, in person and virtual, and let me call this meeting to order, and let me thank Ranking Member Lindsey Graham and the other members of the Committee for being with us in person or on video.

I would also like to thank the many witnesses who will be testifying today, most of whom will be joining us remotely because of this pandemic.

I want to call this hearing to order in order to discuss a very simple yet, I believe, profound question, and that question is this: Why should the taxpayers of our country, many of whom are struggling economically as a result of the pandemic, be subsidizing the starvation wages being paid by some of the largest and most profitable corporations in America?

That is the simple question: Why should working people be subsidizing some of the wealthiest families and largest corporations in America because of the starvation wages they pay their workers?

And let me be very clear. The largest welfare recipient in America happens to be the wealthiest family in America, the Walton family; a family that owns the largest corporation in America, Walmart. This is a family that is worth over $200 billion. It is a family that has become $50 billion wealthier since March of 2020 during the worst public health crisis in over 100 years.

This corporation that they own, Walmart, made over $15 billion in profit last year alone, and yet despite this massive family wealth, despite these very high corporate profits, Walmart pays wages so low that tens of thousands of their employees are forced to rely on public assistance in order to survive. They are forced to rely on food stamps to feed their children, paid for by the U.S. taxpayer. They are forced to go into public housing to put a roof over their heads, paid for by U.S. taxpayers. And they are forced to go on Medicaid to get the health care they need, all of which is paid by U.S. taxpayers.

While Costco, Amazon, Target, Best Buy, and other major corporations have all raised their minimum wage in recent years to at least $15 an hourand in a few minutes, we are going to hear from the CEO of Costco—the minimum wage at Walmart has remained stuck at $11 an hour for the last 3 years. The result: 760,000 workers at Walmart—Walmart is the largest employer in America—760,000 employees, about half of their U.S. workforce, are paid less than $15 an hour.

Now, I do not know. Maybe if you are a billionaire family you may not understand this, but the simple truth is that no one in America can live with dignity, can raise a family on $11 or $12 an hour. And I must say on a personal level that I have talked to too many employees in this country who, with tears in their eyes, tell me about the struggles that they are having trying to feed their kids, pay their rent on the starvation wages that they receive.

Today we are going to ask how Walmart can afford to pay its CEO, who declined my invitation to be with us today, over $22 million in compensation last year—$22 million in compensation—but somehow they cannot afford to pay their workers a living wage. We are going to ask how Walmart can afford to spend $8.3 billion on stock buybacks in 2017 but cannot afford to pay its workers at least 15 bucks an hour. And if Walmart thinks that they are going to avoid answering that question because they did not show up today, they are deeply mistaken. The American people are sick and tired of subsidizing the wealthiest family in America

Well, let us be clear. Walmart is not alone. Last year, Dollar General made over $10 billion in profits, had enough money to pay its CEO $12 million in compensation, while the average Dollar General cashier is forced to survive on just $8.38 an hour.

In 2019, McDonald's made over $6 billion in profits and paid its CEO over $18 million in compensation while the average worker at McDonald's makes as little as $9 an hour. Unfortunately, the CEO of McDonald's also declined to testify before us today.

Further, a November 2020 Government Accountability Office report that I requested found that taxpayers are not only subsidizing the poverty wages at Walmart, McDonald's, and Dollar General, but Dollar Tree, Wendy's, Burger King, Uber, Subway, Dunkin' Donuts, Home Depot, Lowe's, CVS, and Walgreens. We will hear from the author of that GAO report later this morning.

In America today, one of the great scandals of our economy is that nearly half of all workers who make less than $15 an hour are forced to rely on public assistance programs costing taxpayers $107 billion each year. And today we are going to be discussing about what it means to work for a large corporation that makes billions of dollars in profit, but yet as a worker you are not sure when you wake up in the morning if you are going to have enough food to feed your kids.

During this hearing we are going to hear from employees who work for McDonald's and Walmart. We are going to hear about half of American workers living paycheck to paycheck. We are going to hear about the fact that the Federal minimum wage of $7.25 an hour has not been raised by Congress since 2007. Got that? Minimum wage has not been raised by Congress since 2007, 14 years ago. And let us be clear, no ifs, buts, or maybes: $7.25 an hour is a starvation wage. That is what it is.

We must raise the minimum wage to a living wage, at least $15 an hour, and when we do that, not only will we be lifting millions of Americans out of poverty; we will be providing a raise to 32 million American workers. And not only is raising the minimum wage to $15 an hour the right thing to do; it is also what the overwhelming majority of Americans want us to do.

Poll after poll, over 60 percent of the American people have told us they support increasing the minimum wage to $15 an hour. Since 1998, every time a State has had an initiative on the ballot to raise the minimum wage, it has won, no matter whether that State was red, blue, or purple.

Today 8 States and over 40 cities have adopted laws to raise the minimum wage to 15 bucks an hour. This is not a radical idea.

Now, I do understand that concern has been raised about the Raise the Wage Act, which I have sponsored, which gradually raises the minimum wage to $9.50 this year, $11 in 2022, $12.50 in 2023, $14 in 2024, and $15 an hour in 2025. That is a gradual increase. Some people believe that these increases will harm small businesses. I understand that.

Now, I fully understand that there is a major difference between Walmart and a small struggling business. Many small businesses, all of us understand, are struggling today in Vermont, South Carolina, all across this country, and they need our help.

To date, Congress has already provided $800 billion in financial assistance to small businesses, and an additional $50 billion is included in the reconciliation bill working its way through the Senate.

I am also sympathetic to providing small businesses with the tax relief that they need to offset some of the increased labor costs associated with the minimum wage increase, just as Congress has done virtually every time that it has increased the minimum wage.

But let me say this: Study after study has shown that a gradual increase in the minimum wage does not lead to increased unemployment. In fact, a review of 138 minimum wage increases at the Federal, State, and local level since 1984, published in the Quarterly Journal of Economics found no evidence that these laws reduce employment. Zero.

My own State of Vermont, for example, a very rural State, largely dependent on small business, has the third lowest unemployment rate in the country at 3.1 percent while it also has one of the highest minimum wages in the country at $11.75 an hour.

In my view, the best way to help small business is to put cash into the pockets of low-wage workers who will then spend that money in grocery stores, restaurants, and small businesses all across this country.

But I hope no matter what our views on the minimum wage may be, I hope that we all agree on one thing: U.S. taxpayers should not be forced to subsidize some of the largest and most profitable corporations in America. It is time for the owners of Walmart, McDonald's, Dollar General, and other large corporations to get off welfare and pay their workers a living wage.

With that, I am delighted to introduce Senator Graham.

OPENING STATEMENT OF SENATOR LINDSEY GRAHAM

Senator GRAHAM. Thank you, Bernie, Mr. Chairman.

Listen, this Committee is going to be a fun place to be, I hope, because we are talking about things that matter. And, you know, the budget can be a very dry topic, but the budget is basically a process where we take money from people, businesses, corporations, individuals, and we decide what to do with that money. Then we decide what tax rates to set for the country and what deductions to give. We are trying to set policy up here, taking other people's money to make sure the economy can grow and that everybody in America can have a shot at the American dream.

So the Chairman rightly talked about small businesses and the effect his proposal may have on them. I want to spend a little bit more time on that. My family owned the Sanitary Café in central South Carolina. My mom ran the restaurant/bar. My dad ran the liquor store on the other side of the panel. And downstairs was a three-table pool room, and when I got old enough, I ran that. We hired one or two people, depending on how business was. We were by no means rich, but owning your own business has a certain pleasure to it.

One thing I remember, Mr. Chairman, is that you cannot get sick. If you actually own a small business and you do not open up, you do not get paid. I have seen my mom and dad go to work dog-sick because if they did not open up, they did not get paid. And every time there was a cost of doing business that had to be absorbed—and there is only so much you can pass on to the customer. Inflation is going to be an increasing problem in this country, so I want the American people to understand that there is a consequence to spending all this money. There is a consequence to flooding the zone with money. And when you start imposing cost into the economy, it will eventually be passed on to you because people are in business to make a profit.

Now, Walmart. The theory of the case that the Chairman espouses is that the CEO of Walmart could make $20 million, not $22 million, and they could absorb an increase in minimum wage and not give stock dividends, not pay their top people so much, and they just choose not to do that.

Well, we can have our discussion about that concept, but here is where we should agree: that if you are running the Sanitary Café, you do not have that luxury, because there is just only so much money coming in the door, and if you have to double the cost of paying a worker, you are probably not going to hire anybody else. And teenagers and senior citizens benefit from jobs in the hospitality industry and the service industry and make a little extra money that first job. But if you increase costs on the restaurants throughout this country right now, you are going to crush them, Mr. Chairman.

In South Carolina, it is anticipated that 50 percent of the restaurants that have been hit by COVID will never come back. The State government and local government are mandating reduced seating because of COVID. They are mandating increased costs of doing business, and restaurants are struggling to stay alive. The Paycheck Protection Program (PPP) loans have been helpful, but they are not going to be around forever. And the bottom line, Mr. Chairman, is if we impose a new mandate on the expense side combined with mandates to reduce revenue, we are going to crush these people.

You have been championing this idea for a long time. I would just urge you that during the COVID crisis, the last thing the Federal Government should be doing is doubling the cost of doing business for small businesses in the hospitality and service industry that are barely making it to begin with, and this has got nothing to do with COVID. It is in the COVID package.

So I hope that you will understand that the 1.4 million jobs that Congressional Budget Office (CBO) anticipates to be lost are going to come from people at the lower end. The Walmart guy is not going to lose his job. Who is going to lose his job? Some teenager or senior citizen who is, you know, able to get a little extra money and start building a resume.

So my belief is there will be a time to look at increasing the minimum wage, but during the COVID crisis this is the worst possible time to increase mandates on small businesses because they are barely making it to begin with. And I look forward to working with you about how could we in a responsible way increase the minimum wage, but right now is not the time, in my view. And the construct you set up about corporate America versus everybody else, we will have decades to talk about that, years to talk about that. I would just implore you to think of what we are doing. At a time of restaurants and hotels barely hanging on because of the restrictions on travel, the golf industry in Myrtle Beach has been hit hard because people cannot come and go like they used to.

Now is not the time to do this, and I would just ask my Democratic colleagues to think long and hard about what you are doing, because at a time when business is barely making it, if this ever became law, we would crush them. And people work too hard, too long, too many hours, too many worrisome conversations to keep their business alive for the Federal Government to come in and crush them. And that is what this would do.

Thank you.

Chairman SANDERS. Thank you very much, Lindsey.

Our first panelist, our first guest, is Craig Jelinek. Mr. Jelinek is the president and CEO of Costco. Costco is a company that made some $4 billion in profits last year while paying its employees a living wage of at least $15 an hour.

Mr. Jelinek has been director and president of Costco since February 2010 and CEO since January 1, 2012. Mr. Jelinek started at Costco as a warehouse worker in 1984. He has worked in numerous jobs inside the company, and in 2012, he became the CEO, succeeding Costco's founder.

Mr. Jelinek is, as I understand it, going to have to leave us at 11:00 a.m. We are very appreciative that he is with us today.

Mr. Jelinek, thank you very much for joining us.

STATEMENT OF CRAIG JELINEK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COSTCO WHOLESALE CORPORATION

Mr. JELINEK. Good morning, Chairman Sanders, Ranking Member Graham, and members of the Committee. I am Craig Jelinek, president and CEO of Costco Wholesale, and I appreciate the invitation to speak with the Committee today.

Costco is a membership-based retailer with headquarters in Washington State, and 803 locations worldwide, including 558 in 45 U.S. States, Washington D.C., and Puerto Rico. The basic principle of Costco's business is to provide our member customers with high-quality goods and services at the lowest possible prices. Our business model is based on very high sales volume on a limited selection of products, in an efficient, no-frills shopping environment.

Costco is fortunate to be one of the top retailers in the U.S. and the world.

We owe our success to many different factors, but one of the most obvious is that we have the best employees in the retail industry. There are currently more than 180,000 Costco employees in the U.S. and 275,000 worldwide.

Since Costco's inception, the company has been committed to paying employees very competitive retail wages and providing them broad and affordable health care benefits. Two years ago, we moved our starting hourly wage to $15 everywhere in the U.S. Effective next week, the starting wage will go to $16.

Although there is a lot of external focus on starting wages and minimums, it is important to us that Costco employees have an opportunity to make more than just $15 or $16 an hour. Costco employees receive regular, scheduled increases based on their hours worked. Employees working full-time hours will generally see two wage increases during the course of each year, and employees working part-time hours will see one increase—until they reach the top of our scale, which increases every year. More than half of our hourly employees in the U.S. are paid at the top of our scales, in excess of $25 an hour. And most of these employees also receive regular, twice-yearly 'extra checks' or bonuses—up to $4000 twice each year—which benefit our long-term employees.

Our average wage for hourly employees in the U.S., excluding any overtime premium, but including the extra check component, is around $24.

This average wage does not take into account the premium pay Costco employees received during the COVID–19 pandemic. Beginning in March of 2020, as we saw increased business sparked by the pandemic, we instituted a $2-an-hour premium for hourly employees in our locations. We have now extended this premium pay multiple times, and it continues today. As we approach the 1-year mark of this extra pay, we will end the temporary premium but convert some of the premium to a permanent increase by raising each step on our hourly wage scales.

At Costco we are also proud to provide our full-time and part-time employees with broad and affordable benefits, including health care coverage for employees and dependents. About 89 percent of our employees are currently eligible for our health care plans, and about 97 percent of those eligible are enrolled, which speaks to the quality and the affordability of the benefits. And we guarantee employees will be scheduled enough hours to maintain their benefits. We also make sizable annual contributions to employees' 401(k) retirement accounts, based on employees' years of service, irrespective of their own contributions. We also believe our paid sick time and vacation time policies for hourly employees are very competitive by retail standards.

I want to note: this is not altruism. At Costco, we know that paying employees good wages and providing affordable benefits makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimizing turnover and maximizing employee productivity, commitment, and loyalty. We encourage our employees to view Costco as providing a career rather than just a job.

And as a result, our employee retention rates are very high by retail standards. In the U.S. our employees average over 9 years of service with the company. Over 60 percent of our U.S. employees have 5 or more years with Costco, and over one-third have more than 10 years. We are very proud of the fact that more than 12,000 of our U.S. employees have worked for the company for 25 years or more. Again, we feel the experience level and loyalty of our employees is a significant advantage for our company.

As I conclude my remarks, I would like to make it clear that the past 37 years of my long retail career have been working for Costco, and Costco is what I know. I am not an economist, a regulator, or a legislator, and I do not pretend to know the methods or models that are right for any other large or small companies or any other industries. But I do know what is right for Costco.

We are certainly not perfect, but we try to take care of our employees because they play such a significant role in our success.

With that, thank you, and I would be happy to answer any questions that you may have.

[The prepared statement of Mr. Jelinek appears on page 41]

Chairman SANDERS. Well, Mr. Jelinek, thank you so much for being with us today.

Some might say, "How do you make money if you are paying workers high wages?" And your point is not just the minimum wage but throughout the company, if you are paying them strong benefits, you are spending a lot of money on your employees. Other companies are not. And yet you are arguing that you are not doing this simply out of generosity, out of morality. You are doing that because this is good business.

So if you could, tell us what does it mean to the company and how your workers respond to the customers they interact with, in terms of absenteeism, in terms of how long they stay with the company? What does treating workers with respect and dignity mean to your overall successful of your company?

Mr. JELINEK. You know, for us, this is relatively, I think, simple. It takes a lot of time to interview and find employees, a lot of labor involved just trying to hire individuals. We want people to stay with us. There are people with long-term working skills, much easier to manage, much more loyalty to the company, and they feel like they are part of the company. We love loyalty, and we think less turnover makes you a much more productive company, less learning job skills, and they bring a lot of value based on their experience with the company. And we have always wanted longevity. We are not in to try to figure out how to lower the wage. We are always trying to figure out what we can do for the employee so they will stay longer with our organization.

As I said before, we are certainly not perfect. We have our issues just like any other company.

Chairman SANDERS. As you indicated a moment ago in your testimony, not only will you be increasing your minimum wage from $15 to $16 an hour next week, but half of your hourly workers receive over $25 an hour. As I understand it, all of your employees receive paid vacation. Almost all of your workers receive high-quality health care benefits.

What do these types of wages and benefits mean to employee morale at Costco?

Mr. JELINEK. Well, I think that speaks for itself for the simple reason that I think we have a—we are customer-centric. We have low turnover. Our turnover in the retail industry is less than 10 percent. Anybody with the company over a year, our turnover is about 6 percent. So we do not turn a lot of employees, which we think is very beneficial. We lower our costs by paying wages and keeping employees.

Chairman SANDERS. So you think you have a business model which is not only the right thing to do but works for you economically?

Mr. JELINEK. Yes, it does.

Chairman SANDERS. Good. Okay. Lindsey?

Senator GRAHAM. Thank you, Mr. Chairman.

How do you say your last name, sir?

Mr. JELINEK. "Jelinek."

Senator GRAHAM. Mr. Jelinek, one, I want to congratulate you for your attitude that you have about your employees, and it is a great business you have. What was the gross revenues last year of Costco?

Mr. JELINEK. Last year?

Senator GRAHAM. Yes.

Mr. JELINEK. $163 billion.

Senator GRAHAM. Okay. What about the year before that?

Mr. JELINEK. The year before that was 148.

Senator GRAHAM. Okay, so it has been pretty consistent, right?

Mr. JELINEK. Correct.

Senator GRAHAM. Now, you said something I thought was very wise. You are not testifying about other areas of the economy, other sectors of the American economy. You are just telling the Costco story. Is that correct?

Mr. JELINEK. That is correct.

Senator GRAHAM. And you have paid vacation?

Mr. JELINEK. Yes, we do have paid vacation.

Senator GRAHAM. I just want to give an aside. I cannot remember going on a vacation until I was in high school, because if you own a restaurant, it is hard to close. And if you are not there, people will steal you blind. So I just want to let you know that my concern is not really about Costco because I think anybody that makes $158 billion, 153, whatever the number is, you can absorb some increasing costs.

I am worried about the small business owner who is struggling because COVID has reduced their capability to earn a living. Do you understand where I am coming from?

Mr. JELINEK. If you are asking me, correct, I do understand where you are coming from.

Senator GRAHAM. So if you own a restaurant or a hotel and nobody can travel in the country and seating capacity has been reduced by half or more, the revenues are down. Can you understand why an increased mandate from the Government in terms of cost would be a devastating blow?

Mr. JELINEK. No, I cannot understand why it would be a devastating blow. I think it is a devastating blow to the employees.

Senator GRAHAM. Okay, but you cannot understand—let me see if I got this right. You cannot understand why a restaurant in South Carolina who has got half seating capacity because of COVID, barely hanging on, it would be devastating to them to increase their costs in terms of doubling the minimum wage? You do not understand that?

Mr. JELINEK. I do not know that I was suggesting doubling the minimum wage.

Senator GRAHAM. That is what the proposal is.

Chairman SANDERS. The proposal is over 5 years, Lindsey.

Senator GRAHAM. Yeah, well, in 5 years from now.

Mr. JELINEK. And, you know, my view is I am not here to discuss the proposal.

Senator GRAHAM. Okay.

Mr. JELINEK. I am here strictly to discuss Costco.

Senator GRAHAM. Okay, that is fair enough. That is fair enough. Would you support an $11-an-hour minimum wage increase being proposed by Senator Manchin?

Mr. JELINEK. $11?

Senator GRAHAM. Yeah.

Mr. JELINEK. It is better than $7.25.

Senator GRAHAM. Fair enough. Thank you very much.

Chairman SANDERS. Is that it, Lindsey?

Senator GRAHAM. Yeah.

Chairman SANDERS. Okay. Senator Whitehouse.

Senator WHITEHOUSE. I am good.

Chairman SANDERS. Senator Toomey—oh, I am sorry. Senator Warner? Mark, are you there?

Okay. Senator Padilla?

Senator PADILLA. Thank you, Mr. Chair. I will actually reserve my questions for the following panels, but I appreciate the CEO from Costco articulating just how valuable it is—sometimes it is hard to monetize, but how valuable it is to have well-compensated employees in terms of satisfaction of those employees, performance, and a commitment to a thriving business and company.

Chairman SANDERS. Okay. Senator Toomey, if Pat is with us?

Senator TOOMEY. Thank you, Mr. Chairman. Can you hear me okay?

Chairman SANDERS. Yeah, a little bit louder, if you could. You are low.

Senator TOOMEY. Can you hear me okay now?

Chairman SANDERS. Not much better.

Senator GRAHAM. What country are you in?

Senator TOOMEY. I am in the strange country called "Washington, D.C." I will try to speak a bit more loudly and hope this will be audible.

Chairman SANDERS. We are good now, Pat.

Senator TOOMEY. Okay. Great.

Mr. Jelinek, thanks for joining us. Thanks for your testimony. I just think it would be helpful to understand a little bit about your business model and how it compares to some of the other big players in your space.

Costco had a recent Securities and Exchange Commission (SEC) filing in which you state—and I will quote this. It is not too long. You say, "Because the hours of operation are shorter than other retailers and due to other efficiencies inherent in a warehouse-type operation, labor costs are lower relative to the volume of sales. Merchandise is generally stored on racks above the sales floor and displayed on pallets containing large quantities, reducing labor required."

So from what little I know about your business and from what I have just read in the SEC filings, would it be fair to infer that, relative to most of your most direct large competitors, you have fewer workers per dollar of sales?

Mr. JELINEK. Absolutely.

Senator TOOMEY. Right, so you pay more, but you pay more to fewer people.

Mr. JELINEK. Well, of course, because we have efficiencies built into the business.

Senator TOOMEY. Right, you have a business model that does that. And I think the important thing to note here is that that is exactly what you get if you decide to arbitrarily establish a wage that is higher than the prevailing market rate. Some people will actually get raises, and other people will lose their jobs. I am reminded of the wisdom of Thomas Sowell, who said, you know, "Government can set any minimum wage it wants. There is always a minimum wage of zero." And that is why the CBO estimates that if, indeed, our Democratic colleagues go ahead and double the minimum wage, 1.4 million or more Americans will just lose their jobs.

Let me ask another question. Surely you would acknowledge that there is a very different cost of living in New York City and San Francisco than in Altoona, Pennsylvania, or Birmingham, Alabama, right?

Mr. JELINEK. Correct.

Senator TOOMEY. So doesn't it make sense for the States to decide what is an appropriate minimum wage to reflect the preponderance of the cost of living in their State? I mean, Alabama has a very, very different cost structure as a general matter than Massachusetts. Doesn't it make sense to allow the two States to decide which is best for their citizens?

Mr. JELINEK. That is to States to make that decision. We pay the same wage no matter what State we are in.

Senator TOOMEY. I understand that, but our Democratic colleagues are proposing to have a national uniform minimum wage that disregards what various States' preferences are.

Mr. JELINEK. I am not here to debate that. I am just here to tell you what Costco does.

Senator TOOMEY. So you are not here to advocate for a particular minimum wage?

Mr. JELINEK. I think a minimum wage is important. I am only here to tell you what Costco does.

Senator TOOMEY. Okay. Well, thanks very much, and I will yield the balance of my time.

Chairman SANDERS. Thank you very much, Pat.

Mark Warner, Senator Warner?

Senator WARNER. Thank you, Mr. Chairman. To my good friend Senator Toomey, I think States ought to have some flexibility, but I do think we need a Federal minimum wage. It is not a top-end wage. And when $7.25—which is still the minimum wage in Virginia because it has not adopted a change, that does not allow any reasonable family to put food on the table and a roof over their head. So I think the idea of a national minimum wage makes an enormous amount of sense, and then if States want to raise that above that, that ought to be their choice. But no one in America should be working full-time and not be able to feed their family or put a roof over their head.

Mr. Jelinek, thank you for appearing. I have spent a long time on this issue of how you actually make capitalism work for a greater group of people. I think capitalism, when it really works, is taking more people out of poverty than any other system. The Chairman and I have had lots of discussions on this issue, and I respect his passion on these issues. But one of the things I think you are showing is that you can have an extraordinarily successful company, pay people that living wage of $15—the fact that 90 percent of your workers have health care and you have got 401(k) plans; you have got vacation time; you have got the ability for family leave. You have not decided to outsource a huge amount of your workforce the way many other retailers have. And I know the Chairman already asked you about turnover, retention, and productivity. I guess what I would like to talk to you about is can you also talk about what you have done at Costco not only to retain workers but to provide that upward level of mobility for someone that may be coming in, you know, in a starting position but could make a career? I know you have got a much longer timeline than most people in the retail sector, and I would love for you to talk a little bit about that upper mobility path you give to your workforce.

Mr. JELINEK. Well, 95 percent of our employees we promote within the organization. We usually—liken maybe attorneys counsel, although we have three homegrown attorneys that came through the system. Pharmacists, sometimes you have to go from the outside, although we have had techs that come in the pharmacy business that become pharmacists. But 95 percent of the individuals grow through our organization, so that is really what we do. We think they know that. They have been there. They have credibility. They grow through the organization, which gets them the opportunity to make higher wages as they go into management positions, buying positions, tech positions, and to just grow with the organization and continue to improve their economic situation.

Senator WARNER. Mr. Jelinek, one of the things I have been looking at for a long time—and, again, I commend how you treat your workforce. But my fear is we have got an unlevel playing field from a tax accounting and reporting system in terms of investment in human capital versus investment in tangible goods. If you were to buy a robot to automate some of your processes at Costco, you know, back-office automation, you spend $5,000 in that robot, you get an R&D tax credit. The robot is an asset you can put on your balance sheet. You take two of your workers and train them to be more efficient than the robot, you do not get the same tax treatment or the same accounting treatment. I have been looking at trying to create the equivalent of an R&D tax credit for employers that actually up-skill their workforce.

I know I am springing this on your right now, but, you know, the idea of incentives for employers to up-skill their workers, could you talk to me generally about that in my last 46 seconds?

Mr. JELINEK. When you say up—we are always looking to become more efficient for a lot of reasons—to make it safer for the employee, to reduce injuries. Anything that we could do, you are always looking for efficiencies in the way you run your business. So just like any company, you do have to control your costs.

One of the reasons that we do that is not because of wages. If we can make work more efficient, as we said before, we work off of lower margins. That is what we do. You can have more people. You just raise your prices, and just like other companies could do, they work off of higher margins. We pay higher wages, but always figure out how to become more efficient the way we run our business.

Senator WARNER. Thank you.

Thank you, Mr. Chairman.

Chairman SANDERS. Thank you, Mark.

Senator Johnson.

Senator JOHNSON. Thank you, Mr. Chairman.

Mr. Jelinek, I want to go back to Lindsey's point about your business model in comparison to your competitors' business model. Again, you have an admirable business model, providing good products at a very low price because you engage in high volume, low margin. But one of the reasons you are able to do that is you have a very low cost structure, correct? Do you have any idea—and, again, you compete against people like Walmart, Sam's Club. But also you compete against the little small mom-and-pop shop retailers as well. Do you have any idea your cost advantage compared to a smaller retailer maybe in the neighborhood that is a little more convenient for consumers to get to versus going to your locations in strip malls? I mean, what kind of—how much lower are your costs, cost of sales versus a standard retailer that has a bunch of products just on the shelves?

Mr. JELINEK. Oh, it could probably be from anywhere to zero to 20 percent, 25 percent. No question about that.

Senator JOHNSON. So you have got lower costs. You probably have lower rent per square foot. Your bulk display is just a different way of shopping that, again——

Mr. JELINEK. Absolutely.

Senator JOHNSON. —consumers can make that choice.

Mr. JELINEK. Those are the efficiencies that we build in.

Senator JOHNSON. So, again, you can afford $15 an hour, but some of your smaller competitors cannot. Wouldn't it be true if you raise the minimum wage up too high, you start putting those smaller competitors out of business? That would be an advantage to Costco, wouldn't it?

Mr. JELINEK. We do not want to put anybody out of business because some of those small businesses buy from us.

Senator JOHNSON. I understand, but——

Mr. JELINEK. That would not be—that is not logical.

Senator JOHNSON. But, again, I think that is the concern a lot of us have, you know, the 1.4 million people who lose their job, the businesses that cannot afford whatever the Government dictates in terms of a wage being put out of business. In the end, that is going to benefit people like Amazon and yourself that, again, have high volume, low margin, can afford to pay more than a smaller retailer.

Mr. JELINEK. If anybody—the pie is only so big. If people go out of business, you are absolutely right; someone has to get that business. As I——

Senator JOHNSON. My——

Mr. JELINEK. If you can just let me finish, I am only trying to talk to you what is right for Costco.

Senator JOHNSON. No, I understand. So I am trying to make the point that what is right for Costco is not necessarily right for smaller retailers that also have a value to consumers.

Mr. JELINEK. Absolutely. I cannot answer about—that is a decision that everybody else has to make. I do not make that decision.

Senator JOHNSON. But when the Government comes——

Mr. JELINEK. I can only tell you——

Senator JOHNSON. But when the Government comes in and mandates a cost structure, a wage, and puts a smaller competitor out of business, that is what concerns many of us. Let me ask you another question.

Mr. JELINEK. I can tell you my past experience that wages usually do not put people out of business. How you run your business will put you out of business.

Senator JOHNSON. Again, you have been working at Costco. I have got experience in manufacturing. My experience in manufacturing, by the way, tells me that a $15 minimum wage is a moot point because most manufacturers—quite honestly, most employers I talk to in Wisconsin, their biggest problem is they cannot hire workers almost at any wage, because, you know, one of the reasons we are plussing up unemployment benefits, and at least half of people that are on unemployment are making more now than when they were actually on the job.

But let me ask you that question. How many unfilled positions do you have a Costco right now?

Mr. JELINEK. Very few.

Senator JOHNSON. Because you are paying $15 an hour.

Mr. JELINEK. And above.

Senator JOHNSON. And, again, that is what the marketplace actually does. But, again, I have employers, manufacturers in Wisconsin that cannot hire people at $15 an hour. They cannot hire people at $18 or $19 an hour, so that is also a huge problem.

But, again, Mr. Jelinek, I think Costco is a great store. It is the right place to shop for certain things. But, again, I think those of us on this side of the aisle are certainly concerned about the smaller mom-and-pop shops that also provide products and services in a way that consumers value as well. We do not want to see them put out of business because of a Government-mandated wage.

Thank you.

Mr. JELINEK. You are welcome.

Chairman SANDERS. Mr. Jelinek, we are going to respect your request. I know you have to leave at—you are on the west coast now, is that right?

Mr. JELINEK. Correct.

Chairman SANDERS. So we appreciate very much your being with us, and you told us you had to leave at 11:00, and it is 11:00. We are going to discharge you, and thank you very much for your testimony.

Mr. JELINEK. Thank you very much.

Chairman SANDERS. Our next panelist is Terrence Wise. This is panel number two, and our first panelist on this panel is Terrence Wise, who is a McDonald's worker, a Fight for $15 advocate, and a union leader from Kansas City, Missouri. Mr. Wise is a 41-year-old father of three who works for McDonald's making less than $15 per hour. Despite his fiancee also working full-time as a home care aide, their low wages mean the family struggles to make ends meet. They were evicted a year ago and face eviction again during this pandemic.

Mr. Wise, thank you so much for being with us.

STATEMENT OF TERRENCE WISE, MCDONALD'S WORKER, KANSAS CITY, MISSOURI

Mr. WISE. Thank you. Thank you, Chairman Sanders, Ranking Member Graham, and members of the Committee. Thank you for the opportunity to testify today. My name is Terrence Wise, and I am a 41-year-old, second-generation fast-food worker from Kansas City, Missouri. I am honored to speak with you on the issue of taxpayers subsidizing poverty wages of large, profitable corporations like the one I work for, McDonald's.

I began fighting for $15 and a union in 2013. I felt the struggle of raising a family on low wages my whole life. It began in South Carolina where I grew up in Government housing with my brothers and sister. My mom worked full-time at Hardee's for 30 years, and my dad was a cook in the military.

My mom would be up at 4:00 a.m. getting ready for work, and it was my job soon after to get my siblings up and ready to go to school. It was also my job to sign for the food stamps—we signed back then—from the postman. Even with two full-time incomes, my family had to skip meals. One winter I did not even have a coat until the guidance counselor gave me one from the lost and found.

Hardworking people with two full-time incomes should not have to live like this in the richest Nation on Earth.

I was a great student, and in the eighth grade I was in advanced placement classes. My teachers were saying things like, “Terrence, you are going to do great stuff. You can be whatever you want to be.”

I was going to be a Gamecock. I was going to go to the University of South Carolina and be a writer. But I went to work at age 16 to try to help my family survive. One day I came home from school, there was no food in the fridge, and the lights were turned off. So I went and got my first job at Taco Bell, making $4.25 an hour. I remember my first check was 150 bucks, and I gave it to my mom to help pay the light bill. But one job was not enough. So I got a second job at Wendy’s to bring in more money to help my family.

I tried to balance both work and school. I had A’s in history, English, science, and math. But I started falling asleep in class. My teachers then began asking me, “Terrence, what is wrong?” I did not need AP calculus to run the numbers at home. There simply was not enough money for basic necessities. I had to leave school and my dream of college behind at 17, and I became a full-time worker.

I have been working in fast food ever since. Now I have a family of my own. My fiancee is a home health care provider, and we have three daughters—ages 18, 17, and 15. She takes care of some of the most vulnerable people in our society, but neither of us make enough money to make ends meet.

My family has been homeless despite two incomes. We have endured freezing temperatures in our purple minivan. I would see my daughters’ eyes wide open, tossing and turning, in the back seat. Try waking up in the morning and getting ready for work and school in your minivan with your family of five. That is something a parent can never forget and a memory you cannot take away from your children. You should never have to work multiple jobs in the United States and have nowhere to sleep.

And that was before the pandemic. Since COVID–19, it has gotten harder. In March, my hours were cut from 40 to 28, and some of my co-workers were taken off the schedule entirely. My family and I have been evicted and had to move in with relatives. We had 11 people in a three-bedroom, one-bathroom house.

During the lockdown, McDonald’s gave me a piece of paper to show the police in case I got pulled over. It said I was an “essential employee.” But I can tell you, they treat us more like second-class citizens than “essential workers.”

I work for McDonald’s, the second largest corporation in America, and still rely on food stamps and Medicaid. I do not receive as much as I did in food stamps when I was making $8 or $9 an hour, but I still need help.

I want to stand on my own. I want to provide my girls with three meals a day and give them the opportunities I did not have. I do not want to go to the supermarket with my kids and pull out my benefit card to pay for food. My check should handle that.

This is what generational poverty looks like in America. It is what our movement has been fighting to end. It is why I joined the

Fight for $15 and a movement to ensure that my mother's past and my present is not my daughters' future.

We need Congress to act immediately to raise the Federal minimum wage to $15. Everyone who wakes up and works in our country deserves access to the promise that America made to each and every one of us: "life, liberty, and the pursuit of happiness." It is a promise to this day that remains unfulfilled for too many of us.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Wise appears on page 44]

Chairman SANDERS. Mr. Wise, thank you very, very much.

Senator Chris Van Hollen, will introduce Cynthia Murray, who is a Walmart worker from Hyattsville, Maryland. Chris?

Senator VAN HOLLEN. Thank you, Mr. Chairman, and it is an honor to introduce to the Committee a great Marylander, Cynthia Murray, who has been an associate at the Walmart store in Laurel, Maryland, since the year 2000. Ms. Murray works in the fitting department. She also handles all returns for seven different departments. She has got a lot of experience and so is often called upon by her colleagues to trouble-shoot and solve problems. Ms. Murray works 32 hours a week and even after 20 years in her position still makes less than $15 an hour.

Fortunately, in Maryland, that is going to change where our State minimum wage will gradually increase to reach $15 an hour in the year 2025, but that is not the case in so many other States, as we are hearing, where the minimum wage has remained stuck at $7.25 since 2009.

Ms. Murray is a founding member of the nonprofit worker organization United for Respect, and she volunteers on the board of directors there. Raised in a union family, she has led efforts to change policies at Walmart to better the lives of essential workers, and her activism has contributed to winning family leave policies for pregnant and parenting Walmart workers and better wages, a fight that she continues here today.

Members of the Committee, Ms. Murray is also a Walmart stock shareholder, stockholder, and she has been a vocal advocate against excessive stock buybacks at Walmart and has brought shareholder resolutions to the company to improve the lives of associates. She is a proud mother, grandmother, and I thank her for joining us here today as we conduct these very important hearings for the well-being of people throughout the country.

Thank you, Mr. Chairman, Ranking Member.

Chairman SANDERS. Ms. Murray.

STATEMENT OF CYNTHIA MURRAY, WALMART WORKER, HYATTSVILLE, MARYLAND

Ms. MURRAY. Good morning, Chairman Sanders, Ranking Member Graham, and members of the Senate Budget Committee. My name is Cynthia Murray. I live in Hyattsville, Maryland, and I have been a Walmart associate for 20 years. I have asthma, and my son also has underlying health conditions. Like tens of millions of essential workers, I have been working full-time since the virus hit, putting my life—and my son's—on the line, every day, for less than $15 an hour. I am here today as a leader with United for Respect to speak out on behalf of the 1.4 million hourly associates who work for Walmart, the largest private employer in the United States.

The U.S. Senate, the President, and the American people need to hear from people like me because we are the experts on why raising the Federal minimum wage simply cannot wait another day.

Nobody working for the richest family in America should be going hungry. But, Senators, at my store people in the break room at lunch time have nothing to eat for lunch. Walmart paychecks simply do not cover rent, bills, and groceries, so working people sit there hungry, while the Walton family has made over $50 billion since the pandemic began. The Waltons pocket $5.7 million every hour, but Walmart's CEO is saying that somehow a $15 minimum wage is too much compensation for front-line workers like me. I do not think so.

In 2017, Walmart rewarded their shareholders with a $20 billion handout to buy back their own stock. Had they invested half of that amount in workers, a million Americans could have had a raise of more than $5 an hour.

This month Walmart did it again, approving a new $20 billion share-repurchase program, while keeping the starting wage at $11. Walmart is the largest private employer of American women and the largest corporate employer of black and brown people in America. Wages at Walmart matter for America.

Let me tell you about Kendra Wilson from Jonesboro, Georgia. She is a single mother of two, and she has been at Walmart for 4 years and works as a personal shopper. She currently earns $11.94 an hour. Kendra must rely on public assistance, Medicaid and SNAP, and on local food pantries to provide for her two young sons. Kendra says, "Working for one of the largest corporations in the world, I should not have to choose between paying my bills and feeding my children."

Another associate, Kellie Ruzich, and her husband both work at Walmart in Duluth, Minnesota, supporting their three children. Kellie makes $12.38 and relies on Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) for formula for their baby, but says WIC does not provide her with enough formula. Kellie goes uninsured because she had to choose between the $85-a-month premium and feeding the baby. She chose feeding her hungry baby.

Mr. McMillon announced last week that the starting wage will remain $11 an hour. That starting wage is a starvation wage. It is a wage that requires the Federal Government to foot the bill for feeding Walmart associates' families, and many of us are still going hungry. They say they will do it gradually, and you do not have to force their hand. But let me tell you something: The only way Walmart is going to raise our wages is if you make it the law, and it is way past time to do so.

Last month there was a COVID outbreak in my store. We were scared, so we organized. I want to personally thank you, Senator Van Hollen, for standing with us. After your inquiry to Walmart, we have soap and hot water in the bathrooms and break rooms so we can wash our hands during a deadly global pandemic.

Working people deserve basic respect. I work hard at my job, and I am good at what I do. I am 65 in 3 months, and I have no retirement plans. My doctor says I need an Magnetic Resonance Imaging (MRI) for my back, but I am putting it off because I cannot afford the copayment. People like me are putting off retirement, putting off health care, because people like you have put off raising the minimum wage for 12 years.

I grew up in Pittsburgh, youngest of four children, raised by my dad and my grandmother. My dad was a Teamster. He had a good job and a strong union. As a single parent, he was able to support us. Senators, that is a story from a bygone era. That day in America is gone. Our reality today is that 40 million people are working in poverty, sometimes two and three jobs. We have to stop being a country of billionaires and working poor. You can end that. We can end that. It is time to raise our minimum wage.

Thank you for hearing my testimony today.

[The prepared statement of Ms. Murray appears on page 47]

Chairman SANDERS. Ms. Murray, thank you very much for being with us. We appreciate it.

Next on this panel we have Thea Lee, who is president of the Economic Policy Institute (EPI). EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-income workers in economic policy discussions.

Ms. Lee, thanks very much for being with us.

STATEMENT OF THEA MEI LEE, PRESIDENT, ECONOMIC POLICY INSTITUTE

Ms. LEE. Thank you so much, Chairman Sanders, Ranking Member Graham, and members of the Committee, for inviting me to participate in today's important hearing. I am Thea Lee, president of the Economic Policy Institute, the Nation's premier think tank for analyzing the effects of economic policy on America's working families.

Today's hearing poses an important question: Why do large, profitable corporations pay such low wages that their employees are eligible for and must rely on federal anti-poverty programs just to make ends meet? And what policies are necessary to address this problem?

I would like to make the case today that the wage-setting mechanism in the U.S. labor market is massively broken. Four decades of flawed policy decisions have systematically eroded the bargaining power of workers, while simultaneously concentrating the political and economic power of large corporations and the wealthy.

The result is a labor market where, contrary to neoliberal economic equilibrium models, actual wage levels for most workers reflect generations of accumulated systemic racism, sexism, and occupational segregation; where the federal minimum wage is egregiously inadequate, leaving too many workers below a decent and adequate standard of living; where workers' ability to join a union and bargain collectively has been eroded; and where highly profitable corporations remunerate their executives lavishly, but choose to pay poverty wages to their front-line and production employees.

This is not just unfair and inhumane for workers and their families. It is also inefficient in that it rewards a short-term business model characterized by high turnover and overreliance on Government safety net programs. It contributes to slower growth and growing inequality, especially along race and gender lines. And during the pandemic, we saw vividly that those workers most at risk of contracting the virus on the job were also disproportionately those earning at or near the minimum wage.

According to the GAO report that we are discussing today, 12 million wage-earning adults are enrolled in Medicaid, and 9 million wage-earning adults are in households receiving food stamps. About 70 percent of those work at least 50 weeks a year, and about 90 percent work in the private sector. Full-time work should provide a path out of poverty, but the reality in the United States today is quite different.

Federal anti-poverty programs provide an essential lifeline to people who need it, but these programs were never intended to relieve profitable corporations from their responsibility to pay a living wage and benefits. We need to strengthen and expand these programs, but we also need to ensure that our labor market and broader economic policies rebalance bargaining power between workers and employers so that unscrupulous and uncaring corporations do not benefit from federal safety net programs, which puts more responsible employers at a competitive disadvantage.

Key elements to rebalance bargaining power include: first, raise the minimum wage to $15 an hour by 2025; second, reform and modernize our labor law so that workers have a fair chance to exercise their rights to form unions and bargain collectively; and, third, pass a robust and comprehensive relief and recovery bill, as President Biden has proposed. Going forward, we should prioritize achieving and maintaining a full employment economy.

In principle, people cannot supply their labor if they cannot sustain themselves and their families. We heard amazing testimony this morning from Terrence Wise and Cynthia Murray, about how unconscionably inadequate the current federal minimum wage is. Today, according to EPI research, in every region of the United States, a single adult without children needs at least $31,200 to achieve a modest but adequate standard of living. That is what a full-time worker making $15 an hour earns annually. And by 2025, when the Raise the Wage Act will be fully implemented, this will hold true not just in every region of the United States but in every single county, both urban and rural.

Congress has a once-in-a-lifetime opportunity to pass the Raise the Wage Act, which is included in President Biden's American Rescue Plan Act. Raising the federal minimum wage now is an essential element of a robust and equitable recovery package, and it is affordable, both for businesses and for the economy. We see that the minimum wage has lost almost a third of its value since 1968, and yet over those 50 years, the economy's capacity to deliver higher wages has more than doubled, as measured by labor productivity.

And the weight of economic research is definitive and convincing: Minimum wage increases have worked exactly as intended, by raising wages without substantial negative consequences on employment. High-quality academic scholarship that I cite in my testimony examining dozens of case studies confirms that modest increases in the minimum wage have not led to detectable job losses. And even some studies that predict job losses, as did a recent CBO study, also predict that a $15 minimum wage in 2025 would overwhelmingly benefit the low-wage workforce, raising wages for 27 million workers and reducing the number of people in poverty by nearly a million.

When the GAO revealed that millions of full-time workers rely on food stamps and Medicaid, it underscored how deeply broken our labor market is today. Especially in the wake of the pandemic and associated economic cataclysm, it is urgent that Congress act to rebalance bargaining power in the labor market.

Thank you for your attention. I look forward to your questions.

[The prepared statement of Ms. Lee appears on page 53]

Chairman SANDERS. Thank you very much, Ms. Lee.

Our next witness is Doug Holtz-Eakin, president of the American Action Forum. Dr. Holtz-Eakin is a former CBO Director and was Chief Economist with the President's Council of Economic Advisers under President George W. Bush.

Dr. Holtz-Eakin, thanks very much for being with us.

STATEMENT OF DOUGLAS HOLTZ-EAKIN, PH.D., PRESIDENT, AMERICAN ACTION FORUM

Mr. HOLTZ-EAKIN. Well, thank you, Chairman Sanders, Ranking Member Graham, and members of the Committee, for the privilege to be here today and testify on this important topic. I want to make three very simple points, and then I would look forward to the opportunity of answering any questions you may have.

Point number one is the data clearly display this overlap between the working population and the social safety net population in the United States. Whether that is a large or small overlap is in the eye of the beholder, but there is no question it is there.

Some interpret this overlap as a subsidy to employers by providing social safety net benefits to some of their employees. But I think the economics actually indicate the opposite. The availability of outside income, an alternative for those workers, would force employers to pay more, not less, to attract people out into the labor force and into employment. And so in my written testimony, I have tried to gauge the overall magnitude of the increase in wages that have been necessitated by the U.S. social safety net. Frankly, the research on this is sufficiently unclear that you cannot get a definitive answer. But the direction is unambiguous. Wages are higher than they otherwise would be in the absence of those social safety net programs.

The third point I want to make is that the proposal to raise the minimum wage to $15 by 2025 would not eliminate this overlap. There would still be—and there are in the data—people who are eligible for Medicaid receiving SNAP benefits when they make more than $15 an hour.

It is also, I think, an unfortunate time to contemplate raising the minimum wage, especially an increase of that magnitude. As the Congressional Budget Office said, this in general is going to cost something like 1.4 million jobs in the United States, and the reason for that job loss is that by writing a law that says the minimum wage is going to go from $7.25 to $15, you have not created any additional income to pay those higher minimum wages. So that income will have to come from somewhere else, and that income is going to come by not hiring additional workers and cutting the total labor cost and outlay, or it might come from a small business that does not reopen and, thus, essentially comes from that business owner.

And so the reality will be that we will take money from someone who does not get a job and give it to someone who has a job. That is a pretty perverse and unfair thing to do, especially at this time. We will take it from someone who cannot reopen their restaurant and give it to someone who has a job, again, an incredibly perverse and unfair sort of redistribution.

This is not a hypothetical. About 60 percent of the minimum wage workers are in the leisure and hospitality sector, and in the spring of 2020, we lost 8.3 million jobs in leisure and hospitality. And while we have climbed back and put about 4.4 million of those people back to work, there are still millions of leisure and hospitality workers out of work. And an increase in the minimum wage of this magnitude will guarantee that some of them will simply stay there.

We lost about 50 percent of the small businesses in the leisure and hospitality sector last spring, and we have far from reopened those businesses. And so we will guarantee that they never open their doors again in the United States, and we will have to find other places for people to get jobs.

In general, the CBO says that raising the minimum wage to $15 is a $500 billion mandate on employers in the United States. We are trying to climb out of the steepest, most rapid recession in the history of the United States, and raising taxes by $500 billion is on no one's list of ways to do that. This is a de facto stealth $500 billion tax increase that would impede the ability to recover, far from supporting it.

So I would encourage you to contemplate raising the minimum wage but by a smaller amount at another point in time when the economy can handle it, but to do so now would be a grievous policy error.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Holtz-Eakin appears on page 62]

Chairman SANDERS. Thank you very much, Dr. Holtz-Eakin.

Now we have Mr. Carl Sobocinski, and I hope I pronounced the name correctly. Mr. Sobocinski is the owner of Table 301 Restaurant Group and a board member of the South Carolina Restaurant and Lodging Association. Table 301 Restaurant Group has several restaurants that employ hundreds of people.

Mr. Sobocinski, thanks so much for being with us.

STATEMENT OF CARL SOBOCINSKI, PRESIDENT, TABLE 301 RESTAURANT GROUP

Mr. SOBOCINSKI. Thank you, Mr. Chairman, Ranking Member Graham, and members of the Committee. Thank you for the invitation to testify today. My name is Carl Sobocinski, and I am the founder and president of the Table 301 Restaurant Group.

I have worked tirelessly in this industry for over 30 years and built this company. Today our company stands at nine restaurants and over 300 associates, as you mentioned. We are down over 100 associates from where we were a year ago today. On May 1st, we will open our tenth restaurant and add 50 more jobs. Table 301, like the restaurant and hospitality industry, is a job generator, and with over 15 million restaurant and food service workers in America, our industry employs nearly one in ten U.S. workers.

Sixty-three percent of adult workers have worked in the restaurant industry at some point in their careers. And did you know that 48 percent of adult workers, nearly half of all Americans, got their start, their first job, in the restaurant industry. Our industry is impactful. We are making a difference in America's workforce. We have a story to tell, and we should have a seat at the table when discussing wage issues.

My story does not differ from the thousands of restaurateurs and chefs around this country. I started in an entry-level position as a college student. I immediately fell in love with this industry. I worked my way up to management and a food and beverage director position, and then after my on-the-job training, I took a leap of faith, took on significant debt, and opened my first restaurant in 1993. Four years later, I opened Soby's New South Cuisine, which is the flagship restaurant of the Table 301 Restaurant Group.

Along the way we have had some incredible successes and a few hardships, like closing two restaurants and eliminating significant jobs during the recession of 2009 and again for unforeseen circumstances in 2013.

Our greatest success is the selling of three of our concepts to three long-term, hardworking chefs and managers. We are establishing the next generation of restaurants and entrepreneurs.

One beautiful story is that of Jorge Barrales. Jorge, affectionately known as "Papi," started with us in 1997 on opening night. He worked his way up into a management position, and in 2013, he and I together opened a little store, Papi's Tacos. In 2019, Papi and his family were able to purchase that restaurant and are now the sole proprietors and proud owners of Papi's Tacos.

Our industry has always been one to fight back in the face of adversity, and restaurant workers are some of the most resilient in any industry. Despite this pandemic and losing one in six restaurants around the country, our industry will fight every day, and I am optimistic and enthusiastic about the future and about our recovery.

I would like to thank you at this time for the quick work a year ago to provide PPP funding, which we applied for and did receive. That is the sole reason that my restaurants are all still operating today. But this leads me to the reason I am here today.

Mr. Chairman, it is unfathomable to me that Congress can consider the Raise the Wage Act in the middle of the pandemic. The exact people you are trying to help will very likely either end up with diminished wages if we eliminate the tip credit, lose their jobs to technology, or lose jobs in general as operators will eliminate several entry-level positions.

Let me be clear, and I think I speak for most sensible business owners. I am not opposing a minimum wage increase, but I am looking for a common-sense approach to this. This is not a one-size-fits-all solution. Fifteen dollars an hour in New York City, San Francisco, Washington, D.C., is not the same as $15 an hour in Greenville, South Carolina.

I think most can agree that $7.25 as a wage is too low for even an entry-level position. Table 301 is a great example of the free enterprise system working, where our entry-level wage is at $10 an hour, not the current minimum wage. If the minimum wage goes up to $15 an hour, take our entry-level wage of $10 an hour. We are now increased 33 percent. That means that every worker would expect, rightly so, a 33-percent increase. So take every $100,000 in payroll that I currently have and add $33,000 to that, increased employer taxes, increased premiums on workmen's comp policies, and increases in expenses for benefits such as 401(k) contributions, and you will have businesses closing faster than they have during this pandemic.

Today I urge you to abandon this fast-tracked approach and instead have a real and honest conversation with small business owners across a broad spectrum to devise a responsible wage increase that will provide opportunities for workers without eliminating jobs for far more than we would be able to help. We have to do better than this.

I do want to thank you for acknowledging the difference in small businesses versus these large corporations. There are 5.8 million small businesses in the U.S. comprising of 96 percent of all U.S. businesses. Let us not legislate to the 4 percent large corporations in the U.S. Let us come up with a common-sense approach to protect the 96 percent of American small businesses.

Mr. Chairman, thank you for the opportunity to testify, and I look forward to answering any questions you all may have.

[The prepared statement of Mr. Sobocinski appears on page 68]

Chairman SANDERS. Mr. Sobocinski, thank you very much for being with us.

The last witness in this panel will be Professor Jacob L. Vigdor. Since 2014, he has been a professor of public policy and governance at the University of Washington.

Professor Vigdor, thanks so much for being with us.

STATEMENT OF JACOB L. VIGDOR, PH.D., PROFESSOR OF PUBLIC POLICY AND GOVERNANCE, UNIVERSITY OF WASHINGTON

Mr. VIGDOR. Thank you. Good morning, Chairman Sanders, Ranking Member Graham, members of the Committee. I am Jake Vigdor, professor of public policy and governance at the University of Washington in Seattle. Thank you for the opportunity to speak today.

In June 2014 the Seattle City Council passed a minimum wage ordinance. Starting from $9.47, the minimum wage was to rise to $15 an hour and was then indexed to inflation. Today Seattle's minimum wage stands at $16.69 per hour for most employees.

On the day the City Council passed this ordinance, it also passed a resolution calling for a 5-year independent academic study of its impact. I had the privilege of leading this 5-year study, which was conducted without the support of either business or labor groups. Today I am here to share with you some of the things we learned in the course of our study.

There were many facets to our work. We conducted repeated surveys of business owners and managers. We went interviewers and sometimes interpreters into the homes of parents trying to raise children on low-wage jobs. We sent researchers into stores, restaurants, and bars once a month to track consumer prices. And we used administrative employment and revenue data from the State of Washington to track the experiences of individual businesses and employees over time.

My written testimony provides some additional detail, but let me focus on six key findings.

Finding 1, businesses survived. To be precise, our research concluded that the higher minimum wage was only leading to the closure of about seven out of every thousand businesses for a survival rate of 99.3 percent.

Finding 2, price increases were confined to the restaurant industry. We conducted intensive studies of grocery prices, tracked gas prices and rents closely, and monitored street-level retail. We found that restaurant prices went up about 10 percent, but that was the only detectable impact.

Finding 3, businesses saw reduced turnover and higher productivity. Turnover rates in low-wage businesses are high. Our data show that if you take a set of employees working for low wages at any point in time, only about half of them would still be working for the same employer in a year and a half. This ratio increased in Seattle. At the same time, sales per hour of labor increased.

Finding 4, workers who had low-wage jobs before the minimum wage increases kept them. We found no increase in unemployment among individuals already working. So far, so good.

But this brings me to Finding 5. Although existing workers kept their jobs, they saw their hours reduced. Employers found many ways to cut back their staffing without laying workers off. Some cut back their operating hours. Child care centers brought in fewer workers per shift. Some employers converted tasks performed by employees into tasks performed by customers themselves. This could mean anything from using the Starbucks application to order and pay for your coffee to asking your customers to bus their own tables at a counter service restaurant. And some became more aggressive about sending workers home if business was slow or telling employees they would call them if they needed them instead of scheduling them in advance.

Finding 6, employers lean more heavily on their experienced workers. In the course of conducting this survey, we heard managers say lots of negative things about hiring teenagers: We need to train them. They do not show up to work on time. If they ask for time off, they will quit if you do not give it to them.

Teenagers can have a lackadaisical attitude about work in part because they often do not need the income to survive. This pattern had a beneficial impact on older workers, the adults trying to make ends meet, often while raising children. They kept more of their hours and saw a bigger boost to their paycheck.

Less experienced workers on average saw their hours cut so severely that their paychecks ended up smaller rather than larger for more than a year after the minimum wage started to increase. And workers who had no experience at all found it harder to land that first job. The flip side of lower turnover is fewer job openings.

The bottom line is a mixed message. If you want to raise the minimum wage in order to help individual adults and families struggling to make ends meet on the basis of low-wage work, the Seattle evidence supports your argument. The Seattle evidence also demonstrates the capacity of businesses to adapt with a 99.3 percent survival rate in a year when the minimum wage went up by over $3.50.

On the other hand, if you are worried that raising the minimum wage will erode the ability of young workers to find their first job, the Seattle evidence validates your concern. Think of it this way: Business owners are so reluctant to hire inexperienced teenagers, the only thing that the youth can do to get themselves a shot is to offer to work for a very low wage. But that in turn puts downward pressure on the wages of more experienced workers. Deciding to raise the minimum wage really boils down to whether you want to give an advantage to older or younger workers.

That concludes my prepared remarks. I am happy to take any questions you may have.

[The prepared statement of Mr. Vigdor appears on page 71]

Chairman SANDERS. Professor Vigdor, thanks. Thank you very much.

Let me begin the questioning for our panelists, and I think one point that I did want to reiterate, because I keep hearing some confusion about this, the minimum wage bill that I am proposing does not raise the minimum wage to $15 an hour this year. It is a 5-year process. The first year it goes up to $9.50 an hour.

Let me, if I might, ask both Terrence Wise and Cynthia Murray a question, and that question is: We had invited the CEOs of Walmart and McDonald's to be with us today. And as our testimony has indicated, these are both very, very profitable corporations paying their CEOs very large compensation packages. If the CEO of Walmart or the CEO of McDonald's was with us today, Mr. Wise and Ms. Murray, starting with Mr. Wise, what kind of questions would you ask them? What would be your comment to them about working conditions at McDonald's or Walmart? Mr. Wise, do you want to begin that?

Mr. WISE. Oh, yeah. Well, you know, I am glad that you mentioned he did have the opportunity to come today, and, you know, I was recently on a call with CEO Chris Kempczinski and, you know, leads in McDonald's, only to be muted. I actually had my phone line muted. You know, they did not take any questions. But I would definitely want to know—you know, a few years ago, when McDonald's came out and said they would be just fine paying their workers $10, $12 an hour, we know that they can afford to pay their workforce $15. We know they spend billions to buy back stocks. They pay celebrities millions in advertisement fees. The money is absolutely there to pay their workers, not only that but to allow us to have a seat at the table.

I heard the gentleman from South Carolina saying we have got to have a seat at the table when it comes to wages and things that dictate our everyday lives in the workplace. We have got to have democracy in the workplace. And I would simply ask Chris, “Why? Why not $15? You do not have to wait on legislation or any law to be enacted. You can pay your workers today.” And, “Silence has not been the answer, Chris. Give us a seat at the table. McDonald’s workers are ready to talk and negotiate wages and benefits on the job, but you have got to open that line for conversation. You have got to show up. If you care truly about America and the community and what your business brings to this country, then you should be open and willing to discuss these things, and $15 should not be negotiable. You should be able to pay your workers that.”

Chairman SANDERS. Let me jump in because I want to hear from Ms. Murray. But, Mr. Wise, thank you very much.

Ms. Murray, did you want to make a point about what you would ask the CEO of Walmart?

Ms. MURRAY. Yes, I would definitely like to ask the CEO of our company, “Why not pay your workers $15 an hour?” They made $50 billion since this pandemic began. Our CEO says that he is going to raise some of the wages to $15, $16, $17 an hour. But I am here to ask him, “Why are we on the front lines and we are front-line workers putting our lives at risk every day? Why are you not embracing your workers but keep cutting our workers, keep cutting our hours?”

They talked about giving us a bonus. They took it right back in the wages of taking—cutting hours from workers and cutting days. To me, that is not telling the truth to America. It is not telling them that they put $20 billion back to share buybacks for their shareholders. I am a shareholder, and a lot of us workers are shareholders. We have a lot of great workers that work for their company. I do not understand why they are not embracing them, lifting them up, giving them better health care, giving us better policies that if we are sick, we can take time off without being pointed out and being fired for being sick, or due to bad weather.

You know, there are a lot of policies that I want Doug McMillon to answer for me, like why would you slow-walk giving people in the South less money than the people in New York City or in D.C.? We did a study, and nowhere is $15 an hour enough to rent a two-bedroom apartment.

So, you know, I am here to say, again, we cannot wait until 2025. We need $15 an hour now. We are living in poverty, and it is not right that we work for the most richest company in the world and we are still stuck at $11 an hour, which is poverty wages.

Chairman SANDERS. Ms. Murray, thank you very, very much.

Senator Graham.

Senator GRAHAM. Mr. Chairman, I would like to yield to Senator Braun. I think he has a scheduling problem, and I will let him go, and I will get my time later.

Senator BRAUN. Thank you, Chairman Sanders. Thank you, Senator Graham.

I recently come from this very discussion. I built a business over 37 years before I became a Senator, and as you can see, this discussion has got a dichotomy to it. You have got Wall Street and big business on one side, and you have got Main Street on the other side.

My question is going to be for Mr. Sobocinski here in a moment, but the fact that he made the point earlier that we are rushing this through in a one-size-fits-all, like the Federal Government does on almost everything, it misses the mark. We are made up of 50 States. We are made up of businesses that are mostly small in this country. And this whole discussion of trying to raise a minimum wage, all of us as business owners aspire to do that, and we do it with all the tools we have to keep good employees, to make sure they work for us for a long time. And if you just look on Main Street, that is happening. But what you do here when you have a mandate, the amount of which is huge, it is going to mostly fall on the shoulders of small business.

Costco was not mentioned. His salary I think was 7.9 million bucks. That seems like a bargain for big companies. If you are going to go somewhere, maybe talk to that sector about what you want to do to tout what you do within companies where you have got so much room to spare.

Senator Graham hit it on the head. When you run a small business, when you are on Main Street, you are turning the lights on when you get there, off when you leave after a long day. You treat your employees like family. And when you put a mandate like this, it does a couple things. All the 1.4 million jobs that are forecast to be lost are going to fall on the backs of small businesses, many in the restaurant industry, which has been the hardest hit during the whole COVID crisis. And it just goes to show, when you try to do something quickly—I am afraid this is the opening salvo, that we are going to see many different policies that are not going to be thought out, and we will pay the consequences for it later.

Indiana versus New York, places that have high costs of living, they probably need a minimum wage above 15 bucks an hour. But do not set it in a way that is going to start taking States that have lower costs of living, that do not need that, that got robust economies, because it is working with the current framework in place where you have got maybe especially a small business-friendly climate there. A lot of moving parts to this discussion.

When you look at it, it also begs the question: How does a place like the Federal Government that is running trillion-dollar deficits expect to do anything to move the equation when it comes to chain for more unemployment that would result and doing anything that you need to do through the Federal Government? It does not make sense. We need to slow it down. We need to figure out how we pay for things as we go forward and acknowledge that this is a big discussion, that the main result is going to be you are going to hurt Main Street. Wall Street is going to be unscathed by it because it could do a lot of this if they just chose to.

I want this question to go to Mr. Sobocinski because, to me, he reflects who will pay the price. The restaurant industry has been hit so hard. I would like you to talk about the wages that are currently being paid within your industry and if you did again a minimum wage that does not reflect the tipped wage, which in many cases for part-time work pays union wages, tell the American public about that and what would be lost.

Mr. SOBOCINSKI. So I think there are two ways I can answer that. The first is what we are living through right now with low revenues, and we are managing to see those lower revenues to keep afloat and to stay alive. I mentioned earlier that we are down 100 jobs from where we were a year ago today, so this pandemic is—even with some of the recovery, we are down 25 percent of our jobs in order to manage to the lower revenue. So it will work in the opposite. If our expenses go up, then we have to eliminate those jobs because our revenue is going to stay flat, or we are going to raise our prices, and we are going to lose customers, especially right now while we are in a pandemic.

When you talk about the tip wage, there is overwhelming support from tipped employees—servers, bartenders, folks that participate in tip pooling in these entry-level jobs. There is overwhelming support, and they love the system the way it is set up. Customer love the system the way it is set up. These employees can earn as much as—in our case, we have several employees full-time that have built their own little business in their section of the restaurant and can make $30, $35 an hour. Our average tip, when you spread it all out amongst our food runners, bussers, all the entry-level plus service bartenders, our employees are making $22 an hour, and the national industry average is $19 to $25.

Senator BRAUN. Thank you. We are out of time, but I am glad you were able to point that out. That would go when you try to do a one-size-fits-all.

Thank you.

Chairman SANDERS. Senator Whitehouse.

Senator WHITEHOUSE. Thank you.

Mr. Holtz-Eakin, you say in your testimony that now is a terrible time to raise the minimum wage. When would be a good time to raise the minimum wage?

Mr. HOLTZ-EAKIN. Senator Whitehouse, when the economy gets back to full employment. We are well below full employment now. We have millions of people out of work, many for long periods of time, and so——

Senator WHITEHOUSE. And when you say "full employment," what do you meant?

Mr. HOLTZ-EAKIN. When the unemployment rate gets down to something like 5, 4, in the vicinity of where it was in 2019.

Senator WHITEHOUSE. And in that environment you would support this raise to the minimum wage?

Mr. HOLTZ-EAKIN. I would not support this raise to the minimum wage. I think the issues of different in cost of living——

Senator WHITEHOUSE. You would support some raise to the minimum wage?

Mr. HOLTZ-EAKIN. Yes.

Senator WHITEHOUSE. You say that the consequences of this minimum wage increase will be negative employment effects, i.e., if we raise wages, we lose jobs. Correct?

Mr. HOLTZ-EAKIN. I am worried about that, yes.

Senator WHITEHOUSE. Is the corollary of that also true, that if we lower wages, we will gain jobs?

Mr. HOLTZ-EAKIN. In some cases, yes.

Senator WHITEHOUSE. And if you follow that out to its logical conclusion, if we paid no wages and lived in an economy of indentured workers, we would gain even more jobs still.

Mr. HOLTZ-EAKIN. No, the way to raise wages is to have strong economic growth. At the end of 2019, we had record-low unemployment across the labor force. Taking some of the pockets that typically had high unemployment, we saw wages rising rapidly, especially at the low end. I think the thing to be concerned about here—and I——

Senator WHITEHOUSE. I am just trying to figure out what your principle looks like as you describe it. Your principle looks like as you describe it is that if we raise wages, we lose jobs; if we lower wages, we gain jobs. And I do not know why that does not lead to the natural conclusion that the lower the wages, the more the jobs.

Mr. HOLTZ-EAKIN. So the question is——

Senator WHITEHOUSE. Other than that you do not like that end result.

Mr. HOLTZ-EAKIN. The question is: What kind of a mandate do you want to place on the private sector? Wages will rise with growth. There is no question. We have seen that. That is the best way to get raises, is to have strong economic growth, rising productivity, increasing the standard of living. It is the basic recipe that has made the United States the largest, strongest economy the globe has ever seen. This is——

Senator WHITEHOUSE. Do you agree that there should be a minimum wage?

Mr. HOLTZ-EAKIN. This is different. This is raising—this is imposing a mandate on a business——

Senator WHITEHOUSE. Yeah, I know.

Mr. HOLTZ-EAKIN. —that does not have any additional income. So you are just transferring income. There is no rising wages. There is not additional output, additional income.

Senator WHITEHOUSE. I guess I am trying to figure out where the bottom point is for you. If we had no minimum wage at all, would that increase jobs even more than lowering the minimum wage would?

Mr. HOLTZ-EAKIN. No. There is going to be national competition for labor to begin with, and we are going to have positive wages in the economy, and there is going to be a rise in productivity. So zero is not ever going to——

Senator WHITEHOUSE. So let the economic nature sort it out, do not have a minimum wage?

Mr. HOLTZ-EAKIN. You could have a minimum wage and it would have no impact if it was below the——

Senator WHITEHOUSE. Well, that is my point, and that would be pointless, which is why we have a minimum wage, so that people do not have to live in economic suffering in order to let the economy and the state of nature have its way with them.

Mr. HOLTZ-EAKIN. But the point, I think, is the one that Professor Vigdor made, which is the minimum wage involves tradeoffs. You will take away opportunity from the less skilled, the least educated, and the youngest, the teenagers, to raise the standard of living——

Senator WHITEHOUSE. Yes, I will concede that there are trade-offs.

Mr. HOLTZ-EAKIN. Yes.

Senator WHITEHOUSE. And I think that the simple conception that if we raise the minimum wage that will cost us jobs misstates the nature of that trade-off and misunderstands the suffering of people who are living in an unsustainable way, in an undignified way on the existing wages. And that factor I think belongs in this calculus, and particularly highlighted by your concession that, by your own analysis, if we were to lower the minimum wage, we would gain jobs. But even you are not arguing that.

Mr. HOLTZ-EAKIN. My concern is exactly the same as yours. Those who are most likely to have their hours cut, not get hired, are the least skilled, least experienced, least educated, and most in need of help. And this move would make them worse off, not better.

Senator WHITEHOUSE. Well, I doubt that in a state of economic nature those people are going to be well taken care of in our economy.

Thank you.

Chairman SANDERS. Thank you.

Senator Graham.

Senator GRAHAM. Thank you very much, Mr. Chairman.

To Mr. Wise and Ms. Murray, thank you very much for your work ethic. Mr. Wise, I know you started this journey in South Carolina, and—are you with us, Mr. Wise?

Mr. WISE. Oh, yeah.

Senator GRAHAM. Where are you from in South Carolina?

Mr. WISE. Columbia.

Senator GRAHAM. Columbia, all right. Go Gamecocks.

What did your father—was he a military person?

Mr. WISE. Yeah, he worked at Fort Jackson. He was a cook in the military. You know, he served abroad in Germany as a cook in the military, and that was his duties.

Senator GRAHAM. Did he retire from the military?

Mr. WISE. He did. He actually was—he got a little up in age and had to leave, but he is now a hospital worker. He is still in the workforce.

Senator GRAHAM. The reason I want to say that, you have a very hardworking family, and I want to recognize that. And the same to you, Ms. Murray. You know, being 65 and working at Walmart is no easy thing to do. So let us start with that concept, that we want to reward hardworking people.

Doug, so this conversation with Senator Whitehouse I think is interesting. The minimum wage was put in back in the 1930s. Why?

Mr. HOLTZ-EAKIN. It was part of the Fair Labor Standards Act, and it was intended to provide a floor for wages and to make sure that there was no incentive to hire children as well.

Senator GRAHAM. Yeah, I think that is why it was put in, exploiting underage kids.

Mr. HOLTZ-EAKIN. Yeah.

Senator GRAHAM. And back in those days, it was pretty tough stuff. The minimum wage is part of American business culture. Do you agree with that? The American business community has accepted that the minimum wage is part of their business model?

Mr. HOLTZ-EAKIN. Yes.

Senator GRAHAM. And do you know of anybody that wants to get rid of it?

Mr. HOLTZ-EAKIN. No.

Senator GRAHAM. Okay. So what we have got to do is find out how to raise it without losing jobs and trying to create job growth, not depress job growth.

Carl, are you there?

Mr. SOBOCINSKI. Yes, sir.

Senator GRAHAM. Okay. Well, I will be home. I am going to head to your restaurant this weekend if I can get home. So you have had a 25-percent decrease in revenue due to COVID?

Mr. SOBOCINSKI. 35 percent year over year, 2020 versus 2019.

Senator GRAHAM. Okay. Do you see it getting any better right now?

Mr. SOBOCINSKI. Not at the moment. January and February started off on an even worse track. As you know down here, with our nice climate, we are anticipating climbing out of this around April 1st when things warm up.

Senator GRAHAM. Okay. So you think 2021 is going to be a tough year for you?

Mr. SOBOCINSKI. Absolutely, without a doubt.

Senator GRAHAM. Okay. Let us compare 2019. Was that a good year before COVID?

Mr. SOBOCINSKI. 2019 was our best year in the history of the company.

Senator GRAHAM. Okay. So the idea of raising the minimum wage, if you did it maybe differently than we are proposing, is that acceptable to you?

Mr. SOBOCINSKI. Yes, sir. I tried to make that point earlier, that this is not about not raising the minimum wage. This is about that it is not a one-size-fits-all solution, and a 107-percent increase——

Senator GRAHAM. Right, okay. What percentage of your business is college students—your employees?

Mr. SOBOCINSKI. I do not have an exact number, but I could pretty educatedly say a third of our workforce is high school and college students working part-time.

Senator GRAHAM. Okay. And on the top end, you have some, you know, chefs and people who this is their career, right?

Mr. SOBOCINSKI. Yes, sir.

Senator GRAHAM. If we increase your cost at a time your revenue is down, who suffers the most in your business model?

Mr. SOBOCINSKI. The entry-level positions, those high schoolers, those college students, those part-time workers. A lot of the college students are trying to pay for college education themselves and work while in college. So those would be the first jobs to disappear.

Senator GRAHAM. Well, let us pray for better days, and, Mr. Chairman and my colleagues on the other side, Waffle House gave me a plan to raise the minimum wage. I do not know if it would be appealing to you, but count me in for the idea that we can do this. I would just like to get the COVID in a little better spot, and we will sit down and talk.

Thank you all very much. It has been a good hearing.

Chairman SANDERS. Thank you, Senator Graham.

Senator Kaine.

Senator KAINE. Thank you, Mr. Chairman. Thanks to all the witnesses.

I am just going to maybe take a minute to state a proposition that I would like to hear any of the witnesses who want to address it tackle. I sometimes get frustrated by minimum wage discussions because the number is kind of artificial. It is like debt ceiling limit. That is not really meaningful. If you are talking about the debt, ratios are meaningful, and I sort of feel the same way sometimes about minimum wage discussions. Is it going be 15, be 11, be 16? The number is not that meaningful. It is the policy that I think we have to grapple with.

And so here is the way I have sort of developed to think about minimum wage, and it is why I support the $15 proposal because it is the only one that is on the table that meets my philosophy or value. But I am going to posit the philosophy; then I want to hear anybody address it however they want.

I think we should set a minimum wage so that a full-time worker with two dependents could work that wage and not be below the poverty level. That would be a philosophy, and then adjust it periodically rather than to rate shock, which is tough for business. If you only adjust it every 10 years, it does pose challenges.

Right now an adult working full-time—and I think two-thirds of people who work full-time for minimum wage are women. An adult who works full-time with two dependents is dramatically worse off than the poverty level. The poverty level for three, a family of three, with an adult and two dependents, is about 22,000 bucks. You work full-time for the current minimum wage, I mean, you are way below that. You are less than two-thirds of the Federal poverty level.

So I sort of believe why not kind of put our minimum wage where our values are. We tell our kids hard work is important, work hard, that is the key to success. If we tell people hard work is important but we have a wage that says if you do work hard full-time you are below the poverty level, then we are lying, hard work is not important to us, because our values would suggest that it is not.

So I have seen different proposals on the table. The one that meets my objective is the $15 by 2025. I am not opposed to some variations. I am not opposed to the idea of some regional variations, and I also am not opposed to the idea of for workers, young workers entering the market, maybe having, as many States do and as the Federal Government does, too, some lower wage for them to let them get their first job and learn what the workforce is like for a limited period of time. But I just want to get people above the poverty level, and if you have full-time workers who are below the poverty level, then we are lying to people when we tell them we value hard work.

So how about that as just a stated proposition? And I would love to hear any witness address it. We should have a minimum wage that if a full-time worker with two dependents worked full-time, they would be above the poverty level. Anything wrong with that idea?

Mr. HOLTZ-EAKIN. So, if I could, Senator——

Ms. LEE. If I may?

Senator KAINE. Please, who was that? Was that Ms. Murray?

Chairman SANDERS. That was Thea Lee.

Ms. LEE. Thank you, Senator Kaine, and thank you for your question. We have a minimum wage so that workers will not be in poverty, and the Economic Policy Institute has an amazing tool on our website called the "Family Budget Calculator." We have calculated what is a modest but adequate standard of living for ten different family types, and that is where we got the estimate that even $15 an hour today is necessary for a single worker without children. So I think what we can say is that $15 an hour is really what is needed for somebody to get to work every day, to be able to pay for child care and transportation and rent and food and health care and so on.

The $15 an hour national minimum wage is absolutely affordable. It is affordable in the sense that the productivity growth in the economy, that is, the hourly output of workers, has increased. Workers are more educated. They are more experienced than they were several decades ago. Therefore, they can earn $15 an hour in a noninflationary way.

And so I would agree with you that we need to look at what it costs to live, because it is not right that people work full-time and they cannot afford their minimum but adequate cost of living. This does not even include entertainment. It does not include saving for retirement. It does not include buying a house. It is really modest but adequate. Thank you.

Mr. HOLTZ-EAKIN. So, Senator, you stated my position perfectly. I agree with you completely. The question is: How do you get there? You bought yourself a reading assignment. I wrote up a proposal which does that by supplementing wages, not mandating a minimum wage but by supplementing wages to make sure that you are out of poverty at all times, regardless of your family size. And that is in a structure similar to the Earned Income Tax Credit (EITC), and that is a pro-work way to get people out of poverty. The trouble with the minimum wage is it ends up being anti-work in some circumstances, not dramatically, not large, but for people who I worry a lot about.

So I think you have got the right philosophy, but I think this is the wrong way to get there.

Senator KAINE. My time——

Mr. SOBOCINSKI. Mr. Chairman, if I may?

Senator KAINE. Please, if the Chair will allow. I am over my time, but——

Chairman SANDERS. Yeah, take a few more seconds here.

Mr. SOBOCINSKI. This is Mr. Sobocinski. I would just like to make a comment that every—there are so many different jobs in America, and not every job is a head-of-household job. And I like that term because I think it encourages people to work themselves up and work their way up.

Mr. Wise, if you want to come back to South Carolina, you have made an impression today, and you are underutilized, and I am sorry that your employer does not recognize that. But we would love to take you in South Carolina and put you in a position where you had opportunity to grow. And I think businesses that do that are the businesses that will succeed, and that is how we fix America's wage problems.

Chairman SANDERS. Okay. Well, thank you very much.

Senator Padilla.

Senator PADILLA. Thank you, Mr. Chair. I wish we had an item before us to vote on today because I cannot wait. But I do want to share a couple of comments and observations from today's hearing.

Just to reiterate some of what has been said before, I associate myself with Senator Kaine's comments on the moral imperative here, the value statement. Also to recognize, as you have articulated, Mr. Chairman, you know, we are discussing and debating a minimum wage, which in far too many locations in the country is not a living wage or a livable wage.

We have touched on the dynamic between the CEO or other executive compensation, which is not only multiple but multiple, multiple times, sometimes exponential times the wages or salaries earned by entry-level workers in so, so many industries.

That, by the way, was an issue and I think a problem even prior to COVID, so to shed, well, we cannot do this, it is going to be hard because of COVID, COVID, COVID, I think is in many cases a false argument because these dynamics we were struggling with prior to the pandemic. They have been exacerbated by the pandemic, if anything.

Recognition that in the restaurant industry and others as well—it is not exclusive to the restaurant industry. There are so many high school and college students that make up a chunk of the workforce. It is one thing for a young person to want to get that first job, second job, for the sake of experience, building the resume, upward mobility. It is a whole different ball game if you have to work 10, 20, 30 hours a week or more because you are trying to put your way through college, right?

College affordability, Mr. Chairman—and I know you know—is a whole other conversation that we need to be having urgently, and given the ratios of employees made up of high school and college students in so many industries, it is clearly not separate and apart from the issue before us.

I also want to point out that, you know, the stress and the anxiety of so many parents struggling to make ends meet, let alone that of not being able to provide for your children and your family in the way that parents would like to, starting with meeting the basic needs, again, a dynamic that existed prior to the pandemic, has only been exacerbated by the pandemic. And I do not think it is lost on any of us the cruel irony of the metrics that we sometimes refer to when it comes to the state of the economy, both part of the pandemic and especially since the pandemic, some people are pointing to the Dow Jones, record Dow Jones. But at the same time, we see lines and lines at food pantries across America.

So let us be mindful when we look at economic indicators and whether the economy is doing well or not. Even in good times prior to the pandemic, based on the Dow Jones, you had far too many people both unemployed and underemployed, again, exacerbated by the pandemic.

We have talked about those earning less and their dependency on social services. I want to call special attention to poverty, even when you are working, as trauma, detrimental not just to physical but to mental health, the stress, anxiety, depression, desperation that comes from not being able to make ends meet easily, even when you are working full-time. Again, something that existed prior to the pandemic, only exacerbated by the COVID–19 pandemic.

So I do have two questions I want to pose for discussion to both Mr. Wise and Ms. Murray. I have about a minute left. Folks have talked about what a difference a $15 minimum wage would mean to them. So the quick question—or the quick answer to a question is: What would you do with that wage increase? Would you invest in stocks? Or would you spend it? One of the big conversations today is what does it mean for small business. What it means for small business, I would imagine small businesses would be helped by folks having more spending money in working-class communities. And the others, if there is just any additional experiences to share of what you have had to do, what you have had to sacrifice to make ends meet or what you maybe have been on the verge of that you never would have contemplated before in your life, because I know my family has—when I was growing up, either through additional——

Chairman SANDERS. I am afraid that if you want them to answer the question, they have virtually no time at all. So let me turn it over to them. Mr. Wise, Ms. Murray, very briefly.

Mr. WISE. Well, even though me and Ms. Murray—we work for the two biggest corporations on the face of the planet, McDonald's and Walmart. You know, it is not lost on me the small mom-and-pop businesses, especially in my community. You know, on my way to work, when I pass Rosie's Flower Shop, Sam's Shoe Store, not Costco, not Amazon, not Walmart, but just the shops in my community that I cannot even on Valentine's Day that just passed stop at the local flower shop and buy flowers for my wife. I cannot stop and buy new shoes for my kids locally in the community because low-wage workers like me just do not have the funds to pour into our community. And if we had $15 an hour, that is a 365-day-a-year spending package. Fifteen is COVID relief. I would be able to buy my wife flowers. If in Greenville, South Carolina, I would be able to take my family out to Carl's restaurant. We simply do not have the funds to even do that, have a fun night with the family, buy new shoes, buy flowers.

You give low-wage workers money, we are not going to buy beach-front property, invest in stock. We are going to pour it into the economy, help grow it, and help grow jobs as well. Cynthia?

Chairman SANDERS. Okay. Thank you very much.

Senator Luján.

Senator LUJÁN. Thank you so very much, Senator Sanders, for this important hearing, and Ranking Member Graham and to all of the witnesses that are here before us today.

Ms. Lee, more than four in ten children live in a household struggling to meet basic expenses, and between 7 million and 11 million children live in households in which their parents are unable to afford even enough food. Yes or no, does the Economic Policy Institute estimate that a $15-an-hour minimum wage would lift wages for 32 million Americans?

Ms. LEE. Yes.

Senator LUJÁN. And is it true that front-line and essential workers would make up 60 percent of those that would benefit?

Ms. LEE. That is exactly right, Senator.

Senator LUJÁN.. And what percentage of workers that would benefit from a minimum wage increase have children?

Ms. LEE. I think 28 percent of those who would benefit from the $15 minimum wage by 2025 have children.

Senator LUJÁN. That is my understanding as well. And what would the increase in the minimum wage mean for the economic security of these families and children?

Ms. LEE. This would be a life saver. It is about $3,300 per year, and that is enough to make a difference. And I just want to reiterate what Terrence said, which is that during the pandemic is exactly the time we need to raise the minimum wage because this recession hurt low-wage workers so badly. What we need to do to get out of the recession is put money into the pockets of people who will spend it. That is what the answer is for small business and for big business and for robust economic recovery, but particularly for those workers who are trapped in these low-wage jobs. They need to have the economic security for themselves and for their children, and that is good economics. That is not just good morality; that is good economics. That is what is wrong with the economy: a lack of purchasing power and too much inequality, and the minimum wage increase would help address that.

Senator LUJÁN. I appreciate that.

Mr. Wise, I very much appreciated your responses to the number of questions that you fielded today, and I just thank you for being here and sharing your story and making sure that you are ensuring that the rest of the country will hear your story and your call, sir.

Mr. Wise, the question that I have for you is: How would raising the minimum wage change the lives of you and fellow workers, especially those raising children?

Mr. WISE. Well, you know, it would make us feel more like humans, you know, more like human beings. It would not make me rich. I would not all of a sudden be a millionaire. It would just make life comfortable. And like we say, you should not have to work in the richest Nation on Earth and be homeless, have to skip meals. These are things that would be off the table for millions of low-wage workers, not having to juggle bills, worry about paying my daughter's senior dues. She is graduating this year. Just the little things in life that we take for granted. And, you know, folks think you work full-time in this country, life must be great. Well, actually, it is not, and that is what we have got to address.

So when you give my family $15 an hour, you are not only helping me, my community, our country, but you are just making the promise that I said earlier, that America make each and every one of us a reality.

Senator LUJÁN. I appreciate that, Mr. Wise. You know, it is the dignity of a paycheck. You know, I was raised in a household where my dad was a union iron worker. He was also a State representative later on, and, you know, he got involved in public service. My mom retired after 33 years from the local public school district. And, you know, when I got elected to the United States Senate, sir, I was surprised that not all of my colleagues had gone to Head Start. I thought all of us went to Head Start. I forget that you have to qualify for Head Start. And when you qualify for Head Start, it means that you probably do not make so much money as well. These programs make a difference in people's lives.

I understand there are two of us now in the United States Senate that attended Head Start, myself and United States Senator Raphael Warnock as well. So we might have to start that Head Start Caucus. But the story that you just shared with me, sir, the dignity of being seen and treated like a person and being able to provide for our families, that is what this is about. And I just appreciate, again, you being here today, Mr. Wise. Congratulations to your daughter on that graduation, and God willing, one of these days I look forward to maybe meeting you in person, shaking your hand, and learning more from you.

Chairman, thank you for the time today and for this important hearing, and I yield back.

Chairman SANDERS. Thank you very much, Senator.

A vote has been called at 12:10, so the vote has begun already. But what I would like to do is now invite up our last panelist, who is Cindy Brown Barnes, who is the Director of Education, Workforce, and Income Security at GAO. Ms. Barnes joined GAO in January 1990. She oversees work on programs and policies supporting Americans of all ages.

Ms. Barnes, thank you so much for being with us.

STATEMENT OF CINDY BROWN BARNES, MANAGING DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. BARNES. Thank you. Chairman Sanders, Ranking Member Graham, and members of the Committee, thank you for the opportunity to discuss our October 2020 report that found that millions of wage-earning American adults participate in Federal health care and food assistance programs.

As you know, Medicaid and the Supplemental Nutrition Assistance Program, or SNAP, two of the largest Federal social safety net programs, provide health care and food assistance to low-income individuals and families near and below the Federal poverty line, including many working adults whose low incomes make them eligible for these means-tested programs.

We previously reported that the characteristics of the low-wage workforce had changed little in recent decades. Specifically, low-wage working adults consistently comprise about 40 percent of the U.S. workforce, their limited work hours likely compound their income disadvantage, and educational gains do not always result in higher wages.

Moreover, we found that the percentage of working families in poverty has remained relatively constant, and that poverty is most prevalent among families with a worker earning the Federal minimum wage or below.

My testimony today will cover: one, what is known about the labor characteristics of wage-earning adult Medicaid enrollees and SNAP recipients; and, two, where these individuals work.

First, I want to summarize what we found at the national level. From our analysis of 2018 census data, we found that millions of wage-earning adults who were enrolled in Medicaid, were living in households that received SNAP food assistance, shared common labor characteristics, including working predominantly for private sector employers, mostly working full-time work schedules, and being highly concentrated in five industries and occupations. Specifically, an estimated 12 million adults enrolled in Medicaid and 9 million adults living in households receiving SNAP benefits earned wages in 2018. More than two-thirds of these workers in each program worked 35 hours or more per week, and the majority of them worked full-time hours 50 weeks or more in 2018.

About 90 percent of these wage earners worked in the private sector in 2018. About seven in ten of these wage-earning adult Medicaid enrollees and SNAP recipients worked in five industries and occupations. These workers were more concentrated in the leisure and hospitality industry, which includes lodging and food service, than otherwise similar workers. Similarly, these workers worked in one of the top five occupations, which include sales, food preparation, and building and grounds cleaning and maintenance.

Next, I would like to highlight what we found when examining employers in selected States from February 2020, just prior to the onset of COVID–19. These data from six State Medicaid agencies and nine State SNAP agencies provided insight into where adult Medicaid enrollees and SNAP recipients work.

Specifically, most of these working adults work for private sector employers, restaurants and other eating places—a category that includes sit-down restaurants, fast-food franchises, and pizza shops—employed the largest percentage of these individuals in these States. Department stores, grocery stores, employment service agencies, and general merchandise stores such as big-box and discount stores also feature prominently across the States we examined.

Public sector employers, including Government entities, such as Federal, State, tribal, and local, and public university systems also employed Medicaid enrollees and SNAP recipients in most of the States that provided data. And the nonprofit sector—hospitals, disability service organizations, and charitable organizations—were among the leading employers of these workers.

Finally, many adult Medicaid enrollees and SNAP recipients were self-employed. For example, babysitting, cleaning services, hair stylists, landscaping, and construction were frequently cited sources of self-employment income in these States.

In conclusion, our report shows that, irrespective of the overall economy's health, there remain millions of low-income workers who contribute to the workforce by working full-time jobs while raising their families. Unfortunately, they still cannot make ends meet. Federal social safety net programs like Medicaid and SNAP offer such families a lifeline and play a vital role in stemming poverty.

Chairman Sanders, Ranking Member Graham, and members of the Committee, this concludes my prepared remarks. I will be pleased to respond to any questions you may have at this time.

[The prepared statement of Ms. Barnes appears on page 77]

Chairman SANDERS. Well, Ms. Brown Barnes, thank you very much for your very important work.

Let me ask you a brief question. Is it true that among the 15 agencies you reviewed in the States that you looked at, Walmart was in the top four employers of program beneficiaries in each and every one?

Ms. BARNES. Yes, that is true.

Chairman SANDERS. Is it correct that McDonald's was a top five employer of employees receiving Federal benefits in 14 of the 15 agencies?

Ms. BARNES. Yes, that is also true.

Chairman SANDERS. You were unable to look at 50 States. You looked at how many States?

Ms. BARNES. We looked at 11 States, but it included 15 State agencies, so there were a couple of States that also provided us data about Medicaid enrollees as well as the SNAP recipients.

Chairman SANDERS. Are you able to come up with any estimate as to how much in tax-supported programs low-wage workers nationally receive?

Ms. BARNES. We were not able to come up with that estimate on a national level. This is the data that we set out to collect, but it is just not collected.

Chairman SANDERS. You just did not have the information to make that estimate?

Ms. BARNES. That is right.

Chairman SANDERS. Okay. Well, I think the bottom line of your report is that we have a whole lot of people who are working full-time, who are working hard, but need to get public assistance in order to take care of themselves and their families. Is that kind of the bottom line?

Ms. BARNES. Yes, that is one of the bottom lines.

Chairman SANDERS. Okay. Senator Graham.

Senator GRAHAM. Thank you, Mr. Chairman. This has been a very good hearing. I have enjoyed it. Thank you.

Do you agree with the CBO estimate that raising the minimum wage as being proposed would result in 1.4 million jobs being lost?

Ms. BARNES. We have not looked at the minimum wage proposal or studied the CBO report.

Senator GRAHAM. Okay, so you have not looked at that. What percentage of businesses in America employ less than 50 people?

Ms. BARNES. What percent?

Senator GRAHAM. Yeah, of American employers hired less than 50 people.

Ms. BARNES. I do not have that because ours focused on those employed——

Senator GRAHAM. Yes, ma'am. Do you know what percentage of the American business community is classified as "small business"?

Ms. BARNES. I do not. We did not look at that specifically in this study.

Senator GRAHAM. Thank you. Thank you very much.

That is all. Thank you.

Chairman SANDERS. All right. I do not believe that there are any other Senators who wanted to ask questions. Anybody else there?

All right. If not, this hearing is adjourned, and we thank all of the guests who joined us today. Thank you very much.

Ms. BARNES. Thank you.

[Whereupon, at 12:23 p.m., the Committee was adjourned.]

ADDITIONAL MATERIALS SUBMITTED FOR THE RECORD

[Prepared statements, responses to written questions, and additional material supplied for the record follow:]

PREPARED STATEMENT OF MR. CRAIG JELINEK

Testimony of Craig Jelinek,
President and CEO of Costco Wholesale Corporation
Before the U.S. Senate Committee on the Budget
February 25, 2021

Good morning Chairman Sanders, Ranking Member Graham, and Members of the Committee.

I'm Craig Jelinek, President and CEO of Costco Wholesale. I appreciate the invitation to speak with the Committee today.

Costco is a membership-based retailer with headquarters in Washington state, and 803 locations worldwide, including 558 in forty-five U.S. states, Washington D.C. and Puerto Rico. The basic principle of Costco's business is to provide our member customers with high quality goods and services at the lowest possible prices. Our business model is based on very high sales volume on a limited selection of products, in an efficient, no-frills shopping environment.

Costco is fortunate to be one of the top retailers in the U.S. and the world. We owe our success to many different factors, but one of the most obvious is that we have the best employees in the retail industry. There are currently more than 180,000 Costco employees in the U.S., and 275,000 worldwide.

Since Costco's inception, the company has been committed to paying employees very competitive retail wages and providing them broad and affordable health care benefits. Two years ago, we moved our starting hourly wage to $15 or more everywhere in the U.S. Effective next week, the starting wage will go to $16.

Although there's a lot of external focus on starting wages and minimums, it's important to us that Costco employees have an opportunity to make more than just $15 or $16 an hour. Costco employees receive regular, scheduled increases based on their hours worked. Employees working full-time hours will generally see two wage increases during the course of each year, and employees working part-time hours will see one increase - until they reach the top of our scale, which increases every year. More than half of our hourly employees in the U.S. are paid at the top of our scales, in excess of $25 an hour.

And most of these Costco employees also receive regular, twice-yearly 'extra checks' or bonuses - up to $4000 twice each year - which benefit long-term employees.

Our average wage for hourly employees in the U.S., excluding any overtime premium, but including the extra check component, is around $24.

This average wage doesn't take into account the premium pay Costco employees have received during the Covid-19 pandemic. Beginning in March 2020, as we saw increased business sparked by the pandemic, we instituted a $2 an hour premium for hourly employees in our locations. We've now extended this premium pay multiple times, and it continues today. As we approach the one-year mark of this extra pay, we will end the temporary premium but convert some of the premium to a permanent increase by raising each step on our hourly wage scales.

At Costco we're also proud to provide our full-time and part-time employees with broad and affordable benefits, including health care coverage for employees and dependents. About 89% of our employees are currently eligible for our health care plans, and about 97% of those eligible are enrolled, which speaks to the quality and affordability of the benefits. And we guarantee employees will be scheduled enough hours to maintain their benefits. We also make sizable annual contributions to employees' 401k retirement accounts, based on employees' years of service, irrespective of their own contributions. We also believe our paid sick time and vacation time policies for hourly employees are very competitive by retail standards.

I want to note: this isn't altruism. At Costco, we know that paying employees good wages and providing affordable benefits makes sense for our business and constitutes a significant competitive advantage for us. It helps us in the long run by minimizing turnover and maximizing employee productivity, commitment and loyalty. We encourage our employees to view Costco as providing a career rather than just a job.

And as a result, our employee retention rates are very high by retail standards. In the U.S., our employees average over nine years of service with the company. Over 60% of U.S. employees have five or more years with Costco, and over one-third have more than 10 years. We're very proud of the fact that more than 12,000 of our U.S. employees have worked for Costco for 25 years or more. Again, we feel the experience level and loyalty of our employees is a significant advantage for our company.

As I conclude my remarks, I'd like to make it clear that the past 37 years of my long retail career have been working for Costco, and Costco is what I know. I'm not an economist, regulator or legislator, and I don't pretend to know what methods or models are right for any other large or small companies or any other industries. But I do know what is right for Costco. We're certainly not perfect, but we try to take care of our employees, because they play such a significant role in our success.

I'd be happy to answer any questions about Costco that you might have.

Thank you.

PREPARED STATEMENT OF MR. TERRENCE WISE

Terrence Wise, Testimony
U.S Senate Budget Committee Hearing, Should Taxpayers Subsidize Poverty Wages at Large Profitable Corporations?
February 25th, 2021

Chairman Sanders, Ranking Member Graham, and Members of the Committee, thank you for the opportunity to testify. My name is Terrence Wise. I'm a 41-year old, second generation fast -food worker from Kansas City, Missouri. I am honored to speak with you on the issue of taxpayers subsidizing poverty wages of large, profitable corporations--corporations like the one I work for, McDonald's.

I began fighting for $15 and a Union in 2013. I felt the struggle of raising a family on low wages my whole life. It all began in South Carolina. I grew up in government housing with my two brothers and a sister. My mother worked full time at Hardee's for 30 years. My dad also served in the military as a cook.

My mom would wake me up at 4am when she left for Hardee's. I had to get my siblings off to school. It was also my job to get the mail and sign for food stamps from the postman. Even with two full-time incomes and food stamps our family had to skip meals. One winter I didn't even have a coat until my guidance counselor gave me one from the lost and found. Hardworking people with two full-time incomes shouldn't live like this, in the richest nation on earth.

I was a great student and by the eighth grade was in advanced placement classes. My teachers said, "Terrence you're going to do great things. You can be anything." I wanted to be a Gamecock at the University of South Carolina. I was going to be a writer.

But I went to work at age 16 to try to help my family survive. One day I came home from school, there were no lights or food in the fridge and I couldn't do homework without food and lights.

So I went and got my first job at Taco Bell. I only made $4.25 an hour, but I knew my family needed the money -- desperately. My first paycheck was $150. It went to the light bill. One job wasn't enough. So I got a second job at Wendy's to bring in more money for my family.

I tried to balance both work and school. I had As in AP history, English, Science, and Math. I started falling asleep in class. My teachers asked, "Terrence, what's wrong?" I told them I was working two jobs.

I didn’t need my AP Calculus to run the numbers at home. There simply wasn’t enough money for basic necessities. I had to leave school and my dream of college behind. At 17, I became a full-time worker.

I’ve been working in fast food ever since.

Now, I have a family of my own. My fiancée is a home health care provider and we have three daughters--ages 18, 17, and 15. She takes care of some of the most vulnerable people in our society. Neither of us make enough money to make ends meet.

My family has been homeless despite two incomes. We’ve endured freezing temperatures in our purple minivan. I’d see my daughters’ eyes wide open, tossing and turning, in the back seat. Try waking up in the morning and getting ready for work and school in a parking lot with your family of five. That’s something a parent can never forget and a memory you can never take away from your children. You should never have multiple jobs in the United States and nowhere to sleep.

And that was before the pandemic. Since COVID-19 hit, it’s gotten even harder. In March, my hours were cut from 40 to 28. Some of my co-workers were laid off entirely. My family and I got evicted and we had to move in with relatives. We had 11 people in a 3-bedroom, one bathroom house.

During lockdowns, McDonald’s gave me a piece of paper to show the police in case I got pulled over on my way to work that said that I am an “essential employee.” But I can tell you, they treat us more like second-class citizens than “essential workers.”

I work for McDonald’s, the second largest corporation in America and still rely on food stamps and Medicaid. I don’t receive as much as I did when I made $8 or $9 an hour, but still need help even though I work my tail off.

I want to stand on my own. I want to provide my girls with three meals a day and give them the opportunities I didn’t have. I don’t want to go to the supermarket with my kids and have to take out my benefit card to buy food. My paycheck should be able to handle that.

This is what generational poverty in America looks like. It’s what our movement is fighting to end. It’s why I joined the Fight for $15 and a Union seven years ago. I’m fighting to ensure my mother’s past and my present is not my daughters’ future.

The Fight for $15 and a Union has changed my life. My daughters march on the front lines with me during strikes.They understand what it means to fight for justice.

This movement has also changed our city, state and country. Many people didn't believe that $15 was possible. But a path to $15 an hour has become a reality for 42% of the U.S. workforce.

Nearly 70% of voters in Kansas City voted for a $15 minimum wage in 2017. It was a huge victory for us until the state legislature blocked the increase. Missouri voters raised the minimum wage in 2018 but, just this week, legislators launched an effort to stop that increase in its tracks.

That's just one reason we need Congress to take action immediately to raise the federal minimum wage. Everyone who wakes up and works in our country deserves access to the promise that America made to each and every one of us: "life, liberty, and the pursuit of happiness."

It's a promise that, to this day, remains unfulfilled for too many of us.

Thank you and I look forward to your questions.

PREPARED STATEMENT OF MS. CYNTHIA MURRAY

Written Testimony before the
United States Senate, Budget Committee

Hearing on
"Millions of Full-time Workers Rely on
Federal Health Care and Food Assistance Programs"

Cynthia Murray
United for Respect Leader

February 25, 2021

Good Morning Chairman Sanders, Ranking Member Graham, and members of the Senate Budget Committee.

My name is Cynthia Murray. I live in Hyattsville, Maryland and I have been a Walmart associate for 20 years. I have asthma, and my son also has underlying health conditions. Like tens of millions of essential workers, I have been working full time since the virus hit, putting my life -- and my son's -- on the line, every day, for less than $15 an hour. I'm here today as a leader with United for Respect to speak out on behalf of the 1.4 million hourly associates who work for Walmart, the largest private employer in the United States.

The US Senate, the President, and the American people, need to hear from people like me about what is at stake right now, because we are the experts on why raising the federal minimum wage simply cannot wait another day.

Nobody working for the richest family in America should be going hungry. But Senators, at my store, people in the break room at lunch time have nothing to eat for lunch. Walmart paychecks simply can't cover rent, bills, *and* groceries -- so working people sit there hungry, while the Walton family has made over $50 *billion* since the pandemic began[1] and now have a combined net worth in excess of $220 billion.[2] The Waltons pocket $5.7 million every hour[3] while CEO Doug McMillon makes roughly 983 times the median employee pay of $22,484.[4] But Mr. McMillon is saying that somehow *at least* $15 an hour is too much compensation for frontline workers like me? I don't think so.

In 2017 Walmart rewarded shareholders with a $20 billion handout to buy back their own stock. Had they invested half of that amount in workers, a million Americans could've had a raise of $5.66 an hour.[5] In February 2021, they did it again - Walmart's Board of Directors just approved a new $20 billion share-repurchase program.[6] As owners of about 50% of outstanding Walmart shares[7], the Walton heirs benefit personally from these returns to shareholders.

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1 Bloomberg Billionaires Index wealth data for Rob, Jim, Alice, Lukas, Christy, Nancy, and Ann Walton taken on 3/12/20 and 2/22/21.
2 Combined net worth of Jim, Rob, Alice, and Lukas Walton as reported in Forbes 2020 List of Billionaires (as of 2/16/21).
3 United for Respect calculation: $50 billion/8760 (total hours in a year) = $5.707 million per hour
4 https://sec.report/Document/0001206774-20-001271/ (Form DEF14A Proxy Statement)
5 https://rooseveltinstitute.org/wp-content/uploads/2020/07/RI-Walmart-buyback-brief-201805.pdf
6 https://www.morningstar.com/news/dow-jones/202102186363/walmart-raises-dividend-approves-20-billion-stock-buyback
7 Walmart DEF 14A Proxy Statement filed with SEC on 4/23/2019

Walmart is the largest corporate employer of women in America, and the largest corporate employer of Black and Brown people in America. According to Walmart's 2020 Environmental Social Governance (ESG) disclosures, 55% of frontline hourly workers are women (770,000) and 45% are people of color (630,000).[8] Black and Latinx workers are disproportionately concentrated in lower-paying nonmanagerial hourly positions while white workers are concentrated in management and officer level positions.[9] Walmart has refused to disclose whether employees of color are categorically paid less[10] than white employees or overrepresented in part-time positions.[11]

Let me tell you about Kendra from the state of Georgia. She is a single mother of two, and she's been at Walmart for four years, currently working as a personal shopper. She currently earns $11.94 an hour. Kendra must rely on public assistance, Medicaid and SNAP, and on local food pantries to provide for her two young sons. Kendra says, "working for one of the largest corporations in the world, I should not have to choose between paying my bills and feeding my children."

Kellie Ruzich and her husband both work at Walmart in St. Louis County Minnesota to support their three children. Kellie makes $12.38, and relies on WIC for formula for their baby, but says WIC doesn't provide her enough formula to get through the week. Kellie goes uninsured because she had to choose between the $85 a month premium, and feeding the baby. She chose her hungry baby.

Mr. McMillion made a big announcement last week that starting wages for the majority of hourly associates will remain $11 an hour, well below the $15 an hour competitors like Target, Amazon, BestBuy, and Costco are already paying. More importantly, that starting wage is a starvation wage. It is a wage that requires the federal government foot the bill for feeding Walmart Associates' families, and many of us still go hungry.

At 34 hours a week — Walmart's definition of full-time work — employees earning $11 an hour would bring home an income that falls below the federal poverty guidelines for a family of three.[12] So it's no surprise to me that Walmart was among the top 4 employers of Medicaid and SNAP recipients across all states surveyed by the Government Accountability Office (GAO) in November 2020.[13]

Mr. McMillion says he supports slow-walking any increase in the federal minimum wage and has been advocating for geographic variation in new minimum wage laws.[14] Walmart says it will raise the wage gradually and the government doesn't have to force their hand, but let me tell you something: the only way they're going to raise our wages is if you make it the law, and it is way past time to do so.

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8 https://corporate.walmart.com/esgreport/social#retail-opportunity

9 Ibid.

10 https://www.vox.com/business-and-finance/2018/5/25/17379730/walmart-stock-buyback-worker-wages

11 https://www.buzzfeednews.com/article/coralewis/who-gets-full-time-hours-at-walmart

12 https://aspe.hhs.gov/2020-poverty-guidelines#guidelines Used 2020 Poverty Guidelines for the 48 Contiguous States and DC for a Household of 3 ($21,720)

13 https://www.gao.gov/products/GAO-21-45

14 https://www.bloomberg.com/news/articles/2021-01-19/walmart-ceo-says-wage-hike-should-consider-regional-economics

Walmart's failed response to the COVID-19 pandemic underscores how little value Walmart has for the health and livelihood of frontline employees.

Walmart waited two, and in some cases seven weeks, before fully adopting measures recommended by the Centers for Disease Control and Prevention, such as reducing crowding in stores, cleaning more intensively, and providing protective gear to employees.[15]

While Walmart does not publicly report COVID-19 cases or deaths, we know from press and employee reports that thousands of Walmart workers have contracted COVID-19 and at least 22 have died.[16] Numerous outbreaks have been linked to Walmart stores including one in Massachusetts where 81 associates tested positive.[17]

Last month, there was a COVID outbreak in my store. We were scared, so we started to organize. I want to personally thank you, Senator Van Hollen, for standing with us workers at the Laurel store. After your inquiry to Walmart, we finally have soap and hot water in the bathrooms and break room, so we can wash our hands during a deadly global pandemic.

Walmart is also the only major national retailer who did not provide hazard pay to frontline employees during the coronavirus crisis. At the peak of the pandemic and in direct acknowledgement of the heightened risk essential workers face, Kroger, Target, Amazon and Costco provided their employees with $2 hourly premiums. In contrast, Walmart paid out four lump sum cash bonuses - $300 for full-time and $150 for part-time employees - between March 1 and December 24, 2020 which combined amounted to a paltry $0.71 per hour increase for frontline employees.[18]

Moreover, Walmart's inflexible and punitive leave policies continue to be in place despite the toll the pandemic has on public-facing essential workers and evidence that paid sick leave could prevent infections and virus spread.[19]

In 2019, 350,000 Walmart workers reported failing to use or having no access to paid leave whatsoever.[20] The COVID-19 leave policy introduced in March 2020 did not solve the paid leave problem at Walmart with 45% of workers surveyed in May 2020 reporting they are likely to come to work even if they feel sick out of fear of being penalized by management with points, loss of hours, or other disciplinary action.[21] In addition, Walmart's emergency leave policy does not provide employees additional paid time off to care for family members impacted by coronavirus or to attend to children whose schools are closed, which disproportionately hurts female employees.

Large corporate employers like Walmart were exempt from the provisions of the Families First Coronavirus Response Act requiring employers to provide paid leave for workers ill with COVID-19 or caring for a sick family member. In June 2020, a coalition of 12 state

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15 https://united4respect.org/wp-content/uploads/2020/05/2020-Walmarts-Failure-final2.pdf

16 https://www.wsj.com/articles/walmarts-coronavirus-challenge-is-just-staying-open-11587221657 and https://areyousafe.work

17 https://www.bostonherald.com/2020/05/02/81-coronavirus-cases-at-worcester-walmart-city-says/

18 United For Respect internal calculations: FT = $1,200/42 weeks/40 hours

19 https://urbanmilwaukee.com/2021/01/30/paid-sick-leave-has-health-benefits/

20 https://www.nytimes.com/2020/03/14/opinion/sunday/coronavirus-paid-sick-leave.html

21 https://d18rn0p25nwr6d.cloudfront.net/CIK-0000104169/dcdb6773-d4b2-49ca-9323-775005deb637.pdf

attorneys general asked Walmart to adopt a paid sick leave policy that provides the minimum protections required under the Families First Coronavirus Response Act.[22]

Working people deserve basic respect. I work hard at my job and I am good at what I do. I'll be 65 in 3 months, and I have no retirement plans. My doctor says I need an MRI for my back injury, but I'm putting it off because on my paycheck, I can't afford the copay for the appointment. People like me are putting off retirement, putting off health care, because people like you have put off raising the minimum wage for 12 years. The time to act is now.

I grew up in Pittsburgh, youngest of four children, raised by my dad and my grandmother. My dad was a Teamster. He had a good job, and a strong union. As a single parent, he was able to support six of us. We weren't wealthy, but we had what we needed. Senators, that is a story from a bygone era. That day in America is gone. Our reality today is that 40 million people are working in poverty, sometimes two and three jobs. We have to stop being a country of billionaires and working poor. You can end that. We can end that. It's time to raise our minimum wage.

22 https://illinoisattorneygeneral.gov/pressroom/2020_06/2020_06_02_Walmart_Multi-state_ltrwsignatures.pdf

APPENDIX I

Kellie Ruzich

Kellie Ruzich from Duluth, MN has worked at Walmart as a Fresh Cap team member in Meats and earns $12.38 an hour. She is married to another Walmart associate who works on overnights. She is a mother of three children; a 3.5 year-old and twins less than a year-old. She has worked at Walmart for almost three and a half years and has had to rely on public assistance (Medicaid and WIC) since she started, because Walmart's wages are too low. Before her twins were born, her husband was an Hourly Support Manager on Overnights, she made too much at the time to qualify for food assistance, however, he lost his position while they were on FMLA leave following the birth of their twins. Currently Kellie is facing a heating bill of over $400 dollars. Her last paycheck was about $750. If she earned $15 an hour, Kellie says it would change her life. She would be able to pay her bills, support her children, and put money away to save for an emergency. She could pay her bills on time and not have to go into debt, borrowing money from her next paycheck in order to pay her gas and electric bills. $15 an hour would mean she would not need to rely on government assistance and could spend more time with her kids.

APPENDIX II

Brief by Brookings Institution, December 2020
Amazon and Walmart have raked in billions in additional profits during the pandemic, and shared almost none of it with their workers.

UC Berkeley blog post, December 2020
The U.S. wealth gap was appalling before the pandemic. Now, it's worse

Report by Institute for Policy Studies, November 2020
Billionaire Wealth vs. Community Health

Op-Ed by Walmart Associate Cynthia Murray, October 2020
Walmart wants to hear workers' voices, it should give us a seat at the table

Op-Ed by Walmart Associate Cat Davis in NBC Think, June 2020
Walmart Exploits Black Lives

New York Magazine article, May 2020
Walmart Workers Are Dying From the Coronavirus. Now They Want a Seat at the Table

Report by The Center for Popular Democracy & United for Respect, May 2020
Walmart's Failure to Prioritize Employee and Public Health

Op-Ed by Walmart Associate Melissa Love in The NY Times, March 2020
At Walmart, the Coronavirus Makes It Feel Like Black Friday

Report by United for Respect, 2018
Trapped in Part-Time: Walmart's Phantom Ladder of Opportunity

Report by A Better Balance, 2017
How Walmart Unlawfully Punishes Workers for Medical Absences

PREPARED STATEMENT OF MS. THEA MEI LEE

Thea Mei Lee
President
Economic Policy Institute

Testimony prepared for the Senate Budget Committee
for a hearing on
"Why Should Taxpayers Subsidize Poverty Wages at Large, Profitable Corporations?"

February 25, 2021

Thank you, Chairman Sanders, Ranking Member Graham, and members of the committee, for the invitation to participate in today's important hearing. I am Thea Lee, president of the Economic Policy Institute, the nation's premier think tank for analyzing the effects of economic policy on America's working families.

Today's hearing poses an important question: Why do large, profitable corporations pay such low wages that their employees are eligible for and must rely on federal anti-poverty programs just to make ends meet? And what policies are necessary to address this problem?

I would like to make the case today that the wage-setting mechanism in the U.S. labor market is massively broken. Four decades of flawed policy decisions have systematically eroded the bargaining power of workers, while simultaneously concentrating the political power and wealth of large corporations and the wealthy.[1]

The result is a labor market where—contrary to neoliberal economic equilibrium models—actual wage levels for most workers reflect generations of accumulated systemic racism, sexism, and occupational segregation; where the federal minimum wage is egregiously inadequate, leaving too many workers below a decent and adequate standard of living; where workers' ability to join in union and bargain collectively has been eroded; and where highly profitable corporations remunerate their executives lavishly, but choose to pay poverty wages to their front-line and production employees.

This labor market outcome is not just unfair and inhumane for workers and their families trapped in low-wage jobs. It is also inefficient, in that it rewards a short-term business model characterized by high turnover and overreliance on government safety net programs. It contributes to slower growth and growing inequality, especially along race and gender lines. And during the pandemic, we saw vividly that those workers most at risk of contracting the virus on the job were also disproportionately those earning at or near the minimum wage.

[1] Lawrence Mishel, "Rebuilding Worker Power: Systematic Erosion of Workers' Power Relative to Their Employers Has Suppressed US Wages," *Finance and Development* ((International Monetary Fund), December 2020.

According to the GAO report requested by Chairman Sanders and this committee, 12 million wage-earning adults are enrolled in Medicaid, and 9 million wage-earning adults are in households receiving assistance from the federal Supplemental Nutrition Assistance Program (SNAP). Full-time work should provide a path out of poverty, but the reality in the United States today is quite different. According to the GAO:

> Approximately 70 percent of adult wage earners in both programs worked full-time hours (i.e., 35 hours or more) on a weekly basis and about one-half of them worked full-time hours annually (see figure). In addition, 90 percent of wage-earning adults participating in each program worked in the private sector (compared to 81 percent of nonparticipants) and 72 percent worked in one of five industries, according to GAO's analysis of program participation data included in the Census Bureau's 2019 Current Population Survey. When compared to adult wage earners not participating in the programs, wage-earning adult Medicaid enrollees and SNAP recipients in the private sector were more likely to work in the leisure and hospitality industry and in food service and food preparation occupations.[2]

Federal anti-poverty programs provide an essential lifeline to people who need it—including single parents and those experiencing temporary setbacks or upheavals, health crises, or disabilities. These programs are not meant to relieve profitable corporations from their responsibility to pay a living wage and benefits and their duty to share the profits and productivity gains that their workers make possible.

These federal assistance programs need to be strengthened and expanded, but we also need to ensure that our labor market and broader economic policies rebalance bargaining power between workers and employers so that unscrupulous and uncaring corporations do not benefit from federally funded social safety net programs, putting more responsible employers at a competitive disadvantage.

Key elements to rebalance bargaining power include the following: First, raise the minimum wage to $15 an hour by 2025, as the Raise the Wage Act provides; second, pass the Protecting the Right to Organize (PRO) Act, which would reform and modernize our labor law so that workers have a fair chance to exercise their rights to form unions and bargain collectively; and third, pass a robust and comprehensive relief and recovery bill, as President Biden has proposed. Finally, going forward, we should prioritize achieving and maintaining a full employment economy.

Our broken system provides an inadequate standard of living for too many workers

In principle, people cannot supply their labor if they cannot sustain themselves and their families. In addition to food, clothing, and housing, basic needs to be funded include health care, transportation, and childcare, among other things.

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[2] U.S. Government Accountability Office, *Federal Social Safety Net Programs: Millions of Full-Time Workers Rely on Federal Health Care and Food Assistance Programs*, October 2020.

The federal minimum wage is currently $7.25 an hour, and a paltry $2.13 an hour for tipped workers. We have heard today from Terrence Wise and Cynthia Murphy how unconscionably inadequate this wage is. Today, in every region of the United States, a single adult without children needs at least $31,200—what a full-time worker making $15 an hour earns annually—to achieve a modest but adequate standard of living.[3] By 2025, this need for a $15 an hour wage to reach even an adequate standard of living will be even more acute—it will hold true not just in every region but in every single county, both urban and rural.

The Raise the Wage Act is a policy solution to this crisis

Congress has the opportunity now to pass the Raise the Wage Act, which is included in President Biden's American Rescue Plan Act. The Raise the Wage Act would raise the minimum wage to $15 an hour by 2025, index it to the median wage, and eliminate the subminimum wage for tipped workers. Raising the federal minimum wage now is an essential element of a robust and equitable recovery package.

As my colleague, EPI Policy Director Heidi Shierholz, testified earlier this week at the House Small Business Subcommittee[4]:

- Gradually raising the federal minimum wage to $15 by 2025 would lift pay for nearly 32 million workers—21% of the U.S. workforce.
    - Affected workers who work year-round would earn an extra $3,300 a year—enough to make a tremendous difference in the life of a supermarket clerk, home health aide, or fast-food worker who today struggles to get by on less than $25,000 a year.
    - A majority (59%) of workers whose total family income is below the poverty line would receive a pay increase if the minimum wage were raised to $15 by 2025.
    - **Essential and front-line workers make up a majority (60%) of those who would benefit from a $15 minimum wage.**
    - A $15 minimum wage by 2025 would generate $107 billion in higher wages for workers and would also benefit communities across the country. Because underpaid workers spend much of their extra earnings, this injection of wages would help stimulate the economy and spur greater business activity and job growth.
- Minimum wage workers, and low-wage workers generally, are mostly adults and are also disproportionately women and Black and Hispanic men. Due to the impacts of structural

[3] Based on calculations from the Economic Policy Institute's Family Budget Calculator, which measures the income a family needs to attain a secure yet modest standard of living in all counties and metro areas across the country.

[4] Shierholz, Heidi, "EPI Testimony on Increasing the Federal Minimum Wage to $15 an Hour," testimony before the U.S. House of Representatives, Committee on Small Business, Subcommittee on Oversight, Investigations, and Regulations, Washington, D.C., February 24, 2021. Estimated effects of the 2021 Raise the Wage Act cited by Shierholz are from a forthcoming Economic Policy Institute analysis of the legislation and include benefits for both directly affected workers (those who would otherwise earn less than $15 per hour in 2025) and indirectly affected workers (those who would earn just slightly above $15 in 2025).

racism and sexism, women and Black and Hispanic men are concentrated in low-wage jobs and would see disproportionate gains from this increase in the minimum wage. A $15 minimum wage would reduce gender and racial pay gaps.

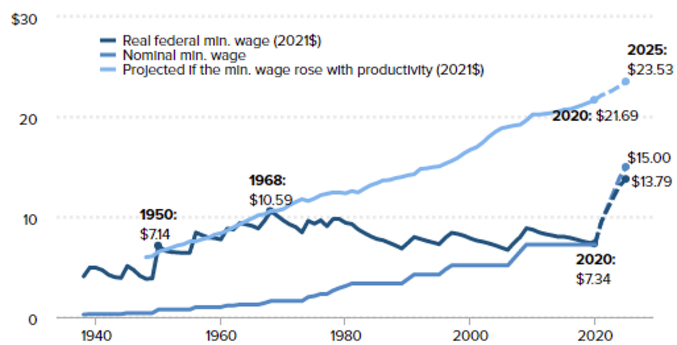
- A $15 minimum wage would begin to reverse decades of growing pay inequality between the most underpaid workers and workers receiving close to the median wage, particularly along gender and racial lines. For example, minimum wage increases in the late 1960s explained 20% of the decrease in the Black–white earnings gap in the years that followed, whereas failures to adequately increase the minimum wage after 1979 account for almost half of the increase in inequality between women at the bottom and middle of the wage distribution.[5]
- Workers in every county of the U.S., not just in places with a relatively high cost-of-living, need $15 per hour to maintain a modest but adequate standard of living.
- The weight of the economic research on the minimum wage, as well as the best scholarship, establishes that increases in the minimum wage have raised the pay of the low-wage workforce without causing meaningful job loss.

This is eminently affordable—both for businesses and for the economy. After adjusting for inflation, the minimum wage is worth 30% less per hour than it was 50 years ago. Yet the economy's capacity to deliver higher wages has more than doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. Furthermore, the average worker today is more educated and more experienced than her counterpart 50 years ago. As **Figure A** shows, had the minimum wage kept pace with labor productivity growth since 1968, the minimum wage would have been $21.69 in 2020, and given projected productivity growth, would be $23.53 in 2025.

[5] Ellora Derenoncourt and Claire Montialoux, "Minimum Wages and Racial Inequality," *Quarterly Journal of Economics* 136, no. 1 (February 2021); David Autor, Alan Manning, and Christopher L. Smith, "The Contribution of the Minimum Wage to U.S. Wage Inequality over Three Decades: A Reassessment," *American Economic Journal: Applied Economics* 8, no. 1 (January 2016).

The economy can afford a much higher national minimum wage

Real and nominal values of the federal minimum wage, and its real value if it had risen with total economy productivity, 1938–2020, and projected values under the Raise the Wage Act of 2021, 2021–2025



Notes: Inflation measured using the CPI-U-RS. Productivity is measured as total economy productivity net depreciation.

Sources: EPI analysis of the Fair Labor Standards Act and amendments and the Raise the Wage Act of 2021. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

Economic Policy Institute

Financing the minimum wage through modest price increases would not trigger inflation

How would an increase in the minimum wage be "financed"? Rather than a single mechanism, many minor adjustments would happen over time, including one-time episodic price adjustments and some shift of income distribution toward low-wage workers.

While some businesses would raise prices to pay for the higher wage standard, the likely price increases are actually relatively modest in the grand scheme of things. That's because low wages account for a very small portion of the overall economy and are therefore unlikely to change the aggregate price level or inflation very much. To put it in perspective: Increasing the minimum wage to $15 in 2025 would increase the total wages going to low-wage workers by $107 billion. Yet total personal consumption expenditures annually are over $14 *trillion.* That $107 billion is well under one percent of total personal consumption expenditures. So even if the *entire* amount were passed on in the form of higher prices (an extreme assumption), it would still have a barely perceptible effect on the overall price level as it was phased in. Furthermore, the minute price changes would happen only during the phase-in period. After reaching the new level, the impact on inflation from regular indexing would be virtually zero, since median wages grow only slightly faster than prices and productivity gains offset any potential inflation risk.

Price increases that would occur would mostly be paid for by those with higher incomes. In fact, the Congressional Budget Office estimated that most of the minimum wage increase would be paid for by families whose average annual income is well above $200,000.[6]

Business owners explain why they support a $15 minimum wage

Many businesses find that raising wages increases productivity, reduces turnover, and improves morale. It is common sense that workers with more income are likely to have access to more reliable transportation to work, child care, and health care, reducing absenteeism.

Angela O'Byrne, President of Perez APC in New Orleans and Louisiana's 2016 Small Business Person of the Year, says, "A stagnant minimum wage that mires full-time workers in poverty makes absolutely no sense from a business perspective. Paying fair wages boosts consumer demand, which drives job creation. Gradually increasing the federal minimum wage to $15 will create an economic ripple effect benefitting businesses large and small." [7]

Michael Lastoria, CEO of &pizza, with locations in Virginia, Washington, D.C., Maryland, Pennsylvania, New York, and Florida attests, "When you take care of your people, they take care of your customers, and your business thrives. As a result of fair wages, we've seen higher employee productivity and retention. Our employee morale has skyrocketed and, with it, our customer experience and our bottom line. Our employees have become our loudest brand ambassadors." [8]

Over 200 small business owners have signed a letter in full support of including the Raise the Wage Act in President Biden's American Rescue Act.[9]

Research consensus affirms wage gains without substantial employment consequences

The weight of economic research in recent years is definitive and convincing: Minimum wage increases have worked exactly as intended, by raising wages without substantial negative consequences on employment. High-quality academic scholarship examining dozens of case studies confirms that modest increases in the minimum wage have not led to detectable job losses. In a review of the research, University of Massachusetts, Amherst, professor Arindrajit Dube found that the median employment effect for a given wage increase was essentially zero

[6] Congressional Budget Office, *The Effects on Employment and Family Income of Increasing the Federal Minimum Wage*, July 8, 2019.
[7] Business for a Fair Minimum Wage, "Business Owners Speak Out in Support of New $15 Federal Minimum Wage Bill" (press release), January 16, 2019.
[8] Business for a Fair Minimum Wage, "Business Owners Speak Out in Support of New $15 Federal Minimum Wage Bill" (press release), January 16, 2019.
[9] High Road Restaurants, Letter to United States Congressmembers Urging Support of the Raise the Wage Act in Its Entirety as Part of the American Rescue Plan, February 17, 2021: https://onefairwage.site/wp-content/uploads/2021/02/Letter-1-1.pdf

across studies.[10] University of California, Berkeley, economist Sylvia Allegretto and co-authors found that studies using the most high-quality, credible research designs also detected little to no employment effects.[11] Even when minimum wages lead to reductions in labor demand, this may show up as small declines in annual hours for minimum wage workers, leaving them with higher earnings (and less need to rely on public support). Taken together, these scholars' reviews suggest that both the typical study as well as the highest-quality research show that there has been little downside to raising minimum wages.

Even studies that predict job losses, as did a recent study by the Congressional Budget Office, also predict that a $15 minimum wage in 2025 would overwhelmingly benefit the low-wage workforce, raising their total earnings and reducing the number of people in poverty by nearly a million.[12]

This month, the Economic Policy Institute released a letter from top economists supporting raising the minimum wage to $15 by 2025.[13]

A uniform $15 federal minimum wage would provide a secure foundation and level playing field for young people and adults across the country

Much of the research on employment effects cited above has focused specifically on teenagers, a feature worth noting amid concerns raised by some commentators that a $15 minimum wage could price young workers out of the market. In fact, these targeted studies show little impact on employment, even for teenagers. It is worth noting that even though the vast majority of workers who would benefit from a higher minimum wage are prime-age workers, teenagers and entry-level workers are starting out in the workforce at a dramatically lower position than their counterparts a generation ago. In 1968, someone starting off at minimum wage earned just over half a typical middle-class wage. Today, the minimum wage is less than a third of the median wage. This means young people are beginning their work life much farther from the middle class than did entry-level workers of past generations. But the main benefit of raising the minimum wage is to help adults. Only one in ten of those who would get raises is a teenager.

Some have argued that we should adopt a regional minimum wage, so that we set a lower floor in states where wages are currently lower. But this would lock in existing regional and racial inequities.[14] Persistently lower wages in many states are, in part, a result of a history of weak

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[10] Arindrajit Dube, *Impacts of Minimum Wages: Review of the International Evidence*, University of Massachusetts, Amherst, National Bureau of Economic Research, and IZA Institute of Labor Economics, November 2019.

[11] Sylvia Allegretto, Arindrajit Dube, Michael Reich, and Ben Zipperer, "Credible Research Designs for Minimum Wage Studies: A Response to Neumark, Salas, and Wascher," *ILR Review* 70, no. 3 (May 2017): 559–592, https://doi.org/10.1177/0019793917692788.

[12] Josh Bivens, David Cooper, Heidi Shierholz, and Ben Zipperer, "CBO Analysis Confirms That a $15 Minimum Wage Raises Earnings of Low-Wage Workers, Reduces Inequality, and Has Significant and Direct Fiscal Effects," *Working Economics Blog* (Economic Policy Institute), February 8, 2021.

[13] "Economists in Support of a Federal Minimum Wage of $15 by 2025" (Economic Policy Institute web page), February 16, 2021.

[14] Jess Rothstein and Heidi Shierholz, "Full COVID Recovery Requires Raising the Minimum Wage," *The Hill*, February 10, 2021.

labor standards, including inadequate minimum wages.[15] In addition, wealthier states and localities can and will raise their own wages above the federal level—as has happened in recent years—because of the shameful inaction at the national level. Several of the richer states have already implemented their own state-level wage floors that would remain above the federal level even after the Raise the Wage Act is fully phased in.[16]

Others have raised concerns about the affordability of a higher minimum wage in rural labor markets. Actually, businesses in rural communities have *more* leeway to increase wages, because a lack of competition for workers means these businesses are more likely to be able to keep wages artificially low to begin with. Since there are fewer large employers competing for workers in rural areas, it is even more important to ensure that rural workers can bargain on a level playing field with employers.[17]

And many small businesses can be helped by a higher minimum wage: It makes it easier for them to recruit and retain workers, especially since many large employers compete by forcing down wages for their own workers *and* forcing down wages and profits at smaller supplier firms all through the labor market. This "dominant buyer" or "lead firm" effect is by far the most damaging part of big firms' market power, and a higher federal minimum wage is the most direct way to shield workers at smaller firms from its corrosive effects.[18]

A $15 minimum wage would have significant and direct effects on the federal budget

My EPI colleagues Ben Zipperer, David Cooper, and Josh Bivens recently examined how increasing the minimum wage would impact the federal budget.[19] They found:

> If the 2021 Raise the Wage Act were passed and the federal hourly minimum wage increased to $15 by 2025 … annual government expenditures on major public assistance programs would fall by between $13.4 billion and $31.0 billion.
>
> - Earned income tax credit (EITC) and child tax credit (CTC) expenditures would decline by somewhere between $6.5 billion and $20.7 billion annually.
> - Expenditures on the Supplemental Nutrition Assistance Program (SNAP) and other major government transfers would fall by between $5.2 billion and $10.3 billion annually.
> - Reduced annual expenditures on SNAP alone would range from $3.3 billion to $5.4 billion.

[15] Elise Gould and Will Kimball, *"Right-to-Work" States Still Have Lower Wages*, Economic Policy Institute, Aprill 22, 2015.
[16] Economic Policy Institute, "Minimum Wage Tracker" (web page), last updated January 7, 2021.
[17] Jose Azar, Ioana Marinescu, and Marshall Steinbaum, "Labor Market Concentration," *Journal of Human Resources*, May 12, 2020.
[18] Nathan Wilmers, "Wage Stagnation and Buyer Power: How Buyer-Supplier Relations Affect U.S. Workers' Wages, 1978 to 2014," *American Sociological Review 83*, no. 2 (2018).
[19] Ben Zipperer, David Cooper, and Josh Bivens, *A $15 Minimum Wage Would Have Significant and Direct Effects on the Federal Budget*, Economic Policy Institute, February 2021.

They also estimated that the $15 federal minimum wage in 2025 would increase annual Federal Insurance Contributions Act (FICA) revenue by between $7.0 billion and $13.9 billion.

Conclusion: A $15 minimum wage would help heal our deeply broken labor market

When the GAO revealed that millions of full-time workers rely on food stamps and Medicaid it underscored how deeply broken our labor market is today. Especially in the wake of the pandemic and associated economic cataclysm, it is urgent that Congress act to rebalance bargaining power in the labor market. Raising the federal minimum wage to $15 and reforming our labor laws are essential first steps. These actions would pave the way for an equitable and robust recovery and ensure that profitable corporations live up to their end of the social bargain and that government safety net programs can fulfill their intended purpose.

PREPARED STATEMENT OF MR. DOUGLAS HOLTZ-EAKIN

Testimony on:
"Why Should Taxpayers Subsidize Poverty Wages at Large Profitable Corporations?"

United States Senate

Committee on the Budget

Douglas Holtz-Eakin, President*
American Action Forum

February 25, 2021

*The views expressed here are my own and not those of the American Action Forum. I thank the AAF staff for their insight and assistance.

Chairman Sanders, Ranking Member Graham, and members of the Committee, thank you for the privilege of appearing today to share my views on the issue of the interaction between the social safety net and the labor market. I wish to make three main points:

- The most recent data suggest that up to 1 in 5 workers receive federal aid in the form of either Medicaid or Supplemental Nutrition Assistance Program (SNAP);
- It is a mistake to assume that these facts imply that firms are subsidized by the taxpayers, as the economics indicate the opposite – the presence of the social safety net forces firms to pay higher wages; and
- Raising the federal minimum wage significantly at this time would be a dramatic policy error.

Let me discuss these in turn.

Workers and the Social Safety Net

The data show clearly that the employed population and those being supported by the social safety net overlap. To illustrate this point, consider Tables 1 through 3 (below), which show the fraction of full-time workers and part-time workers who also participated in Medicaid or SNAP. These data are from March 2018, a time when the labor market was performing well: The unemployment rate was 4.0 percent, and average hourly earnings were growing at a year-over-year rate of 2.8 percent.

The tables differ by the wages received by the workers under consideration. Table 1 shows those workers making $7.25 (the federal minimum wage) per hour or less. Among full-time workers, 20.7 percent were covered by Medicaid and 13.6 percent received SNAP assistance. Table 2 repeats the computations for workers making $10 per hour or less. The rates of program participation among full-time workers fall to 17.5 and 12.3 percent, respectively. Finally, Table 3 raises the threshold to $15 per hour, a level sufficient for a full-time worker to exceed the 2021 federal poverty threshold for a family of four ($26,500). Nevertheless, 14.4 percent of full-time workers were covered by Medicaid and 8.9 percent of workers received SNAP assistance.

Table 1:

Percent of Workers Making $7.25 an Hour or Less that Receive Medicaid or SNAP

	Full-time Workers	*Part-time Workers*
Percent Covered by Medicaid	20.7	20.1
Percent Receiving SNAP	13.6	11.4

Source: Author's computations based on March 2018 Current Population Survey

Table 2:
Percent of Workers Making $10.00 an Hour or Less that Receive Medicaid or SNAP

	Full-time Workers	***Part-time Workers***
Percent Covered by Medicaid	17.5	19.40
Percent Receiving SNAP	12.3	11.9

Source: Author's computations based on March 2018 Current Population Survey

Table 3:
Percent of Workers Making $15.00 an Hour or Less that Receive Medicaid or SNAP

	Full-time Workers	***Part-time Workers***
Percent Covered by Medicaid	14.4	18.6
Percent Receiving SNAP	8.9	11.1

Source: Author's computations based on March 2018 Current Population Survey

The upshot is that many – whether on thinks of 14 percent as "large" is in the eye of the beholder – full-time and part-time workers participate in the federal social safety net. In addition, merely insisting that companies pay "non-poverty" wages will not eliminate this phenomenon.

Does the Social Safety Net Subsidize Employers?

The overlap of the working population and social safety net population documented above is frequently characterized as a "subsidy," with the implication that firms can pay lower wages because of the presence of these government programs.

This is 100 percent wrong.

The reality is that low-wage employers compete with income support programs for the time of workers. If the programs become more generous, the value of not working increases, and employers have to raise wages to attract workers. Far from subsidizing the employers of low-wage workers, the income support raises their cost of doing business. In the process, those programs may contribute to pricing low-skilled workers out of jobs and increasing the incentive to substitute modernization and technologies. This is not an argument against the provision of income support or a social safety net. Even valuable government programs have economic consequences, however, and these should be clearly understood.

This debate is not new; I felt compelled to write a short piece on exactly this topic six years ago. I will not repeat the entire analysis here but will note that the economics of the impact of more generous income support programs on wages and low-wage work are quite simple. Other things being the same, more generous programs will lure some workers or, for others, some part of their current hours of work out of the employment market. This is an entirely understandable and predictable response to having more money. At the same time, restaurants, drinking establishments, retail stores, and other low-wage employers will find themselves competing for a shrunken pool of workers and forced to raise pay to get the employees needed to satisfy their customers.

The empirical estimates suggest that a 10 percent increase in the generosity of the social safety net could force wages to be as little as 0.08 percent, or as much as 1.9 percent, higher. Thus, the data underlying the House Budget Committee report on poverty programs indicate that income support spending – excluding the Earned Income Tax Credit, which has a clear positive impact on labor supply – has expanded by roughly 50 percent since 2003. Using the range (above), this implies that the expansion has driven up wages by anywhere from 0.5 percent to nearly 10 percent. These examples may or may not seem significant, but consider the cumulative impact of small expansions income support by imagining the reverse: a 100 percent elimination of the net. This would generate as much as a 19 percent decline in wages.

In any event, the data and logic indicate that the social safety net does not subsidize employers.

Raising the Minimum Wage to $15 Per Hour

Notwithstanding the data and arguments presented thus far, many people argue that the "solution" to this "problem" is to raise the minimum wage. At present, the most prominent proposal is to raise the minimum wage to $15 per hour by 2025.

The first thing to point out is that the main lesson of Table 3 is that this will not eliminate the phenomenon of workers participating in safety net programs. The second observation is that, as AAF's Isabel Soto puts it: "The consequences of rapid, large increases to the federal minimum wage are well documented, with much of the research finding negative employment effects. The Congressional Budget Office, for example, projected that an increase to a $15 minimum wage by 2025 could mean an average of 1.4 million jobs lost, a fall in business revenues leading to a $9 billion drop in real income, and increases in the prices of goods and services across the economy."

The third important point is that raising the minimum wage is perversely unfair. Who is most likely to get hurt by a minimum wage hike? The relatively inexperienced and least educated who have the weakest skills and lowest pay. Notice that if the president were to sign into law a $15 minimum wage, there would be no additional income available to pay the higher wages. That means to pay the higher wages (for the entry level and those above them who will also get a raise), the money will have to be taken from someone else. If you are the small business owner who now cannot afford to re-open, the money will have taken from you who are out of business and given to someone who has a job. If you are the waiter who will not get recalled because the restaurant decides to re-open with a smaller staff, it is taken from those who are out of work and given to someone who has a job. This outcome is plainly unfair.

The fourth point is that now is a terrible time to raise the minimum wage and to do so would be a grievous policy error. According to Bureau of Labor Statistics data, the industry with the highest percentage of workers earning hourly wages at or below the federal minimum wage is the leisure and hospitality sector. Roughly 60 percent of all workers paid at or below the federal minimum wage were employed in this industry, largely in restaurants and other food services. This is the sector of the economy that has been most damaged by the COVID-19 pandemic.

Employment in leisure and hospitality fell by 8.3 million jobs in March and April, recovered for seven months, and then fell by 498,000 in December. The upshot is that the industry has recovered only 4.4 million, or 53 percent, of the initial job loss. Food services and drinking places employment remains 2.5 million below February's peak. Arts employment remains 797,000 below its peak, and accommodation employment is 674,000 below its peak in December 2019.

These job losses in part reflect the fact that the pandemic has forced many small businesses to close. April 2020 saw the largest percent change in the number of open small businesses, a 44 percent decline from January 2020. The leisure and hospitality industry saw a nearly 50 percent reduction in open small businesses relative to January 2020.

Raising the minimum wage now would dramatically impede the recovery of this hard-hit sector, diminish the survival chances of hundreds of thousands of small businesses, and end the re-employment prospects of some of the most marginal workers in the U.S. labor market. It would be a step in the wrong direction.

More generally, a Congressional Budget Office study finds that "From 2021 to 2031, the cumulative pay of affected people would increase, on net, by $333 billion." Also, "That net increase would result from higher pay ($509 billion) for people who were employed at higher hourly wages under the bill, offset by lower pay ($175 billion) because of reduced employment under the bill." In short, this is an enormously expensive mandate on the private sector at exactly the wrong time.

Thank you, and I look forward to your questions.

PREPARED STATEMENT OF MR. CARL SOBOCINSKI

STATEMENT OF CARL SOBOCINSKI

"Should Taxpayers Subsidize Poverty Wages at Large Profitable Corporations?"

HEARING BEFORE THE SENATE BUDGET COMMITTEE

February 25, 2021

Mr. Chairman, Ranking Member Graham, and Committee Members:

Thank you for the invitation to testify. I am the founder and president of Table 301 Restaurant Group, in Greenville, South Carolina, where I have worked tirelessly, for over 20 years, to build and develop our company. I have nine signature restaurants across the city and employ 310 team members. On May 1st we will open our 10th restaurant and employ an additional 60 employees. Our goal is to provide guests with an exceptional dining experience that exceeds their expectations.

I am passionate about the restaurant industry and its people. As a Clemson University student, pursuing an architecture degree in the late 1980's, I started working part-time busing tables at a local restaurant. My hard worked allowed me to work my way up to manager and then I took a stint in the kitchen rising from dishwasher to sous chef in 18 months. In the early-90s, I put my architecture degree aside, incurred substantial debt, and on a shoestring budget took a leap of faith in opening my first restaurant, called The 858. Four years later, I opened Soby's New South Cuisine in a renovated mid-nineteenth-century building in downtown Greenville, and the rest is history.

Restaurants are often the cornerstones of their communities. Greenville is no exception. I am fortunate to live in an area where people care about each other and value community service and giving back. That is why my exit strategy from the industry includes a plan for "paying it forward" for the next generation of restaurateurs.

That plan has, and will continue to allow Table 301 associates to become independent business owners. As of today, I have sold three restaurants to three of our mangers and chefs, who have worked incredibly hard over the years. These dedicated team members share my passion for good food and hospitality and are deserving of the American dream to run their own business. For example, Jorge Barrales started as a dish washer with us, and worked his way up to Prep Cook, Line Cook, and Kitchen Manager. Jorge is now the proud owner of Papi's Tacos in Greenville. I hope to leave behind a series of successful restaurant operators like Jorge, who will set the table for the next generation of chefs and entrepreneurs.

I want my work to remain impactful and meaningful. Our company has donated more than $2 million to the community. Over the years, I have received several philanthropic awards, most recently, a Visionary Leadership Award recognizing lifelong service to others, and The Order of the Palmetto, the highest civilian honor granted by the State of South Carolina.

Ironically, I received these awards last year, during the COVID-19 pandemic that has ravaged our industry. Restaurants were the first to shut down and will sadly be among the last to recover. During the course of the pandemic, I had to furlough 85% of our employees, lost 90% in sales during the stay at home order, and finished 2020 with gross sales down 35% for our group. When our Governor re-opened restaurants for outdoor dining on May 11, 2020, we reduced our sales losses from 90% to 60% and gradually worked our way back by year-end to a 30% shortfall in the month December. We were very fortunate in South Carolina to have a moderate climate allowing for outdoor dining up to late November. This allowed many South Carolina restaurants to weather this Pandemic better than many of my counterparts around the country.

According to recent National Restaurant Association data, between March 2020 and January 2021, restaurant sales were down $255 billion from expected levels. Seventeen percent of restaurants – about 110,000 – are closed permanently or long-term. Alarmingly, the industry is still down 2.5 million jobs from the pre-coronavirus level.

Mr. Chairman, despite the devastating impacts of the pandemic, I remain optimistic and enthusiastic for our industry's recovery, but it will be a long and complicated road. That is why I cannot understand how Congress would consider the "Raise the Wage Act," in the middle of a pandemic. The legislation calls for a 100% increase in the federal minimum wage, over 5 short years, and a 600% increase in the federal tip wage. I encourage Senators to rethink the effort to fast track this proposal in a bill targeted at keeping businesses open and people in jobs, rather than spurring closures and layoffs.

That said, I do not oppose a common-sense increase in the federal minimum wage. One that recognizes that economic realities differ across the country – $15 in New York City is not the same as in my hometown of Greenville. Minimum Wage is not a "one size fits all" issue. Moreover, when my entry level worker – for instance, a teenager on their first day – gets $15 per hour versus our current starting wage of $10 per hour, it will inflate the wages for all my workers, who will rightfully expect to be paid more. Entry level wages going from $10 per hour to $15 per hour is a 33% increase. Taking every hourly associate up 33% raises our payroll expense $33,000 on every $100,000 in current payroll. It also costs another $4,000 in employer taxes, Workers Compensation insurance, directly tied to payroll reports will increase, as will the cost of benefits offered such as 401k.

What is the most alarming to me is that the "Raise the Wage Act" would eliminate a separate tip wage, destroying the very business model that restaurants across the nation rely upon. Restauranteurs, customers, and servers themselves overwhelmingly support this system. Tipped employees want to preserve the tip credit because the commissioned based work allows them to vastly increase their earning potential and provides flexibility. My tipped workers earn, on an average $22.25 per hour. And that is not out of the norm. Nationally the median hourly earnings of servers is between $19 and $25 per hour, depending on their level of experience and salesmanship. That is why in states and localities across our country, when there were attempts to eliminate the tip credit, employees aggressively fought back. You don't have to look far for an example. How about right outside your window, in DC, where servers and others successfully fought to preserve the existing tip credit system. This has happened over-and-over again across the nation, and yet you disregard the very people who this would affect.

While every market is different and unique, through my conversations with colleagues across the country, I know how most in our industry would have to react if the "Raise the Wage Act" is enacted. We would have to increase menu prices, reduce employment, cut benefits, limit hours, potentially eliminate entry level jobs such as bussers and food runners and automate as much as possible, just to survive. Additionally, restaurants may add a service charge to checks, in lieu of tipping. I can assure you that is not what servers want.

Restaurants are struggling to survive, dealing not only with the pandemic, but reduced capacity that is testing their ability to remain solvent. Please, don't add to these overwhelming challenges. Restaurant jobs will be critical to our nation's recovery. I know what it is like to have to shut down restaurants. Despite my best efforts, I've had to permanently close one of mine in 2009, and another in 2013, when we just couldn't make the numbers work. I can assure you that there are few things more difficult in life than telling your teammates and customers that, regrettably, you have to shut the doors forever.

Bottom line, the "Raise the Wage Act" is predicted to result in 1.4 million job losses – with a one-in-three chance of that number rising to 2.7 million job losses. These aren't just statistics on a piece of paper. These are real people who may lose their jobs. Individuals whose livelihoods could be taken away – those the "Raise the Wage Act" is purported to help.

I urge you to abandon this reckless fast-tracked approach and instead have a real and honest conversation with us and small business owners on devising a responsible wage increase that will provide opportunities for workers without eliminating jobs for far more than would be helped. You can do better than this. You must do better than this.

Mr. Chairman, thank you again for the opportunity to testify. I would be happy to answer any questions you or other members of the Committee may have.

PREPARED STATEMENT OF MR. JACOB L. VIGDOR

TESTIMONY OF JACOB L. VIGDOR, Ph.D.

PROFESSOR OF PUBLIC POLICY AND GOVERNANCE
UNIVERSITY OF WASHINGTON, SEATTLE

BEFORE THE COMMITTEE ON THE BUDGET

UNITED STATES SENATE

ON

"Insights from the Seattle Minimum Wage Study"

February 25, 2021

Good morning Chairman Sanders, Ranking Member Graham and members of the Committee. For the record, my name is Jacob Vigdor and I serve the people of Washington state as Professor of Public Policy and Governance at the University of Washington in Seattle. Thank you for the opportunity to appear before you today. Let me state at the outset that any opinions I express to you today are my own and do not reflect official positions of the University of Washington or any other organization with which I am affiliated.

In June 2014 the City of Seattle passed an ordinance imposing a city minimum wage, rising in stages to $15 per hour and indexed to inflation thereafter. Today, the minimum wage is $16.69 per hour for most employees.

On the day the City Council passed this ordinance, it also passed a resolution calling for a five-year independent academic study of its impact. From 2014 until 2019, I had the privilege of leading the University of Washington's efforts to conduct this study, coordinating the efforts of dozens of faculty, staff, and students.[1] Our study accepted no support from business groups and no support from labor groups either. We conducted repeated surveys of business owners and managers. We sent interviewers and interpreters into the homes of parents trying to raise children on low wage jobs. We sent research assistants into the streets and grocery store aisles of Seattle and its suburbs once a month, going door to door tracking consumer prices. And we used administrative employment data from Washington state to track the experiences of individual workers over time.

We learned a lot in the course of doing all these things, and I'm here today to share some of those lessons. I can summarize these lessons under two basic headings: businesses adapted, and while not every worker came out ahead, the ones struggling the hardest to make ends meet saw meaningful increases in their paychecks.

[1] I wish to acknowledge in particular the work of my six faculty co-investigators: Dr. Scott Allard, Dr. Heather Hill, Dr. Mark Long, Dr. Jennifer Otten, Dr. Robert Plotnick, and Dr. Jennifer Romich. Ekaterina Jardim, Emma van Inwegen, and Hilary Wething also worked tirelessly to produce the findings that form the backbone of this testimony.

If you're the owner of a business that pays low wages, how do you adapt to a minimum wage increase? If your business is comfortably profitable, one option is to accept lower profits. And some Seattle businesses did that. But not every business in Seattle is comfortably profitable. In our research we heard from manufacturers trying to contain costs in order to compete against imported goods. We heard from bricks-and-mortar retailers competing against the internet. And we heard from restaurant, bar, and coffee shop owners competing against one another.

Even without raising the minimum wage, competition can be too much for some businesses. In a year where the minimum wage stays the same, about 5 percent of all businesses with employees in Seattle shuts down. To be more precise, the shutdown rate averages 51 out of every 1,000 businesses.[2]

In April 2015 Seattle's minimum wage went up to $11/hour in large businesses (which the city defined as any establishment with at least 500 employees worldwide). My collaborators Ekaterina Jardim and Emma van Inwegen found no effect of this increase on business exit rates.[3] Raising the minimum wage by $1.53 did not cause businesses to close. They adapted.

In January 2016 Seattle's minimum wage went up again, this time to $13/hour for large businesses. Here, Jardim and van Inwegen found an impact. Instead of seeing 51 of every 1,000 business shut down, they saw 58.[4] The impact of raising the minimum wage by $3.53 in just over 9 months was to cause under 1% of all businesses – seven out of every thousand – to shut down. In a separate analysis, Jardim and van Inwegen found that businesses continued to open in Seattle at the same rate they had in the past.[5]

So the first finding to emphasize is this: Seattle's very rapid pace of increasing the minimum wage was not harmless to business, but it's important to keep the magnitude of that harm in perspective: seven businesses out of a thousand, as a consequence of raising the minimum wage by $3.53 in less than a year.

How did those other 993 out of a thousand businesses make it? As noted above, if they were profitable they could just fund the wage increases out of their profits. But talking to business owners and managers helped us to understand other ways businesses had to adapt.

Some businesses raised prices. That's another core finding of our study. But it's important to note how limited those price increases were. We looked for evidence that the minimum wage increased grocery prices. We found none.[6] We looked for evidence that the minimum wage

[2] Ekaterina Jardim and Emma van Inwegen (2019) "Payroll, Revenue, and Labor Demand Effects of the Minimum Wage." W.E. Upjohn Institute Working Paper 19-298. Kalamazoo, MI: W.E. Upjohn Institute for Employment Research.
[3] *Ibid*, Table 10, p.43.
[4] *Ibid*, p.42.
[5] *Ibid*, Table 10, p.43.
[6] Jennifer Otten, James Buszkiewicz, Wesley Tang, Anju Aggarwal, Mark Long, Jacob Vigdor, and Adam Drewnowski (2017) "The Impact of a City-Level Minimum-Wage Policy on Supermarket Food Prices in Seattle-King County." *International Journal of Environmental Research and Public Health* v.14 n.9. See also James Buszkiewicz, Cathy House, Anju Aggarwal, Mark Long, Adam Drewnowski, and Jennifer Otten (2019) "The Impact of a City-Level Minimum Wage Policy on Supermarket Food Prices by Food Quality Metrics: A Two-Year Follow Up Study." *International Journal of Environmental Research and Public Health* v.16 n.1. See also

raised gas prices. We found none. We looked for evidence that the minimum wage raised Seattle's very high housing costs. We found none. We looked for evidence that the minimum wage raised prices in drugstores, clothing stores, and other street-level retail. We found none.[7]

The one place we found evidence of price increases was in restaurants. Restaurants rely heavily on labor. And if you're selling lunch, you don't have to compete against restaurants halfway around the world or against a website that will ship you lunch in a cardboard box overnight. The price increases were on the order of 10%.[8]

The other key adaptation we observed was economizing on labor. Treating labor like it was worth more, because that's exactly what the minimum wage requires them to do. We measured a significant reduction in turnover rates in Seattle.[9] We measured increases in labor productivity: businesses racked up more dollars' worth of sales per hour of labor.[10]

Economizing on labor also means finding ways to get by with less. Imagine a hamburger restaurant where you order at the counter and then go find a table. There are two ways to get the food to your table. One is to have an employee, who is working for pay, bring it out to you. The other is to call out your name and have you, who is not working for pay, do the job. We saw evidence of this happening in Seattle. Restaurants and other businesses found ways to get by with fewer workers on a shift by doing little things, like expecting their customers to complete tasks that an employee might have otherwise done. Or having an employee clock out and go home if they are more productive and get their work done faster.

So at this point I should address one of our study's more well-known findings. In the summer of 2017, we made a few headlines by reporting that the Seattle minimum wage had significantly reduced employment.[11] This turned a few heads in part because a litany of studies dating back to the seminal work of David Card and the late Alan Krueger had suggested that minimum wage increases don't cause job losses.[12]

There's a key distinction that everyone should understand, between effects on employment versus effects on jobs. Those two words are often used as synonyms, but for most businesses the easiest, safest way to cut staffing is not to lay people off or reduce headcount. It's to cut back hours. That

[7] Heather Hill, Jennifer Otten, Emma van Inwegen, and Jacob Vigdor (2016) "Early Evidence on the Impact of Seattle's Minimum Wage Ordinance." Paper presented at the Labor and Employment Relations Association Annual Meeting.
[8] *Ibid.*
[9] Ekaterina Jardim, Mark Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething (2018) "Minimum Wages and Individual Employment Trajectories." National Bureau of Economic Research Working Paper #25182. A revised version of the evidence in this paper has been conditionally accepted following peer review at the *American Economic Journal: Economic Policy*.
[10] Jardim and van Inwegen *op. cit.*
[11] Ekaterina Jardim, Mark Long, Robert Plotnick, Emma van Inwegen, Jacob Vigdor, and Hilary Wething (2017) "Minimum Wage Increases, Wages, and Low-Wage Employment: Evidence from Seattle." National Bureau of Economic Research Working Paper #23532. A revised version of the evidence in this paper has been conditionally accepted following peer review in the *American Economic Journal: Economic Policy*.
[12] David Card and Alan Krueger (1994) "Minimum Wages and Employment: A Case Study of the Fast-Food Industry in New Jersey and Pennsylvania." *American Economic Review* v.84 n.4.

way, you still have some workers on payroll if others quit, or if you are anticipating an exceptionally busy shift.

And so that's what we found in Seattle: the strongest reaction to a minimum wage increase wasn't to lay workers off. It was to send them home if they got their work done early, or if business was slow. Schedule them for fewer shifts. Tell them you'll call them if you need them on a given day.

In 2018 we released a second study that focused on several thousand workers who had low-wage jobs in Seattle in early 2015, before the minimum wage increase.[13] We tracked them for a year and a half after the increases started (*see Figure 1*). We found that after the minimum wage increase they were no more likely to lose their job. They had their hours cut back a bit. If you were working 20 hours a week before the minimum wage went up, it looked like maybe you were now averaging 19. That lost hour meant that they ended up giving back some part of their increased wages. But at the end of every week they were seeing at least somewhat bigger paychecks, and some extra time to study or spend with their families.

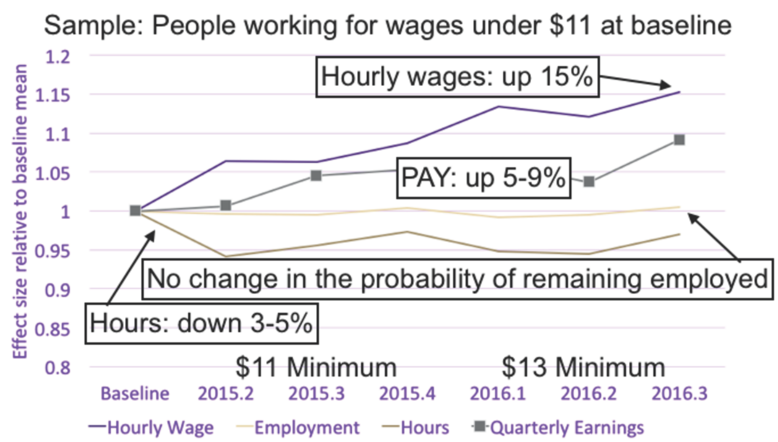


Figure 1 (Summarizing Jardim et al., 2018)

We split these workers into two groups based on how much prior experience they had. The more experienced group, workers who were more likely to be adults than teenagers, was faring the best. They kept more of their hours and saw a bigger boost to their paychecks (*see Figure 2*). The less experienced group saw deeper cuts to their hours, so deep that their weekly pay went down, on average, for the first 15 months after the minimum wage began increasing (*see Figure 3*).

[13] Jardim et al. 2018, *op. cit.*

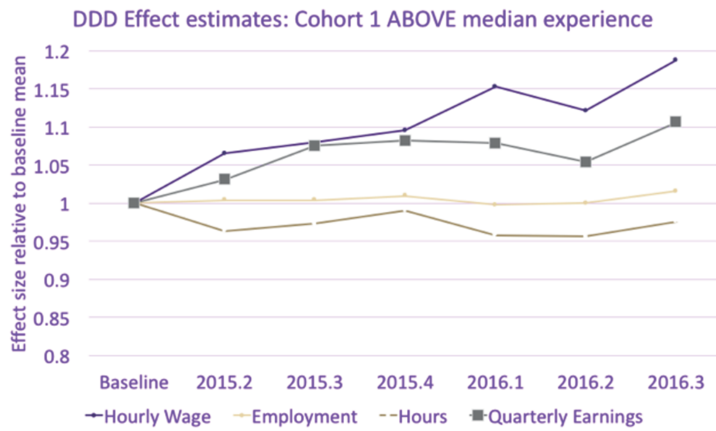


Figure 2 (summarizing Jardim et al. 2018)

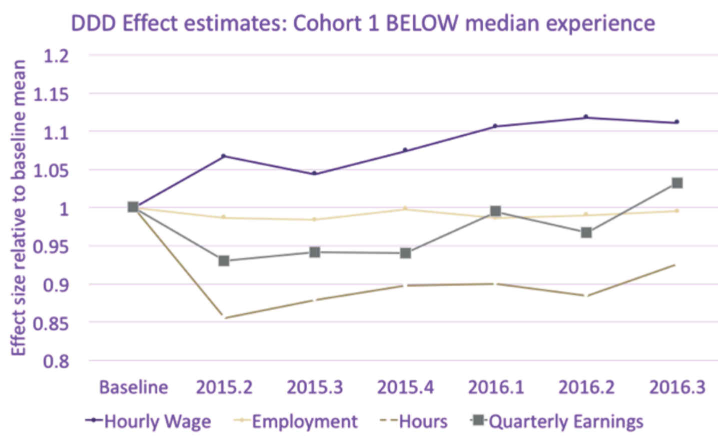


Figure 3 (summarizing Jardim et al. 2018)

The stories we heard from both business owners and low-income parents backed up the data. Employers told us that as wages went up, they preferred to give more hours to their experienced staff. Hiring teenagers, they told us, was not a winning proposition at high wages. Young workers need to be trained, typically don't have references you can check, and they are less reliable employees. When you get right down to it, the best, most reliable workers are the ones who need their jobs to survive. Many teenagers don't fall into that category.

The low-wage-earning parents we interviewed – most of them women, many of them immigrants – were by and large doing well at keeping their jobs and their hours. It wasn't necessarily becoming any easier to make ends meet in a city with continually escalating rents, but they were happy to have the extra pay.

I know that many of you on this committee aim to raise the minimum wage in order to put more money in the pockets of adults and working parents. In Seattle, we found evidence that this did in fact happen.

I know that many of you on this committee are concerned that a higher minimum wage will make it harder for younger people to find their first job, to reach the first rung of the ladder. To be perfectly honest, in Seattle we found evidence that that happened too. Businesses are reluctant to hire inexperienced workers who haven't yet learned the value of showing up on time and ready to put in an honest day's work. One of the few things a young worker can do to persuade an employer to hire them is to offer to work for a low wage. They can afford to do that because they often don't need the money to survive.

The policy challenge in the low-wage labor market is that this second type of worker – the inexperienced one, who has to prove themselves and is willing and able to accept a low wage to do it – competes against adults who are out on their own and really do need the money to survive. A low minimum wage gives the advantage to the young worker; a high minimum wage gives the advantage to the older worker.

I know that many of you on this committee are concerned that a higher minimum wage will drive up prices, making it harder for low-income families or those living on fixed incomes. In Seattle, the prices of restaurant meals went up, but we didn't find evidence that the minimum wage raised the prices of groceries, transportation, or shelter.

I know many of you on this committee are concerned that businesses, especially small mom-and-pop businesses, won't be able to survive with a higher minimum wage. In Seattle, the business survival rate was 99.3%.

Not every place is like Seattle. The effects of a local minimum wage and a Federal minimum wage would likely be different. And we studied the effect of a policy that was phased in between 2015 and 2017, things are quite different now. No single study can reveal the impact of a minimum wage increase in all locations at all points in time. Nonetheless, our evidence provides some insight as to how the labor market might evolve with a higher minimum wage.

I appreciate the opportunity to share these insights with you and would be happy to answer any questions you might have.

PREPARED STATEMENT OF MS. CINDY BROWN BARNES

United States Government Accountability Office

Testimony

Before the Committee on the Budget, U.S. Senate

For Release on Delivery
Expected at 10:15 am ET
Thursday, February 25, 2021

LOW-INCOME WORKERS

Millions of Full-Time Workers in the Private Sector Rely on Federal Health Care and Food Assistance Programs

Statement of Cindy Brown Barnes, Managing Director, Education, Workforce and Income Security

A Century of Non-Partisan Fact-Based Work

GAO-21-410T

Chairman Sanders, Ranking Member Graham, and Members of the Committee:

Thank you for the opportunity to discuss our October 2020 report that found that millions of wage-earning American adults participate in federal health care and food assistance programs.

As you know, Medicaid and the Supplemental Nutrition Assistance Program (SNAP)—two of the largest federal social safety net programs—provide health care and food assistance to low-income individuals and families near and below the federal poverty level, including many working adults whose low incomes make them eligible for these means-tested programs. We previously reported that the characteristics of the low-wage workforce had changed little in recent decades.[1] Specifically, low-wage working adults consistently comprise about 40 percent of the U.S. workforce, their limited work hours likely compound their income disadvantage, and educational gains do not always result in higher wages. Moreover, we found that the percentage of working families in poverty has remained relatively constant, and that poverty is most prevalent among families that have an adult worker if that worker earns the federal minimum wage or below.

We were asked to examine several aspects of working adult Medicaid enrollees and SNAP recipients, including the employers for whom they work. My testimony today summarizes the findings from our October 2020 report, which examined (1) what is known about the labor characteristics of wage-earning adult Medicaid enrollees and SNAP recipients, and (2) what is known about where wage-earning adult Medicaid enrollees and SNAP recipients work.

To examine the labor characteristics of working adult Medicaid enrollees and individuals living in households that receive SNAP benefits, we analyzed recent Census Bureau data on wage-earning adults participating in these programs. Specifically, we examined selected labor characteristics of individuals ages 19 to 64 who reported both earning a positive wage and salary income, and being enrolled in Medicaid and/or living in a household that participated in SNAP in 2018—the most recent

[1] GAO, *Low-Wage Workers: Poverty and Use of Selected Federal Social Safety Net Programs Persist among Working Families*, GAO-17-677 (Washington, D.C.: Sept. 22, 2017).

year with reliable data.[2] We analyzed several labor characteristics of this subpopulation and produced nationally generalizable estimates showing the distribution of these individuals among industries, occupations, various work schedules, and employer size. We assessed the reliability of the Census data and determined that it was sufficiently reliable for our purposes.

To identify where Medicaid enrollees and SNAP recipients work, we developed and disseminated two separate program-specific questionnaires to the state agencies responsible for administering Medicaid and SNAP in all 50 states and the District of Columbia. The questionnaires asked whether the agencies collected employer name data for individual Medicaid enrollees and SNAP recipients. We received questionnaire responses from 99 of the 102 state agencies we contacted. We analyzed the responses to identify state agencies able to produce reliable data on the employers of record on working non-disabled, non-elderly Medicaid enrollees and SNAP beneficiaries ages 19 to 64. Through this process, we identified 15 state agencies that (1) collected, verified, and updated the names of Medicaid enrollees' and SNAP recipients' employers; and (2) could extract these employer data in a way that met our requirements.[3] We asked agencies to provide data from February 2020. Finally, using the same data, we developed estimates of employers with the highest number of Medicaid enrollees and SNAP recipients in each responding state, as well as the types of employers and the industry sectors they represent. The data we received from state agencies are not generalizable, and our estimates represent only the employers of record for each individual at a single point in time. We assessed the reliability of the state data and determined that it was sufficiently reliable for our purposes. A detailed explanation of our methodology is available in our report.[4] Our work was performed in accordance with generally accepted government auditing standards.

[2] For the purpose of our analysis, we excluded (1) self-employed individuals who did not set up their businesses as a corporation and (2) working adults who had positive net earnings from a self-employment business or a farm.

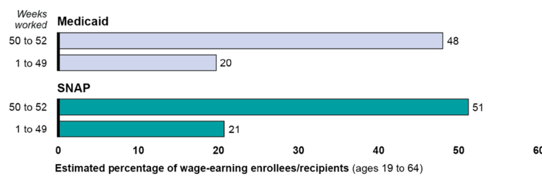
[3] Six state Medicaid agencies—Georgia, Indiana, Maine, Massachusetts, Oklahoma, and Rhode Island—and nine SNAP agencies—Arkansas, Georgia, Indiana, Maine, Massachusetts, Nebraska, North Carolina, Tennessee, and Washington—provided data.

[4] GAO, *Federal Social Safety Net Programs: Millions of Full-Time Workers Rely on Federal Health Care and Food Assistance Programs*, GAO-21-45 (Washington, D.C.: Oct.19, 2020).

Millions of Adults Enrolled in Medicaid and SNAP Worked Full-Time Hours, Predominantly in the Private Sector

- **Full-time work schedules.** An estimated 12 million wage-earning adults enrolled in Medicaid and 9 million wage-earning adults living in households receiving SNAP benefits earned wages at some point in 2018. More than two-thirds of these wage-earning adults in each program worked full-time hours on a weekly basis (defined as 35 hours or more per week). In addition, 5.7 million Medicaid enrollees and 4.7 million SNAP recipients worked full-time hours for 50 or more weeks in 2018 (see figure 1).[5]

Figure 1: Estimated Percentage of Wage-Earning Adult Medicaid Enrollees and Supplemental Nutrition Assistance Program (SNAP) Recipients Working at Least 35 Hours per Week, by Number of Weeks Worked in 2018



Source: GAO analysis of Census Bureau data. | GAO-21-410T

- **Private sector employment.** About 90 percent of wage-earning adult Medicaid enrollees and SNAP recipients worked in the private sector in 2018, a higher percentage than other wage-earning adults who did not participate in either program. In addition, wage-earning adults in these programs were less likely to work in the public sector or be self-employed than those not participating in either program.
- **Key industries and occupations.** About 72 percent of wage-earning adult Medicaid enrollees and SNAP recipients in 2018 worked in the five industries with the highest concentrations of low-wage workers. The top five industries in ranked order were (1) education and health services, (2) leisure and hospitality, (3) wholesale and retail trade, (4) professional and business services, and (5) manufacturing. While the percentage of wage-earning adults in these programs was generally

[5] Individuals who work part-time hours may do so involuntarily. According to the Bureau of Labor Statistics (BLS), 4.3 million individuals in February 2020 worked part-time for economic reasons, such as uneven work schedules or unfavorable business conditions, an inability to find full-time work, or seasonal declines in demand. BLS survey data also showed that these individuals would have preferred full-time employment, but worked part time because they were unable to find full-time work or their employers had reduced their hours.

similar to other adult workers in four of these top five industries, wage-earning adult Medicaid enrollees and SNAP recipients were more concentrated in the leisure and hospitality industry, which includes lodging and food service. Similarly, a majority of wage-earning adult Medicaid enrollees and SNAP recipients worked in one of five occupations. The top five occupations in ranked order were: (1) sales and related occupations, (2) food preparation and serving, (3) office and administrative support, (4) transportation and material moving, and (5) building and grounds cleaning and maintenance. Higher concentrations of wage-earning adults in each program worked in sales, food preparation, and building and grounds cleaning and maintenance than other wage-earning adults who did not participate in the programs.

Adult Medicaid Enrollees and SNAP Recipients in February 2020 Worked for a Diverse Range of Employers in States with Available Data

Working adults comprised no more than 18 percent of the total Medicaid enrollees and SNAP recipients in February 2020 in the 11 states with available employer data, and most of these individuals worked for private sector employers. I would like to highlight what we found when examining employer-of-record data from February 2020—just prior to the onset of the Coronavirus Disease 2019 (COVID-19) pandemic.[6] We obtained data from six state Medicaid agencies and nine state SNAP agencies to describe where working adult Medicaid enrollees and SNAP recipients work.

Medicaid

We found that working adult Medicaid enrollees comprised 15 percent or less of total Medicaid enrollees in each of the states that provided data. Most of them worked for private sector employers, including restaurant chains, discount stores, and department stores. Yet public sector employers and nonprofit organizations also ranked among employers with high numbers of Medicaid enrollees in their employ. See appendix I for a

[6] In February 2020, the Department of Labor reported that U.S employment was at the highest levels since January 1969 with increasing labor force participation and low unemployment. Although there was growth and stability across multiple sectors, millions of workers remained unemployed, worked part-time hours for economic reasons (e.g., could not find the full-time jobs they preferred), or were only marginally attached to the workforce. The economic effects of the COVID-19 pandemic have further exacerbated conditions for these workers, increasing the importance of federal and state safety net programs to help them meet their basic needs.

detailed list of the 25 employers in each state with the highest estimated number of employees who were Medicaid enrollees.[7]

- **Private sector employers.** The majority of working adult Medicaid enrollees worked for private sector employers in each of the states that provided employer data. According to our estimates, restaurants and other eating places—a category that includes sit-down restaurants, fast food franchises, and pizza shops—employed the largest percentage of working adult Medicaid enrollees in five of the six states that provided data. Department stores, grocery stores, and employment services were among the leading five industries of working adult Medicaid enrollees in most of the selected states. Employers with the largest number of working adult Medicaid enrollees in February 2020 in each state tended to be private sector employers with a presence in multiple states.
- **Public sector employers.** Working adult Medicaid enrollees also worked for a wide range of public sector employers in states with available data, although to a lesser extent than in the private sector. Our estimates showed government entities (i.e., federal, state, tribal, and local), and public university systems to be among the employers of working Medicaid enrollees in most of the selected states.
- **Nonprofit organizations.** Nonprofit organizations also employed a segment of the working adult Medicaid enrollee population in states with available data. Hospital systems, charitable organizations, and disability service organizations all employed adult Medicaid enrollees in each state with available data.
- **Self-employed and other occupations.** In addition to providing data on the names of employers associated with each working adult

[7] In their responses to our questionnaire, some agency officials said that employer name spelling, impartial entries, and other data limitations made it challenging to develop an accurate list of employers for the subpopulations we were studying. Given this assumed level of imprecision, we developed a process that used unaggregated employer name data from each agency to produce statistically derived estimates of the 25 employers in each state that employed the highest number working adult Medicaid enrollees or SNAP recipients, respectively. To create these estimates, we used computer programming to consolidate the list of combined employer names, developed a sampling procedure that estimated the accuracy of our name aggregation, established an error rate, and developed an estimated count for each employer. Then, we developed estimates for each employer using the outcome of these calculations and ranked them according to the estimated number of our subpopulations of working adult Medicaid enrollees and SNAP recipients they employed. We developed the tables that listed the 25 employers estimated to have the largest number of these individuals working for them in each state, and provided each state agency with a summary of our estimation process and the tables to each state agency for review. For a detailed explanation of our methodology, see GAO-21-45.

Medicaid enrollee, five of the six state agencies provided data on these Medicaid enrollees who were self-employed. Several state agencies identified enrollees as "self-employed" or listed their occupation rather than an employer's name. For example, babysitting, cleaning services, hair stylist, landscaping, and construction were among the frequently cited self-employed sources of income for working adult Medicaid enrollees without a designated employer.

SNAP

Our analysis of employer-of-record data obtained from SNAP agencies in nine states showed a similar distribution among employer types as we found for Medicaid enrollees. In these states, working adult SNAP recipients comprised 18 percent or less of total SNAP recipients and most working adult SNAP recipients worked for private sector employers, including restaurants, discount stores, and department stores. Public sector employers and nonprofit organizations also ranked among employers with high numbers of SNAP recipients. See appendix II for a detailed list of the 25 employers in each state with the highest estimated number of employees who were SNAP recipients.

- **Private sector employers.** The majority of working adult SNAP recipients worked for private sector employers in each of the states that provided employer data. Several industries employed higher concentrations of these workers than others did, with the leading five industries in each state employing between 43 and 68 percent of these recipients. According to our estimates, restaurants (and other eating-places) employed the largest percentage of working adult SNAP recipients in seven of the nine states that provided employer data. Department stores, grocery stores, employment services agencies, and general merchandise stores (e.g., big box and discount stores) also featured prominently in these states.
- **Public sector employers.** Working adult SNAP recipients also worked for a wide range of public sector employers in the selected states, although to a lesser extent than in the private sector. Our estimates showed that state governments, public universities, and public school systems, were among the leading employers of these individuals in most of these states. Public sector employers also ranked among the top employers of these individuals in six of the nine states, according to our estimates.
- **Nonprofit organizations.** Working adult SNAP recipients also worked for a range of nonprofit organizations in the selected states. For example, our estimates showed that these individuals worked for nonprofit hospitals, disability services organizations, and charitable

organizations. Nonprofit organizations also ranked among the top employers for these individuals in eight of the nine states, according to our estimates.

- **Self-employed and other occupations**. In addition to providing data on the names of employers associated with each working adult SNAP recipient, all nine state agencies provided data on these individuals who were self-employed, listing thousands of enrollees as "self-employed" or identifying their occupation or job as such. For example, babysitting, cleaning services, hairstylist, and construction were among the frequently cited self-employed sources of income for these individuals with no employer designated.

Chairman Sanders, Ranking Member Graham, and Members of the Committee, this completes my prepared statement. I would be pleased to respond to any questions you may have at this time.

Appendix I: Available State Data on Certain Medicaid Enrollees and Their Employers

1. GEORGIA

Table 1: Georgia—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Georgia (Feb. 2020)	Number of working adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees (working for an employer)	Number of NDNE working adult Medicaid enrollees (self-employed)
1,735,178	208,597	189,557	19,040

Source: Georgia Division of Family and Children Services. | GAO-21-45

Table 2: Georgia—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Georgia's NDNE working adult Medicaid enrollees working for this employer
1	Walmart[a]	3,959 (3,803.0 - 4,114.9)	2.1% (2.0% - 2.2%)
2	McDonald's[a]	1,480 (1,419.7 - 1,540.9)	0.8% (0.7% - 0.8%)
3	Publix[a]	1,227 (1,176.5 - 1276.6)	0.6% (0.6% - 0.7%)
4	Waffle House	1,224 (1,179.6 - 1,268.9)	0.6% (0.6% - 0.7%)
5	Kroger[a]	1,125 (1,080.8 - 1,169.0)	0.6% (0.6% - 0.6%)
6	Amazon[a]	950 (915.8 - 984.7)	0.5% (0.5% - 0.5%)
7	Dollar General[a]	860 (829.1 - 891.3)	0.5% (0.4% - 0.5%)
8	Home Depot[a]	860 (828.8 - 891.3)	0.5% (0.4% - 0.5%)
9	Wendy's	601 (577.3 - 625.3)	0.3% (0.3% - 0.3%)
10	Uber Technologies	591 (566.8 - 615.6)	0.3% (0.3% - 0.3%)
11	U.S. Postal Service[b]	576 (548.8 - 602.9)	0.3% (0.3% - 0.3%)
12	Burger King	570 (549.5 - 590.8)	0.3% (0.3% - 0.3%)
13	Dollar Tree, Inc.	557 (534.2 - 579.0)	0.3% (0.3% - 0.3%)

	Employer	Estimated number of employees	Estimated percentage of Georgia's NDNE working adult Medicaid enrollees working for this employer
14	Randstad	555 (531.9 - 579.0)	0.3% (0.3% - 0.3%)
15	Chick-fil-A	542 (512.9 - 571.8)	0.3% (0.3% - 0.3%)
16	Lowe's[a]	528 (507.0 - 548.4)	0.3% (0.3% - 0.3%)
17	Target[a]	505 (486.4 - 523.4)	0.3% (0.3% - 0.3%)
18	FedEx[a]	499 (475.6 - 523.0)	0.3% (0.3% - 0.3%)
19	Kelly Services	464 (439.0 - 488.8)	0.2% (0.2% - 0.3%)
20	Pilgrim's Pride	437 (418.5 - 455.2)	0.2% (0.2% - 0.2%)
21	T.J. Maxx[a]	424 (402.5 - 446.0)	0.2% (0.2% - 0.2%)
22	Circle K	422 (403.8 - 439.2)	0.2% (0.2% - 0.2%)
23	Subway	406 (389.4 - 421.8)	0.2% (0.2% - 0.2%)
24	Taco Bell	387 (373.2 - 401.8)	0.2% (0.2% - 0.2%)
25	Southern Home Care Service	385 (364.5 - 406.3)	0.2% (0.2% - 0.2%)
	Total for the top 25 employers	**20,135**	**10.62%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

Source: GAO estimates based on data provided by the Georgia Division of Family and Children Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

2. INDIANA

Table 3: Indiana—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Indiana (Feb. 2020)	Number of working adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees (working for an employer)	Number of NDNE working adult Medicaid enrollees (self-employed)
1,437,798	170,188	149,833	20,355

Source: Indiana Family and Social Services Administration. | GAO-21-45

Table 4: Indiana—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Indiana's NDNE working adult Medicaid enrollees working for this employer
1	Walmart[a]	2,396 (2,308.2 - 2483.3)	1.6% (1.5% - 1.7%)
2	McDonald's[a]	1,827 (1,758.7 - 1,894.6)	1.2% (1.2% - 1.3%)
3	Indiana University[b]	1,569 (1,540.2 - 1,598.1)	1.0% (1.0% - 1.1%)
4	Goodwill[c]	1,312 (1,280.9 - 1,342.7)	0.9% (0.9% - 0.9%)
5	Kroger[a]	1312 (1,250.1 - 1,373.2)	0.9% (0.8% - 0.9%)
6	Amazon[a]	1,191 (1,169.1 - 1,213.5)	0.8% (0.8% - 0.8%)
7	Elwood Staffing	971 (952.9 - 988.7)	0.6% (0.6% - 0.7%)
8	Dollar Tree, Inc.	898 (858.5 - 937.3)	0.6% (0.6% - 0.6%)
9	Dollar General[a]	875 (858.4 - 890.8)	0.6% (0.6% - 0.6%)
10	Burger King	836 (808.4 - 864.0)	0.6% (0.5% - 0.6%)
11	Eagle Care	800 (785.7 - 815.2)	0.5% (0.5% - 0.5%)
12	YMCA[c]	725 (687.5 - 762.0)	0.5% (0.5% - 0.5%)
13	Meijer	698 (667.2 - 728.5)	0.5% (0.4% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Indiana's NDNE working adult Medicaid enrollees working for this employer
14	Speedway	653 (635.4 - 671.3)	0.4% (0.4% - 0.4%)
15	Help at Home, LLC	596 (579.3 - 612.8)	0.4% (0.4% - 0.4%)
16	Target[a]	561 (550.9 - 572.0)	0.4% (0.4% - 0.4%)
17	Fedex[a]	547 (518.8 - 575.0)	0.4% (0.3% - 0.4%)
18	Express Employment Professionals	490 (468.5 – 511.0)	0.3% (0.3% - 0.3%)
19	Steak 'n Shake	484 (461.8 - 506.3)	0.3% (0.3% - 0.3%)
20	Taco Bell	481 (472.1 - 490.2)	0.3% (0.3% - 0.3%)
21	Compass Group	474 (465.5 - 483.2)	0.3% (0.3% - 0.3%)
22	State of Indiana[b]	469 (459.9 - 477.2)	0.3% (0.3% - 0.3%)
23	Wendy's	458 (431.1 - 484.2)	0.3% (0.3% - 0.3%)
24	Purdue University[b]	454 (444.7 - 463.5)	0.3% (0.3% - 0.3%)
25	Subway	423 (410.8 - 435.1)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**21,499**	**14.35%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

c = Nonprofit organization

Source: GAO estimates based on data provided by the Indiana Family and Social Services Administration. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

3. MAINE

Table 5: Maine—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Maine (Feb. 2020)	Number of working adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees (working for an employer)	Number of NDNE working adult Medicaid enrollees (self-employed)
263,673	39,256	30,725	8,531

Source: Maine Department of Health and Human Services. | GAO-21-45

Table 6: Maine—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Maine's NDNE working adult Medicaid enrollees working for this employer
1	Hannaford's	728 (690.4 - 765.6)	2.4% (2.2% - 2.5%)
2	Walmart[a]	557 (542.4 - 570.8)	1.8% (1.8% - 1.9%)
3	Maine Medical Center[b]	542 (532.0 - 551.8)	1.8% (1.7% - 1.8%)
4	Dunkin'	475 (466.8 - 484.2)	1.5% (1.5% - 1.6%)
5	McDonald's[a]	398 (383.6 - 412.7)	1.3% (1.2% - 1.3%)
6	University of Maine[c]	300 (294.4 - 305.6)	1.0% (1.0% - 1.0%)
7	Circle K	181 (176.1 - 185.8)	0.6% (0.6% - 0.6%)
8	Shaw's Supermarkets, Inc.	173 (168.9 - 177.9)	0.6% (0.5% - 0.6%)
9	L.L. Bean	171 (166.9 – 175.0)	0.6% (0.5% - 0.6%)
10	Goodwill[b]	155 (151.1 - 158.8)	0.5% (0.5% - 0.5%)
11	Dollar Tree, Inc.	155 (149.4 - 160.0)	0.5% (0.5% - 0.5%)
12	Northern Light Health[b]	149 (145.9 - 151.3)	0.5% (0.5% - 0.5%)
13	Subway	144 (140.6 - 147.0)	0.5% (0.5% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Maine's NDNE working adult Medicaid enrollees working for this employer
14	Burger King	112	0.4%
		(109.8 - 114.0)	(0.4% - 0.4%)
15	Walgreens[a]	112	0.4%
		(108.6 - 114.5)	(0.4% - 0.4%)
16	YMCA[b]	110	0.4%
		(106.2 - 114.8)	(0.3% - 0.4%)
17	Complete Labor	104	0.3%
		(102.1 - 105.9)	(0.3% - 0.3%)
18	CN Brown	103	0.3%
		(100.9 - 104.9)	(0.3% - 0.3%)
19	Home Depot[a]	98	0.3%
		(96.2 - 99.8)	(0.3% - 0.3%)
20	GT Independence	88	0.3%
		(85.9 - 89.6)	(0.3% - 0.3%)
21	Lowe's[a]	83	0.3%
		(80.5 - 86.1)	(0.3% - 0.3%)
22	U.S. Postal Service[c]	81	0.3%
		(79.5 - 82.7)	(0.3% - 0.3%)
23	Target[a]	81	0.3%
		(76.8 - 84.5)	(0.2% - 0.3%)
24	Alpha One[b]	78	0.3%
		(76.5 - 79.6)	(0.2% - 0.3%)
25	TD Bank	77	0.2%
		(74.8 - 78.5)	(0.2% - 0.3%)
	Total for the top 25 employers	**5,254**	**17.10%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

c = Public sector employer

Source: GAO estimates based on data provided by the Maine Department of Health and Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

4. MASSACHUSETTS

Table 7: Massachusetts—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Massachusetts (Feb. 2020)	Number of adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees	Number of NDNE working adult Medicaid enrollees (self-employed)
1,789,823	950,688	204,965	Data unavailable[a]

Legend:

a =State was unable to extract data on the number of self-employed individuals.

Source: Massachusetts Office of Medicaid. | GAO-21-45

Table 8: Massachusetts—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Massachusetts' NDNE working adult Medicaid enrollees working for this employer
1	The Commonwealth of Massachusetts[a]	3,908 (* - *)	1.9% (*% - *%)
2	PCA Quality Home Care Workforce Council[a]	2,881 (* - *)	1.4% (*% - *%)
3	Stop & Shop	1,895 (* - *)	0.9% (*% - *%)
4	Walmart[b]	1,833 (* - *)	0.9% (*% - *%)
5	Market Basket	1,745 (* - *)	0.9% (*% - *%)
6	CVS Pharmacy[b]	1,430 (1,401.8 - 1,459.0)	0.7% (0.7% - 0.7%)
7	Amazon[b]	1,370 (* - *)	0.7% (*% - *%)
8	Target[b]	1,333 (* - *)	0.7% (*% - *%)
9	Home Depot[b]	1,073 (* - *)	0.5% (*% - *%)
10	YMCA[c]	1,058 (1,010.6 - 1,105.0)	0.5% (0.5% - 0.5%)
11	The City of Boston[a]	1,054 (* - *)	0.5% (*% - *%)
12	United Parcel Service[b]	1,002 (* - *)	0.5% (*% - *%)

	Employer	Estimated number of employees	Estimated percentage of Massachusetts' NDNE working adult Medicaid enrollees working for this employer
13	Shaw's Supermarkets, Inc.	986 (* - *)	0.5% (*% - *%)
14	Amedisys Holding, LLC	858 (* - *)	0.4% (*% - *%)
15	Dollar Tree, Inc.	827 (* - *)	0.4% (*% - *%)
16	Ninety Nine Restaurant & Pub	780 (* - *)	0.4% (*% - *%)
17	Walgreens[b]	727 (694.3 - 759.2)	0.4% (0.3% - 0.4%)
18	General Hospital Corporation[c]	708 (* - *)	0.4% (*% - *%)
19	Expert Staffing Partners, Inc.	656 (* - *)	0.3% (*% - *%)
20	T.J. Maxx[b]	636 (* - *)	0.3% (*% - *%)
21	Marshalls	608 (* - *)	0.3% (*% - *%)
22	Masis Staffing Solutions, LLC	608 (* - *)	0.3% (*% - *%)
23	Peopleready, Inc.	604 (* - *)	0.3% (*% - *%)
24	Whole Foods Market	602 (* - *)	0.3% (*% - *%)
25	Randstad	550 (525.6 - 574.7)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**29,732**	**14.51%**

Legend:

* = Population count

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Public sector employer

b = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

c = Nonprofit organization

Source: GAO estimates based on data provided by the Massachusetts Office of Medicaid. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

5. OKLAHOMA

Table 9: Oklahoma—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Oklahoma (Feb. 2020)	Number of working adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees (working for an employer)	Number of NDNE working adult Medicaid enrollees (self-employed)
785,366	41,788	37,966	3,822

Source: Oklahoma Health Care Authority. | GAO-21-45

Table 10: Oklahoma—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Oklahoma's NDNE working adult Medicaid enrollees working for this employer
1	Walmart[a]	1,059	2.8%
		(1,010.3 - 1,108.0)	(2.7% - 2.9%)
2	McDonald's[a]	536	1.4%
		(516.2 - 555.8)	(1.4% - 1.5%)
3	Dollar General[a]	530	1.4%
		(518.9 - 540.2)	(1.4% - 1.4%)
4	Express Employment Professionals	504	1.3%
		(480.0 - 528.9)	(1.3% - 1.4%)
5	Sonic	489	1.3%
		(479.3 - 498.8)	(1.3% - 1.3%)
6	Macy's	442	1.2%
		(420.4 - 463.2)	(1.1% - 1.2%)
7	Amazon[a]	371	1.0%
		(363.8 - 378.7)	(1.0% - 1.0%)
8	Braum's Ice Cream	365	1.0%
		(357.9 - 372.6)	(0.9% - 1.0%)
9	Choctaw Nation[b]	280	0.7%
		(274.6 - 285.8)	(0.7% - 0.8%)
10	Dollar Tree, Inc.	258	0.7%
		(245.2 - 270.0)	(0.6% - 0.7%)
11	Healthcare Innovation	216	0.6%
		(211.4 - 220.1)	(0.6% - 0.6%)
12	Complete Home	202	0.5%
		(197.9 - 206.0)	(0.5% - 0.5%)
13	Chickasaw Nation[b]	193	0.5%
		(189.2 - 196.9)	(0.5% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Oklahoma's NDNE working adult Medicaid enrollees working for this employer
14	Family Dollar	158 (151.1 - 165.6)	0.4% (0.4% - 0.4%)
15	K-Mac Enterprises	156 (148.2 - 163.4)	0.4% (0.4% - 0.4%)
16	Sodexo	155 (152.2 - 158.5)	0.4% (0.4% - 0.4%)
17	Alorica	145 (141.6 - 147.4)	0.4% (0.4% - 0.4%)
18	SRI Operating	145 (141.6 - 147.4)	0.4% (0.4% - 0.4%)
19	Pizza Hut	143 (139.7 - 145.4)	0.4% (0.4% - 0.4%)
20	Whataburger	142 (138.7 - 144.4)	0.4% (0.4% - 0.4%)
21	Stand By Personnel	137 (130.2 - 143.4)	0.4% (0.3% - 0.4%)
22	Love Travel Stop Country Store	133 (126.5 - 139.5)	0.4% (0.3% - 0.4%)
23	Saint Francis Hospital[c]	122 (119.3 - 124.2)	0.3% (0.3% - 0.3%)
24	RB American Group, LLC	121 (118.7 - 124.1)	0.3% (0.3% - 0.3%)
25	Hobby Lobby	121 (114.9 - 126.5)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**7,121**	**18.76%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

c = Nonprofit organization

Source: GAO estimates based on data provided by the Oklahoma Health Care Authority. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

6. RHODE ISLAND

Table 11: Rhode Island—Number of Working Adult Medicaid Enrollees in February 2020

Total number of Medicaid enrollees in Rhode Island (Feb. 2020)	Number of working adult Medicaid enrollees, ages 19-64	Number of non-disabled, non-elderly (NDNE) working adult Medicaid enrollees (working for an employer)	Number of NDNE working adult Medicaid enrollees (self-employed)
299,485	41,484	39,348	2,136

Source: Rhode Island Executive Offices of Health and Human Services. | GAO-21-45

Table 12: Rhode Island—Employers of the Largest Estimated Number of Non-disabled, Non-elderly (NDNE) Adult Medicaid Enrollees (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Rhode Island's NDNE working adult Medicaid enrollees working for this employer
1	Stop & Shop	872 (829.3 - 915.6)	2.2% (2.1% - 2.3%)
2	Dunkin'	803 (786.1 - 819.5)	2.0% (2.0% - 2.1%)
3	Walmart[a]	546 (531.9 - 559.3)	1.4% (1.4% - 1.4%)
4	CVS Pharmacy[a]	509 (498.7 - 519.0)	1.3% (1.3% - 1.3%)
5	McDonald's[a]	359 (340.8 - 377.3)	0.9% (0.9% - 1.0%)
6	The Fogarty Center[b]	297 (290.3 - 302.7)	0.8% (0.7% - 0.8%)
7	Employment 2000	291 (285.3 - 297.6)	0.7% (0.7% - 0.8%)
8	Lifespan Corporation	276 (262.3 - 289.0)	0.7% (0.7% - 0.7%)
9	Target[a]	274 (268.6 - 279.7)	0.7% (0.7% - 0.7%)
10	Amazon[a]	272 (266.6 - 277.6)	0.7% (0.7% - 0.7%)
11	Dollar Tree, Inc.	269 (253.9 - 284.4)	0.7% (0.6% - 0.7%)
12	YMCA[b]	242 (227.1 - 256.9)	0.6% (0.6% - 0.7%)
13	First Student, Inc.	237 (232.6 - 242.3)	0.6% (0.6% - 0.6%)

	Employer	Estimated number of employees	Estimated percentage of Rhode Island's NDNE working adult Medicaid enrollees working for this employer
14	Rhode Island Hospital[b]	230	0.6%
		(225.7 - 235.2)	(0.6% - 0.6%)
15	Jan Companies, Inc.	211	0.5%
		(205.0 - 217.6)	(0.5% - 0.6%)
16	Home Depot[a]	206	0.5%
		(201.9 - 210.8)	(0.5% - 0.5%)
17	Ocean State Transit	201	0.5%
		(192.3 - 208.8)	(0.5% - 0.5%)
18	Sodexo	184	0.5%
		(180.2 - 187.8)	(0.5% - 0.5%)
19	T.J. Maxx[a]	178	0.5%
		(165.3 - 190.2)	(0.4% - 0.5%)
20	Walgreens[a]	170	0.4%
		(162.5 - 176.9)	(0.4% - 0.4%)
21	Perspective Corporation	166	0.4%
		(161.9 - 170.8)	(0.4% - 0.4%)
22	Cumberland Farms	166	0.4%
		(163.0 - 169.6)	(0.4% - 0.4%)
23	University of Rhode Island[c]	166	0.4%
		(162.4 - 169.5)	(0.4% - 0.4%)
24	Burger King	161	0.4%
		(157.8 - 164.5)	(0.4% - 0.4%)
25	Ocean State Job Lot	149	0.4%
		(146.5 - 152.5)	(0.4% - 0.4%)
	Total for the top 25 employers	**7,437**	**18.90%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

c = Public sector employer

Source: GAO estimates based on data provided by the Rhode Island Executive Offices of Health and Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult NDNE Medicaid enrollee in February 2020. As a result, an enrollee could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult Medicaid enrollees, in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' NDNE working adult Medicaid enrollees working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

Appendix II: Available State Data on Certain Supplemental Nutrition Assistance Program Recipients and Their Employers

1. ARKANSAS

Table 13: Arkansas—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Arkansas (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
310,135	44,320	42,924	1,396

Source: Arkansas Department of Human Services. | GAO-21-45

Table 14: Arkansas—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Arkansas' total adult SNAP recipients working for an employer
1	Walmart[a]	1,318 (1,275.8 - 1,359.5)	3.1% (3% - 3.2%)
2	McDonald's[a]	865 (830.5 - 900.4)	2.0% (1.9% - 2.1%)
3	Dollar General[a]	505 (495.8 - 514.4)	1.2% (1.2% - 1.2%)
4	Sonic	481 (471.9 - 489.3)	1.1% (1.1% - 1.1%)
5	Tyson Foods[a]	394 (374.6 - 412.7)	0.9% (0.9% - 1.0%)
6	Palco	350 (343.4 - 356.1)	0.8% (0.8% - 0.8%)
7	Dollar Tree, Inc.	303 (295.5 - 310.3)	0.7% (0.7% - 0.7%)
8	Burger King	256 (251.2 - 261.1)	0.6% (0.6% - 0.6%)
9	Staffmark	232 (227.3 - 237.4)	0.5% (0.5% - 0.6%)
10	Taco Bell	211 (206.8 - 214.8)	0.5% (0.5% - 0.5%)
11	Kroger[a]	203 (197.2 - 208.4)	0.5% (0.5% - 0.5%)
12	Express Employment Professionals	192 (186.6 - 197.3)	0.4% (0.4% - 0.5%)
13	Subway	189 (184.5 - 193.8)	0.4% (0.4% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Arkansas' total adult SNAP recipients working for an employer
14	Wendy's	167	0.4%
		(155.8 - 177.6)	(0.4% - 0.4%)
15	TEC Staffing Services	166	0.4%
		(163.5 - 169.5)	(0.4% - 0.4%)
16	Popeyes	151	0.4%
		(145.4 - 157.1)	(0.3% - 0.4%)
17	Compass Group	145	0.3%
		(142.7 - 145.4)	(0.3% - 0.3%)
18	Harps Foods	144	0.3%
		(139.4 - 148.0)	(0.3% - 0.3%)
19	Baptist Health	144	0.3%
		(141.0 - 146.3)	(0.3% - 0.3%)
20	Aramark[a]	137	0.3%
		(134.4 - 140.0)	(0.3% - 0.3%)
21	KFC	129	0.3%
		(125.2 - 133.0)	(0.3% - 0.3%)
22	Pizza Hut	129	0.3%
		(126.2 - 131.1)	(0.3% - 0.3%)
23	Family Dollar	126	0.3%
		(122.6 - 129.3)	(0.3% - 0.3%)
24	CareLink[b]	122	0.3%
		(118.1 - 125.1)	(0.3% - 0.3%)
25	Waffle House	121	0.3%
		(118.1 - 122.9)	(0.3% - 0.3%)
	Total for the top 25 employers	**7,179**	**16.72%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

Source: GAO estimates based on data provided by the Arkansas Department of Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

2. GEORGIA

Table 15: Georgia—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Georgia (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
1,301,310	143,405	136,130	7,275

Source: Georgia Division of Family and Children Services. | GAO-21-45

Table 16: Georgia—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Georgia's total adult SNAP recipients working for an employer
1	Walmart[a]	4,023 (3,874.0 - 4,172.7)	3.0% (2.8% - 3.1%)
2	McDonald's[a]	1,953 (1,880.0 - 2,026.9)	1.4% (1.4% - 1.5%)
3	Waffle House	1,619 (1,560.2 - 1,677.2)	1.2% (1.1% - 1.2%)
4	Dollar General[a]	1,381 (1,331.2 - 1,431.1)	1.0% (1.0% - 1.1%)
5	Kroger[a]	1,254 (1,207.4 - 1,299.8)	0.9% (0.9% - 1.0%)
6	Amazon[a]	1,010 (973.3 - 1,046.2)	0.7% (0.7% - 0.8%)
7	Dollar Tree, Inc.	965 (928.9 - 1,001.1)	0.7% (0.7% - 0.7%)
8	Publix[a]	922 (887.2 - 955.9)	0.7% (0.7% - 0.7%)
9	Burger King	839 (808.7 - 869.3)	0.6% (0.6% - 0.6%)
10	Wendy's	790 (760.1 - 819.3)	0.6% (0.6% - 0.6%)
11	Circle K	662 (637.2 - 687.5)	0.5% (0.5% - 0.5%)
12	United Parcel Service[a]	620 (597.8 - 643.0)	0.5% (0.4% - 0.5%)
13	Home Depot[a]	609 (587.0 - 631.1)	0.4% (0.4% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Georgia's total adult SNAP recipients working for an employer
14	Southern Home Care Service	608 (582.3 - 633.5)	0.4% (0.4% - 0.5%)
15	FedEx[a]	600 (575.6 - 623.4)	0.4% (0.4% - 0.5%)
16	Randstad	561 (539.4 - 582.1)	0.4% (0.4% - 0.4%)
17	Subway	554 (533.2 - 574.4)	0.4% (0.4% - 0.4%)
18	Kelly Services	498 (476.7 - 518.5)	0.4% (0.4% - 0.4%)
19	Target[a]	472 (455.3 - 489.4)	0.3% (0.3% - 0.4%)
20	Family Dollar	472 (453.9 - 489.8)	0.3% (0.3% - 0.4%)
21	Taco Bell	468 (451.5 - 485.4)	0.3% (0.3% - 0.4%)
22	Lowe's[a]	442 (425.3 - 458.0)	0.3% (0.3% - 0.3%)
23	T.J. Maxx[a]	439 (420.6 - 456.7)	0.3% (0.3% - 0.3%)
24	Goodwill[b]	435 (418.3 - 452.3)	0.3% (0.3% - 0.3%)
25	Compass Group	431 (415.1 - 446.2)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**22,625**	**16.62%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

Source: GAO estimates based on data provided by the Georgia Division of Family and Children Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

3. INDIANA

Table 17: Indiana—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Indiana (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
566,385	77,067	67,547	9,520

Source: Indiana Family and Social Services Administration. | GAO-21-45

Table 18: Indiana—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Indiana's total adult SNAP recipients working for an employer
1	Walmart[a]	1,313 (1,273.0 - 1,352.1)	1.9% (1.9% - 2.0%)
2	McDonald's[a]	907 (878.1 - 935.9)	1.3% (1.3% - 1.4%)
3	Amazon[a]	723 (708.7 - 737.8)	1.1% (1.0% - 1.1%)
4	Kroger[a]	647 (631.0 - 663.2)	1.0% (0.9% - 1.0%)
5	Dollar General[a]	559 (547.4 - 569.9)	0.8% (0.8% - 0.8%)
6	Goodwill[b]	558 (537.5 - 579.4)	0.8% (0.8% - 0.9%)
7	Eaglecare, Inc.	522 (512.0 - 533.0)	0.8% (0.8% - 0.8%)
8	Dollar Tree, Inc.	520 (502.7 - 538.1)	0.8% (0.7% - 0.8%)
9	Elwood Staffing	497 (487.0 - 507.0)	0.7% (0.7% - 0.8%)
10	Burger King	486 (472.0 - 499.8)	0.7% (0.7% - 0.7%)
11	Speedway	375 (365.0 - 384.6)	0.6% (0.5% - 0.6%)
12	Wendy's	350 (333.9 - 365.1)	0.5% (0.5% - 0.5%)
13	Help at Home, LLC	337 (327.9 - 345.2)	0.5% (0.5% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Indiana's total adult SNAP recipients working for an employer
14	YMCA[b]	322	0.5%
		(309.1 - 335.1)	(0.5% - 0.5%)
15	Meijer	322	0.5%
		(310.8 - 333.0)	(0.5% - 0.5%)
16	Taco Bell	289	0.4%
		(283.4 - 295.0)	(0.4% - 0.4%)
17	Compass Group	288	0.4%
		(281.9 - 293.7)	(0.4% - 0.4%)
18	FedEx[a]	287	0.4%
		(275.7 - 298.5)	(0.4% - 0.4%)
19	Express Employment Professionals	275	0.4%
		(265.9 - 285.0)	(0.4% - 0.4%)
20	State of Indiana[c]	263	0.4%
		(257.4 - 268.0)	(0.4% - 0.4%)
21	Indiana University[c]	254	0.4%
		(248.7 - 258.9)	(0.4% - 0.4%)
22	Steak 'n Shake	232	0.3%
		(223.7 - 240.4)	(0.3% - 0.4%)
23	Subway	228	0.3%
		(222.6 - 234.2)	(0.3% - 0.3%)
24	Cracker Barrel	224	0.3%
		(217.6 - 230.8)	(0.3% - 0.3%)
25	Target[a]	218	0.3%
		(213.2 - 222.0)	(0.3% - 0.3%)
	Total for the top 25 employers	**10,996**	**16.28%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

c = Public sector employer

Source: GAO estimates based on data provided by the Indiana Family and Social Services Administration. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

4. MAINE

Table 19: Maine—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Maine (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
167,359	25,376	21,397	3,979

Source: Maine Department of Health and Human Services. | GAO-21-45

Table 20: Maine—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Maine's total adult SNAP recipients working for an employer
1	Hannaford's	500 (484.1 - 515.3)	2.3% (2.3% - 2.4%)
2	Walmart[a]	468 (458.6 - 477.4)	2.2% (2.1% - 2.2%)
3	Dunkin'	369 (362.8 - 375.0)	1.7% (1.7% - 1.8%)
4	Maine Medical Center[b]	350 (344.3 - 355.8)	1.6% (1.6% - 1.7%)
5	McDonald's[a]	328 (319.8 - 336.0)	1.5% (1.5% - 1.6%)
6	Goodwill[b]	176 (171.7 - 180.1)	0.8% (0.8% - 0.8%)
7	Circle K	163 (159.6 - 166.2)	0.8% (0.7% - 0.8%)
8	Dollar Tree, Inc.	126 (124.0 - 128.9)	0.6% (0.6% - 0.6%)
9	Shaw's Supermarkets, Inc.	120 (117.9 - 122.9)	0.6% (0.6% - 0.6%)
10	Burger King	120 (117.4 - 121.9)	0.6% (0.5% - 0.6%)
11	University of Maine[c]	107 (105.3 - 108.9)	0.5% (0.5% - 0.5%)
12	Subway	105 (103.1 - 106.8)	0.5% (0.5% - 0.5%)
13	Northern Light Health[b]	97 (95.6 - 98.8)	0.5% (0.4% - 0.5%)

	Employer	Estimated number of employees	Estimated percentage of Maine's total adult SNAP recipients working for an employer
14	Walgreens[a]	92 (89.8 - 93.6)	0.4% (0.4% - 0.4%)
15	CN Brown	87 (85.7 - 88.7)	0.4% (0.4% - 0.4%)
16	Alpha One[b]	79 (77.9 - 80.6)	0.4% (0.4% - 0.4%)
17	L.L. Bean	78 (77.0 - 79.6)	0.4% (0.4% - 0.4%)
18	GT Independence	76 (74.8 - 77.6)	0.4% (0.3% - 0.4%)
19	TD Bank	73 (71.6 - 74.5)	0.3% (0.3% - 0.3%)
20	YMCA[b]	68 (66.0 - 69.4)	0.3% (0.3% - 0.3%)
21	Dollar General[a]	61 (60.4 - 62.5)	0.3% (0.3% - 0.3%)
22	Sodexo	59 (58.4 - 60.5)	0.3% (0.3% - 0.3%)
23	Complete Labor	59 (57.5 - 59.5)	0.3% (0.3% - 0.3%)
24	Catholic Charities USA[b]	58 (57.5 - 59.5)	0.3% (0.3% - 0.3%)
25	Care and Comfort	56 (54.7 - 58.3)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**3,877**	**18.12%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Nonprofit organization

c = Public sector employer

Source: GAO estimates based on data provided by the Maine Department of Health and Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

5. MASSACHUSETTS

Table 21: Massachusetts—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Massachusetts (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
728,951	84,431	79,236	5,195

Source: Massachusetts Department of Transitional Assistance. | GAO-21-45

Table 22: Massachusetts—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Massachusetts' total adult SNAP recipients working for an employer
1	Dunkin'	1,195 (1,178.4 - 1,212.0)	1.5% (1.5% - 1.5%)
2	PCA Quality Home Care Workforce Council[a]	1,101 (1,086.1 - 1,116.5)	1.4% (1.4% - 1.4%)
3	Stavros Center for Independent Living[b]	846 (833.6 - 859.1)	1.1% (1.1% - 1.1%)
4	Walmart[c]	797 (765.7 - 828.4)	1.0% (1.0% - 1.0%)
5	Stop & Shop	794 (764.9 - 823.6)	1.0% (1.0% - 1.0%)
6	Market Basket	765 (754.1 - 775.2)	1.0% (1.0% - 1.0%)
7	T.J. Maxx[c]	741 (707.0 - 775.1)	0.9% (0.9% - 1.0%)
8	Tempus Unlimited	672 (661.8 - 682.1)	0.8% (0.8% - 0.9%)
9	Uber Technologies	661 (647.0 - 675.5)	0.8% (0.8% - 0.9%)
10	Dollar Tree, Inc.	594 (569.0 - 619.1)	0.7% (0.7% - 0.8%)
11	Northeast Arc	570 (559.9 - 579.7)	0.7% (0.7% - 0.7%)
12	CVS Pharmacy[c]	545 (537.7 - 552.7)	0.7% (0.7% - 0.7%)
13	McDonald's[c]	525 (505.5 - 543.6)	0.7% (0.6% - 0.7%)

	Employer	Estimated number of employees	Estimated percentage of Massachusetts' total adult SNAP recipients working for an employer
14	Amazon[c]	521 (514.2 - 528.5)	0.7% (0.6% - 0.7%)
15	Target[c]	440 (433.8 - 446.0)	0.6% (0.5% - 0.6%)
16	Shaw's Supermarkets, Inc.	418 (411.1 - 424.3)	0.5% (0.5% - 0.5%)
17	Home Depot[c]	410 (404.5 - 415.8)	0.5% (0.5% - 0.5%)
18	Amedisys Holding, LLC	406 (400.3 - 411.7)	0.5% (0.5% - 0.5%)
19	YMCA[b]	353 (339.4 - 366.3)	0.4% (0.4% - 0.5%)
20	Ninety Nine Restaurant & Pub	290 (285.6 - 293.9)	0.4% (0.4% - 0.4%)
21	FedEx[c]	281 (269.5 - 293.2)	0.4% (0.3% - 0.4%)
22	The Commonwealth of Massachusetts[a]	270 (266.2 - 273.8)	0.3% (0.3% - 0.3%)
23	Lyft	269 (263.6 - 274.8)	0.3% (0.3% - 0.3%)
24	Compass Group	264 (260.4 - 267.8)	0.3% (0.3% - 0.3%)
25	Walgreens[c]	263 (258.0 – 268.0)	0.3% (0.3% - 0.3%)
	Total for the top 25 employers	**13,992**	**17.66%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Public sector employer

b = Nonprofit organization

c = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

Source: GAO estimates based on data provided by the Massachusetts Department of Transitional Assistance. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

6. NEBRASKA

Table 23: Nebraska— Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Nebraska (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
160,382	28,924	24,152	4,772

Source: Nebraska Department of Health and Human Services. | GAO-21-45

Table 24: Nebraska—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Nebraska's total adult SNAP recipients working for an employer
1	McDonald's[a]	368 (357.5 - 379.3)	1.5% (1.5% - 1.6%)
2	Walmart[a]	361 (351.0 - 370.4)	1.5% (1.5% - 1.5%)
3	Tyson Foods[a]	260 (252.1 - 268.5)	1.1% (1.0% - 1.1%)
4	Subway	167 (162.6 - 171.2)	0.7% (0.7% - 0.7%)
5	Casey's	163 (157.3 - 168.8)	0.7% (0.7% - 0.7%)
6	Express Employment Professionals	121 (118.0 - 124.8)	0.5% (0.5% - 0.5%)
7	Dollar General[a]	121 (117.9 - 123.9)	0.5% (0.5% - 0.5%)
8	Pizza Hut	120 (117.0 - 122.9)	0.5% (0.5% - 0.5%)
9	Burger King	119 (116.0 - 121.8)	0.5% (0.5% - 0.5%)
10	Dollar Tree, Inc.	98 (95.6 - 100.7)	0.4% (0.4% - 0.4%)
11	Hy-Vee	97 (94.9 - 99.7)	0.4% (0.4% - 0.4%)
12	Omaha Public Schools[b]	95 (93.0 - 97.7)	0.4% (0.4% - 0.4%)
13	Uber Technologies	92 (88.9 - 94.5)	0.4% (0.4% - 0.4%)

	Employer	Estimated number of employees	Estimated percentage of Nebraska's total adult SNAP recipients working for an employer
14	Goodwill[c]	91 (88.3 - 93.6)	0.4% (0.4% - 0.4%)
15	Taco Bell	78 (75.7 - 79.6)	0.3% (0.3% - 0.3%)
16	Lincoln Public Schools[b]	76 (73.8 - 77.5)	0.3% (0.3% - 0.3%)
17	YMCA[c]	74 (72.2 - 76.5)	0.3% (0.3% - 0.3%)
18	Quality Pork International, Inc.	72 (70.0 - 73.5)	0.3% (0.3% - 0.3%)
19	Alorica	72 (69.7 - 73.5)	0.3% (0.3% - 0.3%)
20	Arby's	64 (61.8 - 66.3)	0.3% (0.3% - 0.3%)
21	Taco John's	64 (62.1 - 65.4)	0.3% (0.3% - 0.3%)
22	Applebee's Bar & Grill	64 (61.6 - 65.4)	0.3% (0.3% - 0.3%)
23	Holiday Inn	63 (61.6 - 65.4)	0.3% (0.3% - 0.3%)
24	DoorDash	60 (58.2 - 62.3)	0.2% (0.2% - 0.3%)
25	Nelnet	60 (58.3 - 61.4)	0.2% (0.2% - 0.3%)
	Total for the top 25 employers	**3,020**	**12.50%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

c = Nonprofit organization

Source: GAO estimates based on data provided by the Nebraska Department of Health and Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

7. NORTH CAROLINA

Table 25: North Carolina—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in North Carolina (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
1,233,024	142,202	125,784	16,418

Source: North Carolina Department of Health and Human Services. | GAO-21-45

Table 26: North Carolina—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of North Carolina's total adult SNAP recipients working for an employer
1	Walmart[a]	3,511 (3,456.1 - 3,566.8)	2.8% (2.7% - 2.8%)
2	Food Lion	2,259 (2,233.2 - 2,285.6)	1.8% (1.8% - 1.8%)
3	McDonald's[a]	1,782 (1,742.8 - 1821.4)	1.4% (1.4% - 1.4%)
4	Dollar General[a]	1,046 (1,035.2 - 1,055.8)	0.8% (0.8% - 0.8%)
5	Bojangles'	902 (888.1 - 915.2)	0.7% (0.7% - 0.7%)
6	Burger King	787 (773.0 – 802.0)	0.6% (0.6% - 0.6%)
7	Lowe's[a]	712 (677.5 - 746.2)	0.6% (0.5% - 0.6%)
8	Dollar Tree, Inc.	699 (688.6 - 709.6)	0.6% (0.5% - 0.6%)
9	Harris Teeter	646 (638.1 - 654.0)	0.5% (0.5% - 0.5%)
10	Wendy's	594 (565.2 - 622.5)	0.5% (0.4% - 0.5%)
11	Amazon[a]	581 (575.0 - 586.6)	0.5% (0.5% - 0.5%)
12	Waffle House	580 (573.7 - 585.5)	0.5% (0.5% - 0.5%)
13	Aramark[a]	486 (480.3 - 492.6)	0.4% (0.4% - 0.4%)

	Employer	Estimated number of employees	Estimated percentage of North Carolina's total adult SNAP recipients working for an employer
14	Hardee's	479 (465.7 - 491.6)	0.4% (0.4% - 0.4%)
15	Compass Group	454 (449.9 - 459.0)	0.4% (0.4% - 0.4%)
16	Taco Bell	452 (447.1 - 456.7)	0.4% (0.4% - 0.4%)
17	Circle K	444 (437.4 - 450.4)	0.4% (0.3% - 0.4%)
18	Family Dollar	444 (437.7 - 449.3)	0.4% (0.3% - 0.4%)
19	Subway	429 (422.6 - 434.7)	0.3% (0.3% - 0.3%)
20	Kelly Services	407 (388.1 - 426.5)	0.3% (0.3% - 0.3%)
21	Speedway	393 (387.0 - 398.4)	0.3% (0.3% - 0.3%)
22	Target[a]	376 (372.5 - 379.8)	0.3% (0.3% - 0.3%)
23	Ingles Markets	364 (360.3 - 368.2)	0.3% (0.3% - 0.3%)
24	FedEx[a]	344 (332.5 - 354.7)	0.3% (0.3% - 0.3%)
25	KFC	317 (312.6 - 321.1)	0.3% (0.2% - 0.3%)
	Total for the top 25 employers	**19,487**	**15.49%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

Source: GAO estimates based on data provided by the North Carolina Department of Health and Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

8. TENNESSEE

Table 27: Tennessee— Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Tennessee (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
847,694	94,378	89,318	5,060

Source: Tennessee Department of Human Services. | GAO-21-45

Table 28: Tennessee—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Tennessee's total adult SNAP recipients working for an employer
1	Walmart[a]	1,469 (1,428.1 - 1,509.4)	1.6% (1.6% - 1.7%)
2	McDonald's[a]	1,178 (1,132.6 - 1,223.8)	1.3% (1.3% - 1.4%)
3	FedEx[a]	882 (834.5 - 929.2)	1.0% (0.9% - 1.0%)
4	Dollar General[a]	815 (800.4 - 829.9)	0.9% (0.9% - 0.9%)
5	Kroger[a]	594 (579.1 - 609.0)	0.7% (0.6% - 0.7%)
6	Amazon[a]	570 (559.6 - 579.9)	0.6% (0.6% - 0.6%)
7	Dollar Tree, Inc.	524 (509.3 - 538.0)	0.6% (0.6% - 0.6%)
8	Waffle House	445 (435.9 – 454.0)	0.5% (0.5% - 0.5%)
9	Burger King	441 (430.9 - 450.4)	0.5% (0.5% - 0.5%)
10	Express Employment Professionals	402 (387.8 - 415.7)	0.4% (0.4% - 0.5%)
11	Food City	397 (388.7 - 404.7)	0.4% (0.4% - 0.5%)
12	Sonic	389 (381.7 - 395.4)	0.4% (0.4% - 0.4%)

	Employer	Estimated number of employees	Estimated percentage of Tennessee's total adult SNAP recipients working for an employer
13	Cracker Barrel	383 (369.1 - 397.2)	0.4% (0.4% - 0.4%)
14	Randstad	349 (338.1 - 360.5)	0.4% (0.4% - 0.4%)
15	Taco Bell	338 (332.1 - 344.7)	0.4% (0.4% - 0.4%)
16	Wendy's	336 (312.8 - 358.9)	0.4% (0.4% - 0.4%)
17	Hardee's	330 (316.1 - 344.1)	0.4% (0.4% - 0.4%)
18	Subway	301 (294.6 - 307.7)	0.3% (0.3% - 0.3%)
19	United Parcel Service[a]	251 (245.5 - 255.7)	0.3% (0.3% - 0.3%)
20	Shelby County Schools[b]	242 (237.4 - 246.8)	0.3% (0.3% - 0.3%)
21	Compass Group	211 (206.6 - 214.6)	0.2% (0.2% - 0.2%)
22	Goodwill[c]	207 (197.9 - 215.3)	0.2% (0.2% - 0.2%)
23	Uber Technologies	206 (199.9 - 212.1)	0.2% (0.2% - 0.2%)
24	Pizza Hut	201 (197.3 - 204.7)	0.2% (0.2% - 0.2%)
25	TrueBlue	196 (187.9 - 203.6)	0.2% (0.2% - 0.2%)
	Total for the top 25 employers	**11,655**	**13.05%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

c = Nonprofit organization

Source: GAO estimates based on data provided by the Tennessee Department of Human Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

9. WASHINGTON

Table 29: Washington—Number of Working Adult Supplemental Nutrition Assistance Program (SNAP) Recipients in February 2020

Total number of SNAP recipients in Washington (Feb. 2020)	Number of working adult SNAP recipients	Number of working adult SNAP recipients (working for an employer)	Number of working adult SNAP recipients (self-employed)
785,841	96,281	80,286	15,995

Source: Washington Department of Social and Health Services. | GAO-21-45

Table 30: Washington—Employers of the Largest Estimated Number of Supplemental Nutrition Assistance Program (SNAP) Recipients (Feb. 2020)

	Employer	Estimated number of employees	Estimated percentage of Washington's total adult SNAP recipients working for an employer
1	Safeway	1,163	1.4%
		(1,139.1 - 1,186.2)	(1.4% - 1.5%)
2	Walmart[a]	1,101	1.4%
		(1,076.3 - 1,125.9)	(1.3% - 1.4%)
3	Uber Technologies	1,073	1.3%
		(1,047.6 - 1,098.3)	(1.3% - 1.4%)
4	McDonald's[a]	877	1.1%
		(855.5 - 898.6)	(1.1% - 1.1%)
5	Amazon[a]	813	1.0%
		(798.6 - 828.1)	(1.0% - 1.0%)
6	Dollar Tree, Inc.	686	0.9%
		(670.2 - 701.8)	(0.8% - 0.9%)
7	Public Partnership	665	0.8%
		(643.5 - 686.5)	(0.8% - 0.9%)
8	Fred Meyer	565	0.7%
		(554.8 - 575.8)	(0.7% - 0.7%)
9	Lyft	561	0.7%
		(549.8 - 572.5)	(0.7% - 0.7%)
10	AmeriCorps[b]	533	0.7%
		(518.0 - 548.7)	(0.6% - 0.7%)
11	Goodwill[c]	514	0.6%
		(500.1 - 528.7)	(0.6% - 0.7%)
12	DoorDash	390	0.5%
		(375.4 - 404.7)	(0.5% - 0.5%)
13	United Parcel Service[a]	323	0.4%
		(316.8 - 329.6)	(0.4% - 0.4%)

	Employer	Estimated number of employees	Estimated percentage of Washington's total adult SNAP recipients working for an employer
14	ResCare	313 (306.0 - 320.2)	0.4% (0.4% - 0.4%)
15	Starbucks	310 (303.0 - 318.0)	0.4% (0.4% - 0.4%)
16	Home Depot[a]	286 (281.1 - 291.5)	0.4% (0.4% - 0.4%)
17	Burger King	278 (273.3 - 283.4)	0.3% (0.3% - 0.4%)
18	Taco Bell	278 (273.2 - 283.4)	0.3% (0.3% - 0.4%)
19	Target[a]	277 (272.5 - 282.4)	0.3% (0.3% - 0.4%)
20	YMCA[c]	261 (254.6 - 267.7)	0.3% (0.3% - 0.3%)
21	Subway	258 (252.8 - 263.1)	0.3% (0.3% - 0.3%)
22	Express Employment Professionals	252 (245.2 - 258.5)	0.3% (0.3% - 0.3%)
23	Jack in the Box	241 (231.6 - 251.2)	0.3% (0.3% - 0.3%)
24	FedEx[a]	228 (220.2 - 234.9)	0.3% (0.3% - 0.3%)
25	TALX	201 (197.6 - 204.8)	0.3% (0.2% - 0.3%)
	Total for the top 25 employers	**12,451**	**15.51%**

Legend:

(# - #) = (lower bound - upper bound) of each percentage estimate at the 95 percent confidence interval.

a = Among the 50 largest private sector employers in the United States in 2020 by number of employees, according to Fortune.

b = Public sector employer

c = Nonprofit organization

Source: GAO estimates based on data provided by the Washington Department of Social and Health Services. | GAO-21-45

Note: States provided data on the employer of record and not necessarily the current employer of each working adult SNAP recipient in February 2020. As a result, a recipient could have changed employers since the data were recorded. We used computer programming to aggregate the information on employer names provided by each state agency. We removed references to occupations or job titles in the data to focus exclusively on employers. Because of differences in how state agencies entered employer names we took steps to check the precision of our computer name aggregation process. Specifically, we reviewed a random confirmatory sample of 200 records from each state program to measure the error rate between the original employer names within those records and the accuracy of our computer program aggregation process. This process allowed us to produce confidence intervals with lower and upper bounds of precision for the minimum number of employees for each employer name. Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that we might have drawn. Since

each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval—an interval that would contain the actual population value for 95 percent of the samples we could have drawn. State-provided data generally included more records than the total number of working adult SNAP recipients in part due to some individuals having more than one employer. There are some caveats to our figures. In particular, our estimated number and percentage of states' working adult SNAP recipients working for the employer did not take into account the impact of employment size by the employer in the state. Generally, the likelihood of a larger employer being listed among the top 25 employers in a state would be higher than a smaller employer even if workers' other conditions, such as their wage, industry, and occupation, remained the same.

GAO Contact and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact Cindy S. Brown Barnes, Managing Director, Education, Workforce, and Income Security at (202) 512-7215 or brownbarnesc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs are listed on the last page of this statement. GAO staff made key contributions to this testimony: Kimberley M. Granger (Assistant Director), Jonathan S. McMurray (Analyst-in-Charge), and Gustavo O. Fernandez.

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Responses To Written Questions of Senator Braun From Craig Jelinek

Question 1: What economic factors contribute to your decision in choosing a location for a new Costco store? Do you consider median-income of that community? Do your wages differ based on location or are they the same across the board?

Answer: There are a great number of factors involved in a decision to open a new location. No single characteristic takes precedence, but we generally consider factors such as proximity to other Costco locations, commercial real estate and development costs, population counts, density, growth, economic variables, and traffic patterns.

Our wage scales are the same in every state, but we have adjusted wages upward in a few cities such as Seattle and San Francisco, where local mandates have been higher than our starting wage.

Question 2: You mentioned Costco stores operate in 45 states. Are there reasons why you aren't in the other five?

Answer: We have plans to open in our 46th state this summer, and we are always looking for other opportunities to expand.

Question 3: Do you attribute your ability to pay higher wages because Costco locations are primarily serving urban, high density areas with a larger economy?

Answer: Not all Costco locations are in urban areas. With over 550 U.S. locations in 45 states, our geographic reach is fairly broad. But of course, we seek areas that have strong economies, and we always hope to benefit from and contribute to those communities.

Our basic philosophy and business model remain the same regardless of where we do business.

Question 4: You said about 89% of employees are eligible for company health care plans. What would make one ineligible? Do you think a mandate to cover all employees' health care is fair, makes sense?

Answer: Costco employees who work an average of at least 23 hours per week are eligible for health care benefits. (Note that we have loosened this restriction during the pandemic.) A great majority of all Costco employees work well in excess of these minimums, and Costco guarantees schedules that readily allow them to maintain their benefits. However, new employees are subject to probationary waiting periods before qualifying, and seasonal employees and those working a limited schedule are generally not eligible. We believe this structure - which requires employees to work certain minimum hours in return for valuable benefits - is fair and reasonable.

Responses To Written Questions of Senator Braun From Terrance Wise

Question 1: The McDonald's Corporation owns just 5% of their restaurants. Do you work for a corporate-owned McDonald's or a franchised restaurant?

Answer: I work for a franchised McDonald's restaurant.

Question 2: McDonald's corporate-owned restaurants pay on average $12 per hour with benefits, for non-managerial positions. Do you think franchise-owners, which are often small business owners, should be subject to the same regulatory burdens as large corporations?

Answer: I support raising the minimum wage to $15 an hour by 2025 for all working people no matter where they live or work. Specific to your question on McDonald's: Whether a McDonald's worker works for a franchised or corporate-operated restaurant should not determine their employee rights, pay and benefits or whether their workplaces have to follow rules that impact their safety or other critical aspects of their jobs.

Question 3: I just spent a week during recess meeting with restaurant owners that said this policy would be devastating. Is it your goal to end the franchise model?

My goal is to raise the minimum wage to $15 an hour by 2025 for all working people no matter where they live or work.

Responses To Written Questions of Senator Braun From Thea Lee

Question 1: What are the impacts of raising the minimum wage on smaller businesses? Will they be able to compete with the big businesses that were represented at this hearing?

Answer: Many small businesses can be *helped* by a higher minimum wage: It makes it easier for them to recruit and retain workers, especially since many large employers compete by forcing down wages for their own workers and forcing down wages and profits at smaller supplier firms all through the labor market. This "dominant buyer" or "lead firm" effect is by far the most damaging part of big firms' market power, and a higher federal minimum wage is the most direct way to shield workers at smaller firms from its corrosive effects.[1]

See this statement from small business owners, detailing their experiences: "Small businesses using lower minimum wage rates would have a harder time hiring and retaining employees, and see an increase in costly turnover. Lower minimum wages for small businesses would undermine the customer service that helps keep small businesses competitive." https://www.businessforafairminimumwage.org/news/001645/raising- minimum-wage-15-helps-small-business

It is also worth keeping in mind that many small businesses are prospectively concerned about hikes in the minimum wage, but empirical evidence from real-life minimum wage increases shows very small actual job losses or business failures after the institution of higher minimum wages. (In addition to the testimony from Jacob Vigdor at this same hearing, see Doruk Cengiz, Arindrajit Dube, Attila Lindner, and Ben Zipperer, "The Effect of Minimum Wages on Low-Wage Jobs: Evidence from the United States Using a Bunching Estimator," Quarterly Journal of Economics 134, no. 9 (May 2019). Arindrajit Dube, "Minimum Wages and the Distribution of Family Incomes," American Economic Journal: Applied Economics 11, no. 4 (October 2019); Kevin Rinz and John Voorheis, "The Distributional Effects of Minimum Wages: Evidence from Linked Survey and Administrative Data." U.S. Census Bureau Center for Administrative Records Research and Applications Working Paper 2018-02, 2018.)

Question 2: Would an aspiring entrepreneur face challenges hiring their first employee with this new wage mandate?

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[1] Nathan Wilmers, "Wage Stagnation and Buyer Power: How Buyer-Supplier Relations Affect U.S. Workers' Wages, 1978 to 2014," *American Sociological Review 83*, no. 2 (2018). See also Holly Sklar and Alissa Barron-Menza, "Raising the Minimum Wage to $15 Helps Small Business," Business for A Fair Minimum Wage, February 2021.

Answer**:** In fact, hiring workers should be easier with the new higher minimum wage, and businesses should see more experienced and skilled workers applying. A minimum wage of $7.25 is so low that it is economically disadvantageous or even prohibitive to work. If it is not possible to cover the marginal costs of going to work – transportation, childcare, appropriate attire – then many potential workers will rationally decide not to offer their labor. Raising the minimum wage in this scenario actually draws people *into* the labor market.

Question 3: Will raising the minimum wage expedite technology to replace entry level jobs?

Answer: No. Some productivity enhancements are welcome and do not necessarily lead to net job loss on aggregate (because additional demand can boost employment and output in other sectors). However, the empirical evidence shows that minimum wage increases have not led to higher automation. In fact, a recent study of employment in McDonald's restaurants found that the minimum wage did not lead to replacing cashiers and other workers with touch screens. [source: Ashenfelter and Jurajda 2021 https://www.nber.org/papers/w28506 ; https://www.wuft.org/nation- world/2021/02/16/what-mcdonalds-shows-about-the-minimum-wage/]

Question 4: Some entry level office secretaries are already being replaced by 'virtual' assistants. Will this policy expedite job losses to overseas competition?

Answer: There is no evidence that this has happened in a statistically significant way in the 29 states that have already instituted higher minimum wages or via international evidence. While there is always churn in labor markets, the important question is whether on net there are significant job losses over all, and how those stack up to the increased income for large numbers of workers (EPI estimates that 32 million workers would see increased income from the implementation of the Raise the Wage Act; CBO estimates that figure at 27 million).

Question 5: Do you think some people choose to remain in entry level positions or are they limited by the opportunities in the local economy?

Answer: Most people aspire to earn a decent living with decent benefits. As we heard in the testimony from Terrence Wise and Cynthia Murphy at the Senate Budget Committee hearing, many people are essentially trapped in low-wage jobs, even across generations. There is a vicious cycle of low wages and erratic hours, which makes it difficult to earn a college degree or even qualify for vocational training or apprenticeships. Low wages and lack of benefits makes it difficult to pay for groceries, adequate health care or child care, leaving subsequent generations at risk of malnutrition, lack of timely health care, and educational deficits.

Question 6: In 2018, DC passed referendum, Initiative 77 to increase the minimum wage but after hearing from servers and bartenders, the city council overturned the referendum. Do you believe the tipped minimum wage should be increased? Is this not a good middle ground for both employee and employer?

Answer: Yes, I believe the tipped minimum wage should be increased. For thirty years, the tipped minimum wage has been frozen at a meager $2.13/hour. The Raise the Wage Act of 2021 would gradually phase out the outdated subminimum wage for tipped workers.

Establishing a single wage for tipped and nontipped workers alike is long overdue and will help raise the total take-home pay for workers in tipped occupations. Having a lower minimum wage for tipped jobs results in dramatically higher poverty rates for tipped workers. In states that use the federal $2.13 tipped minimum wage, the poverty rate among servers and bartenders is 13.3%—5.6 percentage points higher than the 7.7% poverty rate among servers and bartenders in states that have eliminated their lower tipped minimum wage. Further, eliminating the lower tipped minimum wage has not harmed growth in the restaurant industry or tipped jobs. From 2011 to 2019, states that eliminated the subminimum wage for tipped workers had stronger restaurant growth than states that had a lower tipped minimum wage—both in the number of full-service restaurants (17.5% versus 11.1%) and in full-service restaurant employment (23.8% versus 18.7%).[2]

Further, because under current policy they are not paid an adequate regular wage, tipped workers' economic security is precarious given that they are especially vulnerable to wage theft. Additionally, the current, separate subminimum wage for tipped workers is likely to increase their income volatility and also perpetuate sexual harassment and racial discrimination.[3]

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[2] Why the U.W. needs a $15 minimum wage, Economic Policy Institute, January 2021.
[3] Sylvia Allegretto and David Cooper, *Twenty-Three Years and Still Waiting for Change: Why It's Time to Give Tipped Workers the Regular Minimum Wage*, Economic Policy Institute, July 2014.

Responses To Written Questions of Senator Whitehouse From Thea Lee

Question 1: The pandemic has harmed many low-wage families and strained government assistance programs. Had the minimum wage been raised prior to the pandemic, would families have been able to better respond to the adversity presented to them over the past year? Would we have needed to provide the same level of emergency assistance to programs like SNAP?

Answer: I believe that had the minimum age been raised prior to the pandemic, families would have been better equipped to respond to the economic fallout of the coronavirus pandemic. Studies have shown that in states without a $15 minimum wage, public support programs for underpaid workers and their families make up 42% of total spending on Medicaid and CHIP (the Children's Health Insurance Program), cash assistance (Temporary Assistance for Needy Families, or TANF), food stamps (Supplemental Nutrition Assistance Program, or SNAP), and the earned income tax credit (EITC), and cost federal and state taxpayers more than $107 billion a year.[1]

Further, my EPI colleagues Ben Zipperer, David Cooper, and Josh Bivens recently examined how increasing the minimum wage would impact the federal budget.[2] They found:

- If the 2021 Raise the Wage Act were passed and the federal hourly minimum wage increased to $15 by 2025 … annual government expenditures on major public assistance programs would fall by between $13.4 billion and $31.0 billion.
- Earned income tax credit and child tax credit (CTC) expenditures would decline by somewhere between $6.5 billion and $20.7 billion annually.
- Expenditures on the SNAP and other major government transfers would fall by between $5.2 billion and $10.3 billion annually.
- Reduced annual expenditures on SNAP alone would range from $3.3 billion to $5.4 billion.

[1] Ken Jacobs, Ian Eve Perry, and Jenifer MacGillvary, *The Public Cost of a Low Federal Minimum Wage*, University of California Berkeley, Labor Center, January 2021.
[2] Ben Zipperer, David Cooper, and Josh Bivens, *A $15 Minimum Wage Would Have Significant and Direct Effects on the Federal Budget*, Economic Policy Institute, February 2021.

Question 2: Companies like Walmart have continued to post large profits throughout the pandemic. In addition to raising the minimum wage, what other policies should Congress consider to ensure large corporations take care of their workers instead of relying on government assistance program to supplement low wages?

Answer: We need to ensure that our labor market and broader economic policies rebalance bargaining power between workers and employers so that unscrupulous and uncaring corporations do not benefit from federally funded social safety net programs, putting more responsible employers at a competitive disadvantage.

Key elements to rebalance bargaining power include the following: In addition to raising the minimum wage, we should pass the Protecting the Right to Organize (PRO) Act, which would reform and modernize our labor law so that workers have a fair chance to exercise their rights to form unions and bargain collectively. The PRO Act will also make it harder for large corporate employers to misclassify their workers as independent contractors, thereby evading their responsibilities under U.S. labor law. The robust and comprehensive relief and recovery bill passed by the Senate last week will both create good jobs and boost aggregate demand, helping to ensure a vigorous economic recovery with adequate resources at the state and local level to reopen schools and transit safely.

Going forward, we should prioritize achieving and maintaining a full employment economy.

Question 3: Many of the same large companies that pay low wages, forcing workers to rely on federal benefits, also pay low taxes to support those benefits. The Trump tax law slashed the corporate tax rate by 40 percent and created a slew of new tax breaks that push their effective rate even lower. One study found corporations spent 154 times as much of their windfall on stock buybacks, rewarding wealthy shareholders, as they spend on wage hikes.

a. **Does cutting corporate taxes do anything to increase employee wages**?
    - Answer: Absolutely not. In fact, a report by EPI and the Center for the Popular Democracy showed that, despite the Trump administration's claims of success, the Tax Cuts and Jobs Act did not increase wages for working people, failed to spur business investments, decreased corporate tax revenues, and boosted stockbuy backs in its wake.[3]

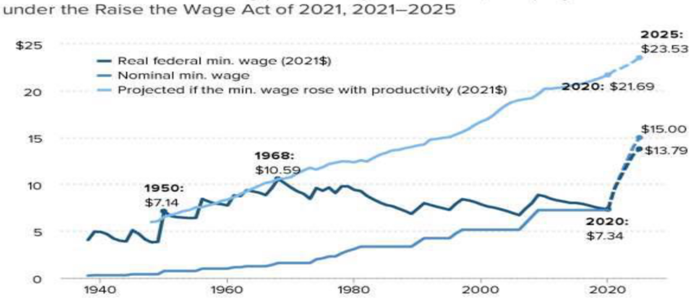
b. **Do you agree that large profitable corporations that have continued to do so well during the pandemic can afford to contribute to economic relief and recovery, both by paying a living wage and their fair share of taxes?**

[3] Maggie Corser, Josh Bivens, and Hunter Blair, "Still Terrible at Two: The Trump Tax Act Delivered Big Benefits to the Rich and Corporations but Nearly None for Working Families," Economic Policy Institute and the Center for Popular Democracy, December 2019.

- Answer: Yes, large profitable corporations should be paying their employees livable wages and, more important, they can afford it. Raising the federal minimum wage is long overdue. Workers today who are paid the federal minimum wage of $7.25 an hour are, after adjusting for inflation, paid 30% less per hour than their counterparts were paid 50 years ago. This is despite the fact that the economy's capacity to deliver higher wages has more than doubled in the last 50 years, as measured by labor productivity, or the amount of output produced by workers. *Simply put, businesses, especially large profitable corporations, can afford to pay the most underpaid worker in the U.S. today substantially more than what her counterpart was paid half a century ago.* As shown by the figure below, had the minimum wage kept pace with labor productivity growth since 1968, the minimum wage would have been $21.69 in 2020, and give projected productivity growth, would $23.53 in 2025. U.S. corporations pay a smaller percentage of their income (profits) in taxes than they did in the 1950s or than corporations do in many other industrialized countries. It is important to look at actual taxes paid (the effective corporate tax rate), not the statutory tax rates. https://americansfortaxfairness.org/tax-fairness-briefing- booklet/fact-sheet-corporate-tax-rates/

The economy can afford a much higher national minimum wage

Real and nominal values of the federal minimum wage, and its real value if it had risen with total economy productivity, 1938–2020, and projected values under the Raise the Wage Act of 2021, 2021–2025



Notes: Inflation measured using the CPI-U-RS. Productivity is measured as total economy productivity net depreciation.

Sources: EPI analysis of the Fair Labor Standards Act and amendments and the Raise the Wage Act of 2021. Total economy productivity data from the Bureau of Labor Statistics Labor Productivity and Costs program. Average hourly wages of production nonsupervisory workers from the Bureau of Labor Statistics Current Employment Statistics.

Economic Policy Institute

Responses To Written Questions of Senator Braun From Douglas Holtz-Eakin

Question 1: What are the impacts of raising the minimum wage on smaller businesses? Will they be able to compete with the big businesses that were represented at the hearing?

Answer: Raising the minimum wage will have a disproportionate impact on smaller businesses. In general, they have less access to capital and are much more reliant on cash-flow; cash-flow that will be diminished by a rise in the wage bill. They are also more likely to have the younger, less-educated labor force that is paid the minimum wage.

Question 2: Would an aspiring entrepreneur face challenges hiring their first employee with this new wage mandate?

Answer: Yes. The mandate is a stealth tax on the entrepreneurial venture. My own research indicates that entrepreneurial ventures – sole-proprietorships, partnerships, etc. – have a strong reaction to such tax increases, which tend to reduce the growth of payroll and reduce the expected longevity of the venture.

Question 3: Will raising the minimum wage expedite technology to replace entry level jobs?

Answer: Owners and managers configure their workplaces and business models in light of the relative costs of capital and labor inputs. The proposed increase in the minimum wage is a permanent signal that labor will be more expensive and will speed the shift to more capital-intensive arrangements that avoid expensive, entry-level positions.

Question 4: Some entry level office secretaries are already being replaced by 'virtual' assistants. Will this policy expedite job losses to overseas competition?

Answer: As noted in my response to Question 3, there will be an incentive to have more virtual assistants. The reduced employment in the firms will be reflected in labor shifting elsewhere, including to overseas competitors.

Question 5: Do you think some people choose to remain in entry level positions or are they limited by the opportunities in the local economy?

Answer: There is no single answer. In some cases, workers accumulate experience and skills and move up the job ladder. In others, opportunities are too limited to permit this. And in some cases the individuals do little to qualify themselves for a better job. Regardless, an increase in the minimum wage reduces the opportunities for the first job and, thus, limits the future opportunities.

Question 6: In 2018, DC passed referendum, Initiative 77 to increase the minimum wage but after hearing from servers and bartenders, the city council overturned the referendum. Do you believe the tipped minimum wage should be increased? Is this not a good middle ground for both employee and employer?

Answer: The Washington, DC experience displayed a strong opposition by workers to eliminating the tipped wage, a position I support. The tipped wage permits a type of “micro-entrepreneurism” that allows bartenders and others to develop a clientele that supports a greater return than the minimum wage.

Responses To Written Questions of Senator Braun From Carl Sobocinski

Question 1: What are the impacts of raising the minimum wage on small businesses? Will they be able to compete with the big businesses that were represented at the hearing?

Answer: A federal mandate to raise the minimum wage to $15 per hour would have devastating impacts to small businesses. Small businesses cannot easily absorb a dramatic labor cost increase and higher wages would lead to employers cutting back on worker hours and/or eliminating positions. When labor costs climb, employers in labor-intensive industries like restaurants are forced to raise prices to maintain profitability, thereby driving up consumer costs. The "Raise the Wage Act" poses an impossible challenge for restaurants that already operate on slim pre-tax profit margins of 3-5%.

Large businesses have many advantages over smaller ones. Where do I start? For instance, Costco's CEO testified at the hearing. Costco charges customers up to $110 per year in membership dues – a $2 billion-per-year benefit that restaurants do not enjoy. Businesses like those also have incredible economies of scale that help to reduce their costs. Their purchasing power is so far above ours that it is nowhere near comparable. Add to it that their business model, of a warehouse doubling as the sales floor, cuts down on employees, reducing the company's labor costs. Honestly, the advantages they have to businesses like mine are hard to comprehend.

Question 2: Would an aspiring entrepreneur face challenges hiring their first employee with this new wage mandate?

Answer: The "Raise the Wage Act" would raise the cost of entry-level labor beyond what small employers can pay. The result would be fewer opportunities for entry-level workers, effectively cutting off their opportunity to garner critical experience and skills and reducing their career progression. Small businesses entrepreneurs everywhere would be hurt, especially in rural areas across the country where the cost of living is much lower than it is in large urban areas like New York City, Seattle, and San Francisco. Congress should reject the "Raise the Wage Act" and develop policies that lead to more, not fewer, entry-level jobs.

Question 3: Will raising the minimum wage expedite technology to replace entry-level jobs?

Answer: Yes. A dramatic $15 per hour increase of the federal minimum wage would make labor more expensive. At that level, employers will consider investing in technology to replace certain tasks, e.g., apps and kiosks that are able to replace cashiers, robots to flip hamburgers and make pizzas and sanitize workstations. In the end, technology and robots will be the big winners. As technology advances and becomes cheaper to produce and deploy, many employers will seek to replace workers with automation if labor costs dramatically increase. It is happening now, and that trend will accelerate under policies like "Raise the Wage Act" that arbitrarily increase the cost of human labor.

Question 4: Some entry-level office secretaries are already being replaced by "virtual assistants." Will this policy expedite job losses to overseas competition?

Answer: I have no first-hand experience with the concept of "virtual assistants" and am, therefore, unable to speculate as to related job losses in industries like ours. However, I would imagine that as labor costs rise for restaurants, and restaurant groups, they will have no choice but to consider any option that would allow them to remain viable and stay in business.

Question 5: Do you think some people choose to remain in entry-level positions or are they limited by the opportunity in the local economy?

Answer: The restaurant industry has long been the top training ground for new entrants to the workforce, providing first jobs for many Americans. In fact, 63% of adults have worked in the restaurant industry, and 48% of adults got their first job in the restaurant industry. In addition to providing job opportunities for new entrants to the workforce, many jobs are also filled by people advancing from other positions within a restaurant. As employees receive the on-the-job training and become more knowledgeable about the operation, they are often the ideal candidates for more senior positions. As an example, please refer to both my oral and written testimony submitted for the record detailing my own career path in the industry, as well as the three Table 301 associates who began their careers in entry-level positions and became owners during the past two years.

Question 6: In 2018, DC passed referendum Initiative 77 to increase the minimum wage but after hearing from servers and bartenders, the city council overturned the referendum. Do you believe the tipped minimum wage should be increased? Is this not a good middle ground for both employee and employer?

Answer: The tip credit should be preserved. If the businesses model were upended by eliminating the tip credit, many restaurants would terminate tipping, raise prices to cover higher wages, and move to an hourly wage-only system. Tipped employees would earn considerably less than they currently do.

Additionally, tipped employees are overwhelmingly opposed to eliminating the tip credit. Recent examples include the DC Initiative 77, as stated, where a massive majority of the city's restaurant servers and bartenders rallied against a proposal to phase out the District's tip credit. Another example includes a ballot measure to eliminate the tip credit in Maine, where thousands of tipped employees organized to save it. They were successful in persuading a bipartisan group of legislators to support tip credit restoration.

Other Restaurant groups have voluntarily tried to eliminate tipping, but several have gone back to the tipped system because employees hated their tips being eliminated. If the tip credit were eliminated, many operators might eliminate tipping and move to a service charge model, which could considerably reduce take-home pay for tipped workers, who currently earn $19-$25 per hour on average.

Responses To Written Questions of Senator Braun From Jacob L. Vigdor, Ph.D.

Question 1: What are the impacts of raising the minimum wage on smaller businesses? Will they be able to compete with the big businesses that were represented at the hearing?

Answer: In the course of conducting our research in Seattle, we were often reminded that there's always one person at a small business who isn't covered by the minimum wage: the owner. A restaurant owner who might have gone home for the night and let staff wash dishes and clean up sent the staff home instead, and did the work him or herself. At slightly larger businesses, tasks can be shifted from hourly employees to salaried managers.

Seattle's minimum wage ordinance also gave small businesses a break with a slower phase-in schedule. Large businesses (which the city defined as those having over 500 employees worldwide) were required to pay $15/hour beginning in 2017. Small businesses had an extra two years, and continue to retain a modest tip credit even though it has been phased out for larger businesses. Our administrative wage and hours data show that many small businesses took advantage of the slower phase-in schedule. It helped them compete.

Overall, the survival rate of all businesses including the smallest in Seattle was fairly high. Things may have been different if the city had not offered them the slower phase-in schedule. And it's clear that for many owners the key to survival was rolling up their sleeves and relying on themselves – and potentially uncompensated family members – to get more work done. By and large they found ways to make things work, but a would-be entrepreneur would be forgiven for thinking twice about starting a new business knowing what it takes to make it succeed in a high-cost environment.

Question 2: Would an aspiring entrepreneur face challenges hiring their first employee with this new wage mandate?

Answer: One side effect of having a minimum wage with varying phase-in schedules (there were actually four in Seattle given credits for tips and health benefits): complexity. The City of Seattle set up a hotline where they expected to hear complaints from workers who weren't being paid the new minimum. The majority of calls to that hotline came from employers who wanted to follow the letter of the law but just couldn't understand. An example of an arcane question that even people with Ph.D.'s had trouble figuring out: if you offer an employee health benefits and they decline them, say because they are covered by a spouse or parent's plan, can you pay them the lower wage? (Answer: no, only employees who take up health benefits could legally be paid the lower minimum)

Entrepreneurs in many parts of the United States and in many industries face challenges with labor shortages. Higher minimum wages, in theory, should draw more workers into the labor market and alleviate labor shortages. That said, many start-ups without a lot of money in the bank could face extra difficulty in making payroll in those early days when they are waiting for their first wave of customers orclients to arrive.

Question 3: Will raising the minimum wage expedite technology to replace entry level jobs?

Answer: When giving talks about the Seattle minimum wage I would often ask a crowd, by show of hands, how many had the Starbucks app on their phone. There would always be a good number of hands. I'd then ask them how much they liked that app. The responses were always enthusiastic. The app allows you to place your order on the go, just grabbing the cup with your name on it. There's still a Starbucks employee pouring your coffee for you, but the app makes it unnecessary for a paid employee to take your order and process your payment. As more consumers adopt it, Starbucks will be able to reduce staffing at its stores.

The COVID pandemic has accelerated this transition. The easiest, safest way to order food from many restaurants is to place and pay for your order online, then just pick it up without interacting with any employees.

To an extent, this process is inevitable – it makes business sense for Starbucks to cut back staffing whether the wage is $7.25 or $15. But the higher the wage goes, the greater the incentive for more businesses to develop its own app, or contract with a third party to take orders online.

There have been many academic studies examining minimum wage increases from the 1960s to the 1990s and concluding that the employment effects are minimal. But technology is very different today, and with different technology we can anticipate different effects.

Question 4: Some entry level office secretaries are already being replaced by 'virtual' assistants. Will this policy expedite job losses to overseas competition?

Answer: Technology is having a disruptive effect on an expanding array of occupations. TurboTax has diverted taxpayers from their accountants' offices. The ability to write your own will online has cut down on business for small-town attorneys. And software algorithms have become just as proficient as radiologists – if not more – in detecting anomalies in x-rays or other medical imaging. So it's more than just low-paid entry-level positions that are at risk.

In a recently published study, economist Arin Dube and colleagues noted that manufacturing is the industry that appears most likely to suffer job losses when the minimum wage increases. Many American manufacturing jobs are well-compensated and unionized, paying well above the minimum. But in some sectors, such as apparel, American firms compete against almost every corner of the world now.

Consumers might pay a bit extra for that "Made in USA" label, but for the manufacturers we spoke within Seattle this was a definite concern. One in particular noted to me personally that his firm's operations were leaving Seattle for Nevada. Being made in the USA was a core part of his brand identity, but he felt significant competitive pressure from abroad. If the minimum wage were raised to Seattle levels in all corners of the United States, this manufacturer would have to re-examine that commitment to keeping operations in this country.

Question 5: Do you think that some people choose to remain in entry level positions or are they limited by the opportunities in the local economy?

Answer: As part of our study, we sent interviewers – and interpreters, if needed – into the homes of 55 adults raising kids and working low-wage jobs in Seattle. The interviewers sat down with them for 60 to 90 minutes to get a sense of their life story, what brought them to where they were. These interviewers returned for follow-up interviews one or two more times as the minimum wage increased.

For many adults, low-paying jobs start out as a stepping stone to something else. In fact, none of the 55 adults our team spoke with expressed a sense that they were satisfied staying where they were in the economy. It's a way they earn some money while going to school. It's a way to gain some experience, learn the ins and outs of a business so they can ascend to a more managerial role. Sometimes it's the best work they can find given their other obligations and priorities in life, like being home when the kids return from school. And sometimes adults accept low wages to work for religious organizations or other non-profits that don't have the funds to pay more, because the work is meaningful to them.

We heard from many employers in our study about the importance they placed on helping their employees reach their aspirations, whether that meant offering opportunities for advancement within the company or offering flexible schedules and sometimes even tuition support so that employees could take classes. Our Washington state data show that a good number of low-wage workers enjoy upward mobility. But clearly not all.

Barriers to upward mobility come in many forms. In Seattle, as in many parts of the country, immigrants form a large share of the low-wage workforce. In some cases their English skills are limited and they find it hard to pick up a new language as an adult. In other cases they may have professional credentials from their home country and face obstacles in transferring those credentials to American accrediting organizations. For many, the grueling nature of what they need to do to keep their family sheltered, clothed, and fed in an expensive city – working two or three jobs, putting in long hours – makes the question of signing up for ESL or community college classes beyond the realm of possibility.

Other adults in the low-wage workforce face obstacles rooted in their own past decisions, ones that they would readily admit were mistakes in hindsight. They may have dropped out of school without fully appreciating the limits it would place on their future. They may have a criminal record. Some face discrimination. Seattle, like some other cities and states, has adopted a "ban the box" rule which prohibits employers from asking job applicants whether they have a criminal record. Studies have shown that without the ability to ask that question, employers make guesses on the basis of the color of a job applicant's skin.

There's another category of low-wage adult worker who has tried to do what is right every step of the way, made good choices, but endured bad fortune. Imagine a student growing up in a low-income family that graduates from high school and makes it to college. Then during their studies a parent suffers a debilitating injury or illness. The family can no longer afford to keep them in college, and needs them to find a job to replace the parent's lost income. Maybe they need them to spend their free time looking after younger siblings on top of that.

Working at a University that does its best to keep track of students who have to leave before graduating, I know that stories like this are common. It's this type of worker whom we might think of as the most deserving beneficiary of a minimum wage increase. But in thinking about the policy levers that could be used to help a person in this position – better disability or survivors benefits, expanded aid for students, child care – one could argue that the best options would be those that get the student back on that upwardly mobile trajectory, rather than ones that make it slightly more comfortable to stay where they are.

As a final remark, Seattle is one of the most prosperous cities in the United States, a place of plentiful opportunity. Few communities are as fortunate as we are. Throughout American history, our nation has witnessed differences in opportunity. Our people have responded, time and again, by migrating. This goesback to farmers in New England heading to the Midwest to take advantage of better soil in the 1800s. Rural people moving to cities in the industrial age. Moving to the "sun belt" as deindustrialization created the "rust belt."

For reasons we don't entirely understand, geographic mobility is on the decline in the United States. People aren't moving to the prosperous regions the way they once did. One factor I'm analyzing in some ongoing work is housing prices. America's prosperous regions have become very expensive, in part because they have enacted regulations making it more difficult to build new housing.

Question 6: In 2018, DC passed referendum, Initiative 77 to increase the minimum wage but after hearing from servers and bartenders, the city council overturned the referendum. Do you believe the tipped minimum wage should be increased? Is this not a good middle ground for both employee and employer?

Answer: Tip-based compensation gives employees something akin to an ownership stake in the business. On a night where business is good, both owner and employees will head home with more money in their pockets. On a night where business is slow, both owner and employees feel the pinch. The employee has to accept some risk with the tipping model, but the clear message I heard was that the payoffs from good shifts were large enough that employees were happy to take that risk.

With an ownership stake, employees have a strong incentive to earn a customer's repeat business. To be perfectly honest, I also heard some say that they liked tip compensation because it was not necessarily reported to the IRS.

Seattle's policy has gradually eliminated the "tip credit" permitting a lower minimum wage for workers earning tips. When I first started working on the minimum wage study I heard from both employees and business owners expressing great concern about this aspect of policy, along the lines of those that came up in DC.

In response to the gradual elimination of the tip credit, some full-service restaurants in Seattle moved to a"no-tipping" model where a service charge was added to the bill, or where menu prices were increased equivalently. The proceeds of the service charge or higher menu prices could then be used to cover higher wage costs. In many cases, owners committed to retaining the shared-ownership aspect of the tipping model, even if customers no longer had the option to leave a tip. The net impact being that on a slow night, servers could expect a bump up in their minimum pay while still enjoying higher compensation on a busy night.

Some full-service restaurants continued to operate on a tipping model, with implications very similar to those outlined just above – on a slow night, servers could be assured of higher minimum pay, but on busy nights they could still share in the revenues.

Some restaurants changed their model more substantially. There's a small restaurant space about a block from my house in northwest Seattle. Before the minimum wage increase, it was occupied by a sit-down restaurant with table service. Around 2017, it closed and was replaced by a counter-service restaurant. Because customers placed their order at a counter and weren't waited on at their tables, this business model allowed the restaurant to operate at a lower staffing level. This sort of transition was fairly common across the city.

The question of the tipped minimum wage boils down to "who do you want to feel the strain of a shift when there weren't very many customers?" The subminimum wage for tipped workers allows business owners to share the financial hit with their servers. The flip side is that these workers get to enjoy more of the proceeds on busier shifts. It's a classic risk-reward tradeoff. Labor advocates often argue that employees, because they tend to have lower incomes, should be shielded from this sort of risk. Of course, shielding an employee from risk doesn't eliminate the risk, it just forces the business owner to take it. From the worker's perspective, this introduces a new risk: the risk that their employer doesn't have the financial wherewithal to shoulder the full costs of being open on slow nights, or that their employer will react to a wage mandate by cutting back staffing.

I'm not going to state an explicit position on whether the tipped minimum wage should be increased, but I'll note that there's plenty of room for middle ground between the status quo, where the tipped minimum is over 70% lower than the level for non-tipped workers, and an alternative where there is no difference.

With that, let me state that my research team and I would be happy to address any further questions regarding what we've learned about Seattle's experience with higher minimum wages. Thank you for your attention and for your service to the people of Indiana and the United States.

**Responses To Written Questions of Senator Braun
From Cindy Brown Barnes**

Question 1: What kind of impact would raising the minimum wage have now versus after the economy has recovered from the pandemic?

Answer: We did not look at the impact of minimum wage increases on the economy as a part of our recent report and related testimony.

Question 2: CBO estimated that 1.4 million jobs would be lost if we were to raise the minimum wage to $15 an hour. However, it also estimated that thousands of Americans would be lifted out of poverty. Is there a better way to balance raising wages while also mitigating job loses?

Answer: We did not look at the CBO report you referenced as a part of our methodology for the current report as it was issued after we completed our study. Therefore, we do not have a basis to comment on that report.

Question 3: Did the GAO report, "Millions of Full-time Workers Rely on Federal Health Care and Food Assistance Programs", consider those transitioning from unemployment to employment that there might be overlap between receiving benefits while being employed?

Answer: Yes. There could be overlap. We asked states for employer of record data for a specific month--a month with historically low unemployment. Whether some individuals transitioned off employment, changed their job, or on-boarded with a new employer in that month may or may not have been captured in the data depending on the frequency with which the state agencies updated their databases.

Question 4: The Chamber of Commerce believes that the survey questions might have been too broad, for instance, asking if anyone in the household was on SNAP or Medical benefits. Could these broad questions lead to misleading conclusions in the report?

Answer: We believe our methodology is sufficient to support the conclusions in our recent report and related testimony. The unit of analysis for Medicaid coverage reported in the Census Bureau's Current Population Survey (CPS) is the individual. CPS's questions related to SNAP participation help identify households in which one or more of the current members received SNAP during the previous calendar year. In our work, we identified individuals ages 19 to 64 living in these SNAP households who earned wage or salary income in 2018. We reported the estimated number of working adult individuals in these SNAP households rather than the number of households. Therefore, the unit of analysis for both our Medicaid and SNAP estimates was the individual, and the results are generalizable to the nation.

Question 5: In the survey, respondents were asked about their current or most recent employer, meaning they could be presently unemployed and yet still counted in the tally. Do you think this could have skewed the data and outcome in any way?

Answer: We believe our methodology is sufficient to support the conclusions in our recent report and related testimony. Although there is a possibility that some changes in employment are not reflected in the state data we collected, we took steps to ensure that we used only the most reliable data. On our initial questionnaires sent to state Medicaid and SNAP agencies we asked three questions to help us identify state agencies that were potential candidates for a follow-up data request. Specifically, we asked

- Does your agency collect the names of the current or most recently recorded employer of Medicaid enrollees?
- Does your state verify an enrollee's current or most recently recorded employer?
- Does your state update its records to indicate changes in an enrollee's employer(s)?

We then acquired data from state agencies that answered all three questions in the affirmative, meaning that the agency systematically collected the employer names of their working adult program participants, verified them, and updated them regularly. We then asked for data for one month—February 2020. Although this month had historically low unemployment, there is a possibility that some adults became unemployed or changed jobs during the month for which data were collected. Each of our reported estimates included a lower bound and an upper bound to capture this variation.

Question 6: What methods were used for determining which 11 states were chosen for this study? Do you think they are representative of the entire U.S.?

Answer: For our report, we received questionnaire responses from 99 of the 102 state agencies we contacted (50 Medicaid and 49 SNAP). We analyzed the responses to identify state agencies able to produce reliable data. Officials in a majority of state agencies responded that they either did not have these data or were unable to extract them in a way that met our requirements. Officials in other agencies that did collect employer name data responded that they lacked a standard data entry protocol to record employer names, resulting in misspellings, missing entries, and other uncertainties that presented challenges to producing an aggregated list of employers. In our review of questionnaire responses, we identified 15 state agencies across 11 states that (1) collected, verified, and updated the names of Medicaid enrollees' and SNAP recipients' employers; and (2) could extract the data in a way that met our requirements. The data we received from state agencies were not generalizable to the entire U.S., and our estimates represented only the employers of record for each individual at a single point in time.

Question 7: During the hearing, Chairman Sanders asked you "Is it correct that McDonald's was a top five employer of employees receiving federal benefits in 13 of the 15 agencies?" You said: "Yes, that's also true." Would you like to correct your statement and acknowledge that McDonald's has over 2,000 franchise owners that independently own and operate 95 percent of all McDonald's restaurants in the United States?

Answer: I believe this question was asked in the context of our report, which examined data from selected state SNAP and Medicaid agencies and does not include information on receipt of all federal benefits. For example, we did not include receipt of EITC, LIHEAP, TANF, or public housing benefits in our report. The state data we analyzed listed McDonald's as the employer of record for thousands of working adult Medicaid enrollees and SNAP recipients. We did not attempt to identify which employees worked for company-owned restaurants or franchises. We also did not include franchisees with a different corporate name in our McDonald's totals. Doing so would have likely increased the number of individuals working at McDonald's in the two programs.

I would like to take the opportunity to correct the record, as I misspoke when responding to the Chairman's question. McDonald's appeared on the top 25 lists of employers of working adult Medicaid enrollees and SNAP recipients in 14 of the 15 state agencies that provided us with data.

Responses To Written Questions of Senator Whitehouse
From Cindy Brown Barnes

Question 1: The pandemic has harmed many low-wage families and strained government assistance programs. Had the minimum wage been raised prior to the pandemic, would families have been able to better respond to the adversity presented to them over the past year? Would we have needed to provide the same level of emergency assistance to programs like SNAP?

Answer: We did not look at the impact of minimum wage increases on the economy as a part of our recent report and related testimony. Previously, we reported that among families with a low-wage worker ages 25 to 64 earning hourly wages of federal minimum wage or below had a higher incidence of poverty than families with a worker earning higher wages.[1] We also reported that a low-wage worker's family type influenced the extent that families used social safety net programs. When comparing program usage across different family types, we generally found that regardless of the low-wage workers' wages, a greater percentage of single-parent families used selected programs than the other family types we examined.

Question 2: Companies like Walmart have continued to post large profits throughout the pandemic. In addition to raising the minimum wage, what other policies should Congress consider to ensure that large corporations take care of their workers instead of relying on government assistance programs to supplement low wages?

As we testified, more than two-thirds of wage-earning adult Medicaid enrollees and SNAP recipients worked 35 or more hours per week and half of these full-time wage-earners worked 50 or more weeks per year. In these conditions, wage increases will increase workers' incomes only if work hours are held consistent or increased. In my written statement, I noted that Bureau of Labor Statistics (BLS) data show that 4.3 million individuals in February 2020 worked part-time for economic reasons, such as uneven work schedules or unfavorable business conditions, an inability to find full-timework, or seasonal declines in demand. BLS data also showed that these individuals would have preferred full-time employment, but worked part time because they were unable to find full-time work or their employers had reduced their hours.

[1]GAO, *Low-Wage Workers: Poverty and Use of Selected Federal Social Safety Net Programs Persistamong Working Families*, GAO-17-677 (Washington, D.C.: Sept. 22, 2017).

February 24, 2021

The Honorable Bernie Sanders
Chairman
Senate Budget Committee
Washington, DC 20510

The Honorable Lindsey Graham
Ranking Member
Senate Budget Committee
Washington, DC 20510

Dear Senators Sanders and Graham,

My name is Ricky Richardson, and I am the CEO of Eggs Up Grill, a franchise brand headquartered in Spartanburg, South Carolina. Independent, small business franchise owners operate 34 Eggs Up Grill locations in South Carolina alone, and there are 46 franchise locations across the Country who employ about eleven-hundred team members. I write on behalf of Eggs Up Grill and our franchise partners to respectfully oppose legislative efforts to more than double the federal minimum wage and eliminate tip credit at a time where franchise business owners are struggling to survive the COVID-19 pandemic. (The attempt to eliminate tip credit is a misguided effort that ignores the fact that tipped employees are currently guaranteed minimum wage protection by wage/ hour regulations).

According to market research firm, FRANdata, before COVID-19 franchising accounted for 733,000 franchise establishments that employed more than 7.6 million Americans and contributed $674.4 billion of economic output to the U.S. economy. As you know, franchise businesses are independently and locally owned. The franchise business model, by which an established brand licenses its name, products and processes to an independent owner, has proven to be a resilient and mutually beneficial driver of economic opportunity for owners, employees, and brands. In the Eggs Up Grill system, we have more than 30 separate franchisees, all small business owners, who have invested their all into this opportunity.

The pandemic has devastated the franchise business community. Within the first six months after the COVID-19 outbreak, an estimated 32,700 franchised businesses closed as of August 2020; 21,834 businesses were temporarily closed, while 10,875 businesses were permanently closed. While Eggs Up Grill's franchisees have not yet permanently closed any restaurants, many of our franchisees continue to struggle financially as the economic recovery continues to be pushed further out.

While state and local shutdowns and capacity restrictions continue to devastate our industry, Congress should focus on bipartisan measures to reauthorize and fund critical small business relief programs. And while the Paycheck Protection Program (PPP), provided a temporary lifeline to franchise owners and employees in your local communities, PPP is set to expire on March 31st. Likewise, the Small Business Administration (SBA)'s Section 1112 principal and interest payment program in the 7(a), 504 and Microloan Programs recently announced that they have insufficient funding to make the payments authorized by the Economic Aid Act. Before more than doubling the labor costs for business owners who are already struggling, I urge Congress to reconsider the timing of this approach while at least addressing the need for continued small business relief first.

If no new economic obstacles emerge, franchise businesses like Eggs Up Grill will accelerate the post-COVID economic recovery. While unemployment peaked to nearly 30 million workers early in the pandemic, such workforce dislocation forced many individuals to try entrepreneurial ventures, including starting new franchise businesses. According to a February 2021 report from FRANdata, franchising is poised to rebound: More than 26,000 franchised business locations and nearly 800,000 franchise jobs will be created in 2021. This outsized growth should be expected, because franchising has helped fuel recovery following past economic downturns. In fact, after the financial crisis from

2009-2012, employment in the franchise sector grew 7.4%, versus 1.8% growth in the total U.S. employment.

However, doubling labor costs for Eggs Up Grill franchisees while they are operating at limited capacities and already struggling to maintain payroll is wrong. And unless Congress includes an extension of broad-based, small business relief programs, business failures in the next several months will continue to rise. I ask Congress to consider more thoughtful, consensus-based approaches that will give franchise owners the resources they need to boost the economy and accelerate rehiring of the workforce. In fact, prior to COVID Eggs Up Grill had commitments to more than double our size by 2026, creating many new small businesses and more than 1,000 new jobs. We anxiously look forward to realizing this opportunity.

Thank you for understanding my concerns and considering the impact of COVID on Eggs Up Grill's franchisees. I would love to work with you on finding bipartisan solutions that enhance entrepreneurship, wage growth and job creation as we rebuild the economy from the COVID-19 pandemic.

Sincerely,

Ricky Richardson
CEO
Eggs Up Grill

cc: Senate Budget Committee Members

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The Relationship between Union Membership and Net Fiscal Impact

Aaron Sojourner
José Pacas

Working Paper

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The relationship between union membership and net fiscal impact

January 17, 2018

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Abstract: This paper develops the first evidence on how individuals' union membership status affects their net fiscal impact, the difference between taxes they pay and cost of public benefits they receive, enriching our understanding of how labor relations interacts with public economics. Current Population Survey data between 1994 and 2015 in pooled cross-sections and individual first-difference models yield evidence that union membership has a positive net fiscal impact through the worker-level channels studied.

JEL codes: J5, H24, J31
Keywords: labor union, taxes, public economic, labor relations, industrial relations, public benefits, collective bargaining, net fiscal impact, social insurance

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This paper offers the first evidence on whether union membership causes workers to use less public benefits and to pay more taxes. Prior work has neither tested nor measured effects on these outcomes, although findings of union wage and benefit premiums gives reason to expect this. The literature's evidence about effects of unionization on wages and benefits is insufficient to understand the effect of unionization on taxes paid or benefits received. First, higher hourly compensation might reduce hours and not increase earnings. Second, tax and public-benefit effects depend on interactions of workers' earnings with household characteristics and with tax and benefit policy. A union-induced 10 percent wage increase will have different tax and benefit implications for a worker earning near the poverty line versus one earning at the median, for a childless worker versus with one with 3 children, and for a worker in California versus Mississippi. For example, additional earnings will increase the amount of Earned Income Tax Credit (EITC) a worker collects if her base level of income and family structure are such that the EITC is phasing in but will decrease the EITC amount if the EITC is phasing out.

Through unionization, many workers raise their labor compensation in earnings and employer-provided fringe benefits. The positive effect of unionization on labor earnings is especially pronounced for workers who would otherwise have very low earnings. Frandsen (2012) follows workers after close union elections and finds that unionization strongly raises post-election earnings for workers who were below the 25th percentile of the pre-election earnings distribution but has no effect for workers who were at higher percentiles. Frandsen's focus on earnings, rather than wages, accounts for any reduction in hours induced by higher hourly compensation. He also follows workers even if they leave the establishment and counts earnings as zero if they do not earn from any employer, so this also accounts for any reductions in employment driven by unionization. Union membership also raises workers' likelihood of having private, employer-provided health insurance and other benefits (Buchmueller, DiNardo, & Valletta, 2002; Freeman & Medoff, 1984; Freeman R. B., 1981). Employer expenditures on fringe benefits are 2.5 times higher per hour worked for unionized jobs than for nonunion jobs and, as with earnings, the effects of unions on benefits appear larger in lower-paying establishments (Budd, 2005).

Political leaders, activists, and media have speculated that unionization may have a positive net fiscal impact on public balance sheets by both (1) reducing public-benefit use and (2) increasing tax payments by workers. Low-wage workers have been pushing for improvements in working conditions and for unionization through the OUR Walmart, Fast Food Forward, and the Fight for 15 campaigns, often criticizing nonunion employers' low pay and meager benefits for making working families reliant on public insurance programs. U.S. Representative-elect Alan Grayson spoke with Walmart workers in his community about their right to join a union, arguing that they are paid so little, "they often seek government programs for help." (Sanders, 2012). McDonald's central human-resources department points out to their employees that they may qualify for food stamps and Medicaid (Eidelson, 2013). This issue is not isolated to retail. For instance, Jacobs, Perla, Perry, & Squire (2016) find that a third of frontline manufacturing production workers are enrolled in at least one public safety net program and that this is primarily a result of low wages.

However, the question has not received direct or systematic attention from economists or other social scientists. Economists have understandably focused most of our attention on the effects of unions on wages, employment and hours, and labor and organizational productivity. While these are the first-order, narrowly-economic questions, we have ignored closely-connected questions of social, policy, and economic import. There is some work on labor earnings, the product of wages and hours, but little attention to other kinds of income or on contributions to and dependence on the public fisc. In a similar vein, Reich & West (2015) provide evidence that a change in employees' hourly compensation, spurred by increases in the minimum wage, reduced one form of public-benefit use, food stamp receipt. There has been extensive study of costs and benefits to the public fisc of numerous, other economic phenomenon. Immigration (Auerbach & Oreopoulos, 1999; Storesletten, 2000; Preston, 2014; National Academies of Sciences, Engineering, and Medicine, 2016; Blau, 1984) and early childhood investments (Council of Economic Advisers, 2015; Elango, Garcia, Heckman, & Hojman, 2015) are two prominent examples.

This paper aims to improve our understanding of how labor-relations processes interact with public finance and public policy broadly. We estimate the average annual net fiscal impact of union members to observably-similar non-member workers using data from the Current Population Survey over 1994 to 2015. We measure individual annual net fiscal impact (NFI), which is taxes paid (T) less the cost of public benefits received (B): NFI = T – B. Theory tells us that the key mechanism by which individual unionization would affect these variables is through raising private income among low earners. To add credibility and context, we estimate effects of union membership on private income as well. The analysis yields evidence strongly consistent with the theory that union membership raises private income, lowers public-benefit use, and increases taxes paid, yielding a positive net fiscal impact, and provides the first estimates of the magnitude of these relationships. Additional analysis explores sensitivity to issues arising from the possibility that union membership affects transitions out of employment and handling of covered nonmembers, imputed values, and weights. Looking beyond this paper's main focus on worker-level analysis, the conclusion offers interpretation given evidence on other channels by which union membership might affect NFI, such as by affecting labor productivity, profit, and public policy.

Research Design

We would ideally have an experiment among a representative sample of workers where some were randomly assigned to be union members and others to be nonunion. In that case, we could credibly interpret any observed union-nonunion differences in outcomes as causal effects of union membership. Unfortunately, randomization is not feasible. A regression-discontinuity design would also offer credible identification (DiNardo & Lee, 2004; Frandsen, 2012; Sojourner, Frandsen, Town, Grabowski, & Chen, 2013). However, this would require the ability to connect the population of individually-identified workers between the establishment where they worked during a NLRB unionization election and later, individually-identified measures of taxes paid and benefits received. This is also not feasible.

We generate evidence based on multiple regression with aggressive controls and first-difference models, which study within-worker changes in outcomes associated with changes in unionization status. These are not ideal but are the first and the best-available evidence. Freeman (1984) describes many relevant issues in the study of union effects using CPS data arising from measurement error in the observed union-status variable. In particular, he discusses plausible conditions under which the true effect of union membership is bounded above by the cross-sectional estimator and below by the individual first-difference estimator. We will interpret our results in this framework.

To get a nationally-representative sample, we use the Current Population Survey (CPS), which includes detailed data on all key variables (Flood, et al., 2015). The study period is 1994 to 2015, the longest over which the necessary variables are all available. Careful linking is required to maximize sample size conditional on the necessary variables. Specifically, we focus on the subsample who were given both the Annual Social and Economic Supplement (ASEC) and the Outgoing Rotation Group (ORG) survey. The ASEC contains income, tax, and benefit data, which are necessary as outcomes. The ORG measures union-membership status, necessary as the treatment of interest. Two sets of individual, longitudinal identifiers recently-produced by the Minnesota Population Center enable both linking of ASEC to ORG responses within year (MARBASECID, Pacas & Flood, 2016) and linking of ORG responses across consecutive years (CPSID, Drew et al. 2014).

We impose standard sample restrictions and show robustness to alternative sample construction choices. First, as is common in the study of union effects on wages, our primary sample screens in only non-student, employed, wage and salary workers age 18 or older.[1] Alternative estimates presented in robustness analysis are based on a sample including all adults, whether employed or not, and yield substantively similar results. Second, the sample includes only individuals present in the CPS surveyed household in both year *t* and *t*+1 to permit use of first-differences. Third, the primary analysis sample excludes all observations with imputed income or union-status values in line with Bollinger & Hirsch (2006) and Hokayem, Bollinger and Ziliak (2014) advice about how to reduce bias in this kind of setting. Robustness analysis shows how this exclusion affects estimates. The Appendix gives details on the linking process, sample construction, and the treatment of imputed values.

[1] Non-workers generally cannot belong to unions and plausibly have different unobserved characteristics than workers. If unionization impacts public balance sheets by reducing employment, our primary analysis will miss this channel.

The primary analysis sample is 120,953 individuals, each observed in two consecutive years. This includes 3,742 individuals (3.1%) moving from union in the first wave to non-union in the second, 3,986 (3.3%) moving from non-union to union, 14,185 (11.7%) who are union in both waves, and 99,040 (81.9%) who are non-union in both waves. We treat covered non-members as nonunion. If covered non-members are really closer to union members than to nonunion workers, this is a conservative assumption, because it diminishes the contrast between union and nonunion categories. The results are robust to alternative classifications of covered nonmembers.[2] All cross-sectional analysis uses each observation's sample weights. Longitudinal analysis gives each individual the average sample weight of its two observations. Dollar amounts are inflated to 2015 dollars.

Outcomes

The primary outcome of interest is individual annual *net fiscal impact* (NFI) on public balance sheets, defined as taxes paid less the cost of public benefits received.[3] The sample average (standard deviation) is $8,862 ($14,327) (Table 1), suggesting that workers pay an average of $8,862 more in tax liabilities than the value of tax credits and public benefits collected. In the cross-section, union members average $11,505 in NFI and non-union workers average $8,399 implying a raw $3,106 or 37 percent difference that workers in unions contribute to the public purse over workers not in unions.

To measure *taxes paid* by each individual, we add up reported annual federal and state income tax liabilities before credits, property tax, Social Security, and federal retirement plan payroll deductions. Income from tax credits – Earned Income, Make Work Pay, Child, Child Care, and Stimulus – are also included in this sum but enter with negative sign. The sample mean (SD) is $10,290 ($13,030), with union members paying $2,757, or 28 percent, more than non-union workers on average. Federal income

[2] Table A.7 presents the results of our analysis when including covered non-members in the union category while Table A.8 presents the results when including covered non-members as their own category. The results show that including covered non-members with union members has a small effect on the results but still in line with the main results of the paper. Moreover, including the covered non-members as their own control has no virtually no effect on the main results.

[3] Taxes paid and benefits paid are winsorized to the 99th percentile to reduce the influence of extreme values, which may be due to measurement error. NFI is their difference. Results using unwinsorized outcomes are qualitatively similar.

tax and Social Security payroll deductions are the largest components. Appendix Table A.1 gives summary statistics on the detailed components with those entering the sum negatively denoted (-).

To measure the public cost of *public benefits received*, we add up the reported value of benefits received through various programs. Following Bitler and Hoynes (2016), we look at the private-market value of three major public benefits.[4] Namely these are Food Stamps (SNAP), welfare in the form of Temporary Assistance for Needy Families (TANF) (Aid to Families with Dependent Children or AFDC prior to welfare reform), and Unemployment Insurance (UI).We further take advantage of the full list of programs for which the Census Bureau collects data following Sherman et al. (2012). These other programs are smaller in magnitude and cover a smaller portion of the population. They include the private-market value of supplemental Social Security Income, Medicaid, and Medicare benefits, and of school-lunch, housing, home heating subsidies, post-secondary educational assistance, Social Security, workers compensation, veteran's benefits, and survivor's benefits.[5] These benefits average $1,427 annually. Union members report $349 or 24 percent less in public benefits than non-union workers.

Private income is the key mechanism by which unionization is theorized to affect taxes paid and public benefits received.[6] To measure *private income*, we sum income from alimony, farm income, non-farm business income, child support, dividends, interest, rent, retirement, wage and salary income wages, assistance from friends and relatives, and income from other sources. For homeowners, we also include the flow value of housing services so that "income" from both housing and other investments is captured. Focusing on private income, in general, rather than labor income, in particular, makes sense for two reasons. First, nonunion workers may compensate for lower hourly compensation at their primary

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[4] Bitler and Hoynes (2016) look at fourth major program: the Earned Income Tax Credit. We include this in *taxes paid*.

[5] Most of these tax and benefit-income variables are reported by the individual respondent about him or herself individually. However, some of the benefits are supplied at the family-level: public housing, Medicare, Medicaid, food stamps, school lunch, and home heating. To match the individual-level sample-selection criteria and unionization measure, we construct an individual-level measure for each of those benefits. We allocate the total family's cost of the benefit equally to all adults in the family.

[6] Unionization may affect public balance sheets through the political economy as well, by encouraging political support for higher tax rates and more expansive public benefit programs. This channel is largely outside the scope of the current analysis. The concluding discussion explores this more fully.

employer by devoting extra time to other income-generating strategies including self-employment. These could affect outcomes. It does not make sense to ignore the available information on these channels. Second, if union members enjoy a long-term flow of higher income, this might allow them to accumulate greater assets, which would return additional income in interest, dividends, and the value of housing services, all of which would affect outcomes. The sample average (SD) is $51,821 ($36,378) in annual private income, with union members reporting $10,113 or 20 percent more than non-union workers. By far, the largest component is wage and salary income with an overall average of $47,904 and union workers earning $7,817 or 17 percent more that nonunion workers on average.[7]

Empirical Methodology

To examine whether the raw mean differences by union status hold up in closer comparisons, we use mean regression analysis. The primary predictor of interest is an indicator of union membership. The excluded category is nonunion workers. Covered non-members, who work under a union contract without joining the union, are conservatively categorized as nonunion workers.

To isolate the relationship between outcomes and union status, we condition on other three types of observable determinants of the outcomes. First, we include a standard set of wage determinants (X) following Bollinger & Hirsch (2006): potential experience in quartic form, indicators for educational attainment, marital status, race and ethnicity, sex, foreign-born, part-time work, size of metropolitan area, industry, occupation, employment by federal government, by state government, or by local government (private sector omitted). Second, we include measures of family structure (F) because these govern tax liability and benefit eligibility. We condition on the number of adults in family, number of children aged birth to 5 in family, and number of children aged 6 to 18 in family. Third, individuals' tax liabilities and income from public benefits will also depend on states' current economic and policy conditions. These may also be correlated with the likelihood of union membership. To mitigate this possible sources of omitted-variable bias, we include state-year fixed effects ($I_s I_t$) in all of our models, ensuring that all

[7] Table A.1 contains summary statistics for each component of private income, public benefits, and taxes paid.

comparisons are made between individuals of different union status within the same state-year. Table 1 presents summary statistics of selected variables.

We estimate three specifications. The first specification is a pooled cross-section, regressing outcomes on an indicator for union membership, on individual wage determinant and family structure variables, and state-year fixed effects. This is the Bollinger & Hirsch specification augmented with family structure and state-year fixed effects:

$$y_{it} = \beta\, 1(union)_{it} + \gamma_1 \boldsymbol{F}_{it} + \gamma_2 \boldsymbol{X}_{it} + \mathbf{1}_s \mathbf{1}_t + \varepsilon_{it}. \tag{1}$$

In this specification, the identifying assumption is that, comparing across workers in the same state and year and controlling linearly for observed differences in standard wage determinants and family structure, the unobservable determinants of outcomes are not conditionally associated with union membership. β measures the mean difference in outcomes between union workers and otherwise-similar non-union workers.

To tighten the comparison further, we relax the assumption that linear controls are adequate and construct a very large set of indicators for highly-interacted combinations of control variables. The first set of controls fully interacts the variables more-closely related to tax liability and benefit eligibility. Specifically, we fully interact number of kids 0-6, number of kids 6-18, total adults in family, marital status (6 categories: married spouse present, married spouse absent, separated, divorced, Widowed, and never married/single), sex, Hispanic origin, African American, Asian, Foreign-born status, state, and year. That is, we construct 101,249 cells representing all combinations of these variables and with indicators denoted $\boldsymbol{1(F)_{it}1_s1_t}$. In this specification, comparisons are only made between individuals in the same demographic cell-state-year. We also interact the wage-determinant variables with each other and denote this set of cell indicators as $\boldsymbol{1(W)_{it}}$. Specifically, we interact federal public sector, state public sector, local public sector, industry (13 categories), occupation (6 categories), part-time status, metropolitan size (7 categories), potential experience (in 5 year bins for a total of 10 groups), and education (4 categories: less than H.S., H.S or equivalent, some college or Associate's degree, and college degree or more) for a total of 26,545 more cells. Specification 2 is thus:

$$y_{it} = \beta\, 1(union)_{it} + \boldsymbol{\gamma_1 1(F)_{it} 1_s 1_t} + \boldsymbol{\gamma_2 1(W)_{it}} + \varepsilon_{it} \tag{2}$$

The third specification recognizes that union and non-union workers may differ in unobservable ways correlated with unionization status and with NFI. In that case, these unobservables may not be credibly controlled for by cross-sectional comparisons, even with very flexible controls. To address this, we exploit the longitudinal nature of the data to estimate a specification with individual fixed effects. Ideally, this identifies the effect of unionization as the average change in NFI experienced by the workers who switch between union and nonunion status, conditional on other changes in observables such as educational attainment, family structure, and state-year. More importantly, it allows us to control for stable unobserved aspects of individuals by largely ignoring people who are always union or never union and focusing on changes in outcomes coincident with changes in unionization status *holding the worker fixed.* The identifying condition here is that changes in unionization status are not correlated with changes in outcomes conditional on changes in observables.

The nature of the outcomes studied here warrant a modification in the specification usually used to study union effects in longitudinal data. Hourly wages and weekly hours, the outcomes usually studied, adjust quickly when a person changes a job and, hence, union status. The timing of the switch within the year separating the two observations does not matter. However, the outcomes studied here are stocks across a year (annual taxes due or benefits received) and, so, the timing of change within the year matters. Though union status and conditioning variables are defined at two points in time twelve months apart, all outcomes are not defined at a point in time but with respect to the 12 months prior to that point in time. Consider two cases of a person who switches from non-union to union across the year but at different times during that year. If the person switches immediately after the first survey and stays union for the whole intervening year, then the estimated effect would be accurate. Outcomes from the first wave refer to the fully-nonunion year prior to the first observation and outcomes from the second wave refer to the fully-union year prior to the second observation. The difference in outcomes matches the difference in union status. However, if the person switched union status only immediately prior to the second survey, the person would really be non-union during both years reported in the outcomes. We would see the same measured change in union status in both cases but, in the second case, the measured effect would be zero because, for the purposes of outcomes, the person was nonunion in both waves. Assuming that the timing of switches is distributed uniformly across the year, switches occur halfway between the first and second survey on average. For this reason, a change in union status across a 12-month period represents an expected change for half the year. So, the estimated effect is half of the true effect.[8] Including a 0.5 constant in the specification corrects for this, effectively doubling the estimate that would otherwise be obtained and letting β express the implicit effect of union status on *annual* outcomes. This issue does not arise with estimating wage effects because, like union status, wage is defined at a point in time. Specification 3 gives the individual fixed-effect estimate:

$$\Delta_i(y_{it}) = (0.5)\beta\, \Delta_i(union_{it}) + \gamma_1\Delta_i(\boldsymbol{F}_{it}) + \gamma_2\Delta_i(\boldsymbol{X}_{it}) + \mathbf{1}_s\mathbf{1}_t + \Delta_i(\varepsilon_{it}). \tag{3}$$

Results

[8] Ideally, we would measure the share of each year spent in each union status. Ignoring covered non-member status, suppose s_t measures the share of year $t=1,2$ a person spends working union in year-t and Y_u is the instantaneous flow of an outcome for each moment spent in union status u. The union effect is $\beta \equiv Y_1 - Y_0$. An observed outcome is $Y_t = Y_0(1-s_t) + Y_1(s_t)$. Let u_t measure union status at the end of year-t. Our fixed effects analysis relates $\Delta Y \equiv (Y_2 - Y_1)$ to the observable $\Delta u \equiv (u_2 - u_1) \in \{-1,0,1\}$ but ΔY really depends on latent $\Delta s \equiv (s_2 - s_1) \in [-1,1]$. Given persistence in jobs, Δu and Δs should be positively correlated. To take a simple case, if there is no change in the year prior to the first observation ($s_1 = u_1 \in \{0,1\}$) and there is no more than a single change in u over the intervening year, then the sign of Δs equals the sign of Δu but the magnitude of the change in treatment is overstated: $\Delta s \in [-1,0) \Leftrightarrow \Delta u = -1$, $\Delta s = 0 = \Delta u$, and $\Delta s \in (0,1] \Leftrightarrow \Delta u = 1$. An observed ΔY generated by a given true change in treatment Δs but is attributed to a change in measured treatment Δu with larger magnitude. The estimated effect will be attenuated to zero. Suppose that the switch occurs at a random, uniformly-distributed time during the intervening year independent of (Y_0, Y_1), $s \sim U[0,1]$. Conditional on a change, the average magnitude of change is $E|s_2 - s_1| = 0.5$, although $E|u_2 - u_1| = 1$. Then, $\hat{\beta} = E[\Delta Y/\Delta u] = E[\Delta Y/2\Delta s] = 0.5(E[\Delta Y/\Delta s]) = 0.5\,\beta$. Are the assumptions of this case plausible? Uniform s is natural. The realism of the assumption that people make no more than one switch in status annually is difficult to evaluate. Just over 90% of individuals in the sample have the same status at the start and end of a year, consistent with a high degree of stability in status. Acknowledging that $s_t = 0.9$ if $u_t = 1$ and $s_t = 0.1$ if $u_t = 0$ would suggest amplifying the cross-sectional and longitudinal estimates by another 25 percent, as 1/(0.9-0.1).

We begin the regression analysis with NFI as the outcome. Specification 1 estimates that union membership is associated with a $1,290 increase in NFI (Table 2: Top panel: Column 1). The controls account for 42 percent of the $3,106 raw difference in union versus non-union sample means but 58 percent of the difference remains. In specification 2, which includes a much more flexible control set, the estimated association falls by less than 2 percent to $1,264. Though the standard error increases, from $92 in specification 1 to $138 in specification 2 due to the large fall in degrees of freedom from the flexible controls, the association remain significant at the 1 percent level. Specification 3 gives the individual fixed-effect estimate. The estimated effect of union membership on NFI here is $540, significant at the 5 percent level.

Next, the NFI result is decomposed between taxes paid and benefits received, as reported in the lower panels of Table 2. The logic of the analysis and the specifications used are the same. Only the outcomes differ. Union members pay about $1,200 more (approximate average for specifications 1 and 2) in taxes each year, according to the cross-sectional regressions. This result is stable and highly significant statistically across both cross-sectional specifications. The individual fixed effect analysis yields an estimated union-membership effect of $216 on annual taxes paid, though this is not statistically significant. Union members collect $102 less (average for specifications (1) and (2)) in public benefits than observably-similar nonunion workers though the results for Specification 2 is not statistically significant. In the panel, the estimated effect is larger: union membership reduces benefit received by $324 annually and this is significant at the 5-percent level. Whereas cross-sectional analysis suggests NFI effects are driven by more taxes paid, longitudinal analysis suggests a stronger role for reductions in benefits received.

The propensity to remain employed may differ by union-membership status, which could bias the primary analysis towards the results we found. Suppose union companies were more likely to go out of business than other companies and, so, throw a higher share of employees out of employment, onto public benefits, and into lower tax liabilities. These kinds of workers would fall out of our primary sample due to the sample-inclusion requirement that workers be employed in both periods. Unionization would, by this channel, have a negative impact on taxes paid, positive impact on benefits received, and negative impact on NFI but this channel would be hidden from our primary analysis. Here, we present relevant evidence to assess how this concern might affect results.

First, the premise of the concern is false. The premise of the concern is that union workers are more likely to transition of employment than nonunion workers. Contrary to the concern, transition out of employment – into unemployment, school, or idleness – is more likely for non-union workers than for union workers. Among nonunion workers in year *t*, 93.7 percent are employed in year *t+1*. Among union workers in *t*, 96.1 percent are employed in year *t+1*. Table A.2 gives transition probabilities of the full sample across all states.

Second, the estimated results strengthen, rather than weaken, when the employed-only restriction on the sample is dropped. We expand the sample so it includes all people older than 18 and estimate models that add indicators for unemployed, in school, and idle in addition to employed union, leaving employed nonunion as the omitted category (summary statistics for all outcomes and predictors by status are presented in Table A.3). The regression results, presented in Table 3, corroborate our main findings and are, in most cases, stronger. The estimated coefficient of union membership on NFI is about $1,534 in specification 2 and $976 in the individual fixed effect model, higher than the original sample (~$1,300 and $540, respectively). Estimated union effects on taxes paid are higher in this sample as well and here all are statistically significant at the 5 percent level. In the primary analysis sample, the individual fixed effect estimate was about $200 and not statistically significant. In this extended sample, the fixed effect estimate is nearly double (~$400). Estimated effects on benefits received are also nearly twice as much in this extended sample. The individual fixed effect estimate was about -$325 in the main sample but is -$565 in the extended sample. Finally, for private income, we see similar union premiums in our main and extended samples.

The effects for those not working follow expected patterns. As compared to non-union workers, those who are unemployed, idle, or in school have negative NFI, pay less in taxes, receive more public benefits and earn less in private income. These results are robust to all 3 specifications.

Heterogeneous effects: sector and education

Union membership may have different effects for public-sector workers than private-sector workers for various reasons. Union membership rates differ dramatically between the sectors. Union members now comprise about 7 percent of private-sector workers but about 38 percent of public-sector workers (Hirsch & MacPherson 2003).

To examine whether the relationships between union membership and outcomes are stronger in certain subgroups, we return to our primary sample (non-student, employed, wage and salary workers age 18 or older) and generalize specification 1 by interacting all of its coefficients with an indicator for public-sector. The effect of union membership is statistically different between public and private sector workers for all outcomes (Table 4: top panel). Union members are estimated to earn $1,769 more in private income than similar nonunion workers in the public sector. Among workers in the private sector, union members enjoy a much larger advantage, earning $6,192 more than similar non-union workers. The estimated difference in the union coefficient between sectors is a practically and statistically significant $4,223. Consistent with this, union membership has a much larger estimated effect on taxes paid in the private sector than the public sector. Somewhat surprisingly, the reduction in public-benefits received associated with union membership is larger in the public sector than the private sector. It is negative and statistically significant in each sector. Following the tax result, the positive estimated effect of union membership with NFI is larger in the private sector than the public sector.

We also look at different effects among workers with different education levels, in particular workers with at least a baccalaureate degree (BA) versus those without one. Theoretically, if union membership reduces public benefit use anywhere, it will be among those with lower wages. This is what we find. Rather than looking for heterogeneity by wage directly, which is endogenous to union membership, we proxy for propensity to earn low wages with lack of a BA. Among college graduates, union members have $2,724 more in private income than similar non-union workers. The union difference is $5,541 among those with no college degree. Union membership does not relate to public-benefits received among college grads but it does among those without a degree. The effects are also larger on taxes paid and NFI among those without a college degree.

Displaced Worker Survey

The Displaced Worker Survey (DWS) gives us another look at the issue where change is union status is credibly more exogenous than in the primary sample. This sample focuses only on individuals who report being displaced from a prior job as a result of a plant or firm closure in the prior three years. These individuals were recently forced out of a job through no fault or choice of their own. Their current outcomes, current employment and current union status, and union status at the job from which they were displaced, are observable. Prior outcomes are not observed. With only current outcomes measured, only a cross-sectional model can be estimated. Further, this sample is much smaller, containing only 2,823 workers. Despite these limitations, it offers a different cut at the problem.

$$y_{it} = \beta_1 1(union)_{it} + \beta_2 1(union\ in\ prior\ job)_{it} + \gamma_1 \boldsymbol{F}_{it} + \boldsymbol{\gamma}_2 X_{it} + \mathbf{1}_s \mathbf{1}_t + \varepsilon_{it}. \qquad (4)$$

This is similar to specification 1, except it adds a control for union status in a prior job, and the sample is limited to individuals who found a job in the prior 3 years after being laid off for reasons outside their control. The identifying assumption that unobservable influences are conditionally mean independent of current union status may be more credible here than in the main analysis because there is a control for past union status and the reason for leaving the past union status was outside of the worker's control. As Table 5 shows, the coefficients all have the same sign as in specification 1 of the main analysis and are all larger in magnitude. The sample size is almost 100 times smaller and the standard errors are much larger. Estimates on NFI, taxes paid, and private income are all still statistically significant but that on benefits received is not.

Additional robustness analysis is discussed in the appendix. We explore robustness to different ways of handing cases with imputed income and union membership, different ways of handing covered nonmembers, and using an unweighted sample.

Conclusion

The analysis provides the first and best-available evidence that union membership has a large, positive net fiscal impact at the individual-worker level. Union members appear to pay more every year in federal, state, and local taxes than do similar non-union workers, which is connected to the fact that they earn thousands more dollars in annual private income on average. Furthermore, union members appear to receive less in public benefits on average. Aggregating across NFI components and measuring NFI at the individual level, we observe that union members contributed on average $1,300 more per year to the public balance sheet than similar non-union workers. The fixed-effect estimate is smaller in magnitude but points to the same substantive conclusion, union membership is estimated to cause an additional $540 more per year in NFI. If one accepts the conditions laid out in Freeman (1984), an unbiased estimate lies between these two figures. This is the first analysis focusing on or quantifying this effect of unions. Though the prevalence of unionization is declining, this evidence suggests that nearly 15 million American union members are contributing an average of between $540 and $1,300 more annually to the public balance sheet than they would otherwise be. If the U.S. union membership rate stayed at its 1994 level of 17.4 percent, 8.4 million nonunion workers in 2015 would have been union members.

This worker-level analysis ignores other channels by which union membership might affect NFI. Nailing down the exact magnitude of the effects through these other channels is beyond the scope of this paper. However, available evidence allows discussion and approximation of some other, potentially-important channels. To achieve a full accounting of the net fiscal impact of unionization, one must understand from where the higher, private compensation of union members derives. Lee & Mas (2012) estimate that unionization reduces firm equity by 10 percent, implying a 10 percent reduction in the stream of future profits or stream of payments to equity owners. As Lee & Mas discuss, this 10 percent reduction is composed of two parts: a change in the overall size of the pie and a change in the way the pie is split. The former is the reduction in organizational productivity (p). The latter is the change in labor's share of surplus (s). A 10 percent reduction in profits is consistent with any combination such that $-p-s = -10$. Lee & Mas assume that unionization triggers an 8 percent wage premium for labor (s=8) and a negative 2 percent impact on productivity (p=2). However, their data is consistent with other (p,s) combinations. Consider the implications of these two channels separately.

For any given level of p, consider an increase in labor's share (s). Organizations are assemblages of workers and capital aimed at producing value. After consumer surplus is deducted and suppliers are paid, the enterprise's surplus must be divided among labor and capital. For a given level of productivity, unions shift the distribution of an organization's surplus towards workers and away from investors.[9] So, the overall net fiscal impact should account for the fact that each extra dollar in union members' earnings coming through this channel implies a dollar less in shareholder earnings. The question becomes what is the difference between the NFI of the marginal dollar in workers' pockets compared to the NFI of the marginal dollar in investors' and managers' pockets.

First, the effects of unionization on worker taxes paid and benefits received should be offset by changes in associated impacts among firm owners. For a back-of-the-envelope estimate, we turn to estimates of marginal effective tax rates and compliance rates. In this period, the marginal federal tax rate on capital income from large C-Corporations businesses was 35 percent. It seems reasonable to assume that the cost of public benefits used by shareholders will not be affected, as ownership of companies is concentrated among those unlikely to be on social safety programs. The average effective marginal federal tax rates on low- and moderate-income workers' income was 31 percent, including changes in both taxes paid and benefits received (U.S. Congressional Budget Office, 2016).[10] These effective marginal tax rates should be adjusted for differential noncompliance. Only 1 percent of labor income is lost to noncompliance, while approximately 10 percent of business and corporate income goes untaxed due to noncompliance (U.S. Internal Revenue Service, 2012). Our estimates derived from the microdata over the study period are very consistent with this estimate of 31 percent from external sources. In the fixed effect estimates (Table 2: specification 3), unionization caused a \$1,614 increase in private income

[9] Our analysis accounts for effects of unionization via differences in the distribution of wage and salary income among employees.
[10] Frandsen (2012) finds little effect of unionization on earnings above the 20th percentile of earnings.

and a \$540 increase in NFI, suggesting a 33 percent effective marginal rate. The cross-sectional estimate in specification 2 suggests a 28 percent rate. In the period studies, marginal tax federal revenue was approximately equal from both sources: marginal revenue from labor income = $0.99*0.31 = 0.307 \approx 0.90*0.350 = 0.315$ = marginal revenue from capital income. From these calculations, to the extent that unionization affected only income distribution within the firm, the net fiscal impact on workers of unionization appears approximately fully offset by reduced taxes paid by firm owners. The pie-splitting channel appears to have been a wash. The recent reduction in corporate tax rates change the interpretation going forward. Now, if union membership shifts resources from capital to labor, it will also shift income to a higher rate, raising taxes paid, and increasing the positive net fiscal impact.

By this pie-splitting channel, unions also appear to reduce Americans' reliance on the social safety net by shifting resources earned in the private economy from owners to workers. Unions help make work pay by raising lower-paid workers' private income, reducing their use of public benefits and increasing their contribution of taxes to the public fisc. While this may come at the expense of income to firm owners and investors, their self-sufficiency is likely much less impacted.

Now, hold labor share fixed and consider the case where unionization changes productivity. Unionization may cause some *ceteris paribus* boost to labor productivity (Freeman & Medoff, 1984; Sojourner, Frandsen, Town, Grabowski, & Chen, 2013). On the other hand, if it lowered productivity, this would generate real economic cost with negative fiscal impact through many channels. Changes in on-the-job productivity are only partly reflected in the analysis. Changes in productivity that affect workers' earnings holding employer fixed are reflected.

Our comparisons between similar individuals in the same state-year considers only channels involving labor-management bargaining that changes the creation and distribution of value within organizations. However, unions have fiscal impacts through policy channels as well. For instance, organized labor often advocates for larger public budgets, higher tax rates on higher-income individuals and corporations, and more generous social safety nets. In addition to influence exerted through political action, working-class legislators have different policy preferences than other legislators (Carnes, 2012;

Carnes, 2013) and unionization increases the likelihood of working people holding elected office (Sojourner, 2013). Brady, Baker, & Finnigan (2013) provide that states with higher levels of unionization have more generous public-benefit programs for the working poor and lower rates of working poor.

Decreased unionization over recent decades has shifted resources away from workers, especially workers with lower earning power. This has likely decreased their tax payments and increased their reliance on public benefits. Put another way, as unionization erodes, working families' ability to stay clear of the public safety net erodes. Going beyond the effects of unionization in the firm or the labor market, these results enrich our broader view of how labor-relations processes interact with public economics and public policy.

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Tables

Table 1 – Summary statistics for longitudinally-linked sample

	Mean	SD	Min	Max
Outcomes				
Net fiscal impact	$8,862.42	$14,326.50	-$46,140.16	$71,915.36
Taxes paid	$10,289.70	$13,030.14	-$9,295.38	$71,915.36
Benefits received	$1,427.28	$5,477.84	$0	$38,212.23
Private income	$51,821.23	$36,378.42	-$17,434.94	$206,800.70
Treatment				
1(union member)	0.15		0.00	1.00
Selected demographics				
Number adults in family	2.08	0.91	1.00	12.00
Number of children 0-5	0.26	0.58	0.00	5.00
Number of children 6-18	0.60	0.93	0.00	11.00
Potential experience, years	22.81	11.97	0.00	76.50
Percent Married	63.6%		0.00	1.00
Percent H.S. Degree or Equiv.	32.5%		0.00	1.00
Percent College Degree or More	29.1%		0.00	1.00
Part-Time Worker	12.3%		0.00	1.00
Public Sector - Federal	3.1%		0.00	1.00
Public Sector - Local	10.8%		0.00	1.00
Public Sector - State	5.5%		0.00	1.00

Source: CPS-ASEC 1994-2015. Notes: a) set of demographic controls also includes indicators of gender (2), race-ethnicity (4), foreign-born, metropolitan size (7), industry (13), occupation (7). Sample includes 241,906 observations of 120,953 individuals employed over 2 consecutive years each without missing variables or imputed union status. b) Controls for marital status include 6 groups and educational status include 4 groups. c) All means are weighted using sample weights and all dollar amounts are inflated to 2015 dollars. Taxes paid, benefits received, and private income are winsorized to their 99th percentile. NFI is the difference between winsorized taxes paid and benefits received.

Table 2 – Estimates of conditional association of union-membership on four outcomes using longitudinally-matched observations and various sets of conditioning variables

Specification:	1	2	3
		Outcome: net fiscal impact	
1(union member)	1289.8***	1264.3***	540.0**
	(91.6)	(138.1)	(254.4)
		Outcome: taxes paid	
1(union member)	1108.6***	1240.2***	216.3
	(85.6)	(129.7)	(208.5)
		Outcome: public benefits received	
1(union member)	-181.3***	-24.2	-323.7**
	(35.0)	(47.1)	(144.9)
		Outcome: private income earned	
1(union member)	4661.6 ***	4588***	1614.0***
	(205.3)	(302.4)	(575.1)
Demographics	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes
Individual FE			Yes

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 241,906 observations of 120.953 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Table 3 – Results including Idle, Unemployed and In School

Specification:	1	2	3
		Outcome: net fiscal impact	
1(union member)	2006.6*** (108.8)	1534.1*** (134.5)	976.4*** (292.4)
1(unemployed)	-5533.2*** (189.8)	-5935.9*** (245.5)	-745.8** (333.6)
1(idle)	-6373.6*** (192.8)	-4338.5*** (237.1)	-1155.2*** (397.8)
1(in high school or college)	-469.2** (230.1)	-3831.6*** (307.9)	-928.2* (524.8)
		Outcome: taxes paid	
1(union member)	1513.9*** (83.5)	1326.1*** (108.3)	411.8** (187.8)
1(unemployed)	-3282.7*** (106.3)	-3586.4*** (156.1)	-413.6** (196.8)
1(idle)	-2473.3*** (110.8)	-1876.7*** (174.8)	-214.6 (219.8)
1(in high school or college)	-1026.6*** (122.9)	-2409.7*** (180.9)	-998.0*** (219.6)
		Outcome: public benefits received	
1(union member)	-492.7*** (62.9)	-208.0*** (70.9)	-564.6** (220.2)
1(unemployed)	2250.5*** (131.8)	2349.5*** (169.7)	332.2 (261.4)
1(idle)	3900.3*** (145.6)	2461.9*** (164.0)	940.6*** (335.0)

1(in high school or college)	-557.4*** (179.1)	1421.9*** (249.9)	-69.8 (480.8)
		Outcome: private income earned	
1(union member)	6541.9*** (198.1)	5571.0*** (244.6)	2094.4*** (534.8)
1(unemployed)	-17644.6*** (403.3)	-18258.9*** (540.5)	-2638.0*** (625.2)
1(idle)	-14093.6*** (338.8)	-10858.0*** (474.8)	-2130.4*** (711.6)
1(in high school or college)	-7514.4*** (385.3)	-14207.1*** (488.0)	-7112.6*** (762.4)
Demographics	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes
Individual FE			Yes

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 486,964 observations of 243,482 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Table 4 – Estimated coefficients by selected subsamples for Specification 1

Outcome:	Net Fiscal Impact		Taxes Paid		Benefits Received		Private Income	
	Public	Private	Public	Private	Public	Private	Public	Private
1(union member)	510.7***	1717.1***	210.7	1619.6***	-300.0***	-97.5**	1769.4***	6192.0***
	(157.9)	(114.1)	(148.9)	(104.2)	(56.4)	(43.4)	(323.2)	(292.1)
Difference	-1206.5***		-1408.9***		-202.5***		-4422.5***	
N	49,403	192,503	49,403	192,503	49,403	192,503	49,403	192,503
	BA+	No BA	BA+	No BA	BA+	No BA	BA+	No BA
1(union member)	741.4***	1575.5***	713.8***	1358.7***	-27.7	-216.8***	2723.6***	5541.1***
	(257.6)	(98.2)	(244.2)	(90.8)	(90.1)	(38.6)	(479.9)	(238.0)
Difference	-834.1***		-645.0**		189.1*		-2817.5***	
N	47,283	194,623	47,283	194,623	47,283	194,623	47,283	194,623

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 486,964 observations of 243,482 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{subsample} regression model using specification 1 from Table 2 with all predictors interacted a subsample indicator. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Table 5 – Estimates from the Displaced Worker Survey

Specification:	Net Fiscal Impact	Taxes Paid	Benefits Received	Private Income
Current Union Member	2939.4** (1343.1)	2646.5** (1208.2)	-293.0 (575.2)	8028.6** (3119.2)
Prior Union Member	701.5 (1194.4)	448.4 (1056.7)	-253.1 (541.7)	1744.1 (2637.7)
N		2,823		

Source: CPS-ASEC 1994-2015 DWS. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 2,823 individuals in 1 period. c) Specification as in specification 1 of Table 2 with addition of 1(prior union member). d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Appendix

Additional Robustness Analysis

Several robustness checks were conducted for this analysis, particularly focused on the intricacies of the sample construction. As Appendix Table A.4 shows, the final sample used in this paper is a result of various sample restrictions which are detailed below.

Understanding the sampling methodology of the CPS is key to understanding our sample. The CPS is a monthly survey designed to collect data primarily on employment; the Basic Monthly CPS's are the source of the official unemployment statistics. The Basic Monthly CPS consists of about 60,000 dwellings. Each dwelling is selected to be in the CPS for 4 consecutive months, then out of the CPS rotation for 8 months, and then back again for 4 more months. Each of these months is referred to as a Month-In-Sample (MIS) for a total of 8 MIS's for any given dwelling. The ORG questions refer to a survey that is given only to dwellings from MIS groups 4 or 8 (i.e. these are the months after which these dwellings will either be out of sample for 8 months or out of the CPS entirely). The questions encompassed in the ORGs focus on more specific labor questions, most important to our study is the union membership question. The union membership question is thus asked only of one-fourth of any given Basic Monthly CPS.

Every March, CPS administers the Annual Social and Economic Supplement (ASEC) to all dwellings in the March Basic CPS. Among the questions asked are detailed breakdowns of annual income sources and social program benefit receipt. In order to conduct our analysis, it is necessary for us to link the March Basic CPS to the ASEC which is a more tedious ordeal in practice. We use the newly created identifiers of the Minnesota Population Center (MARBASECID) for this purpose; the exact algorithm and more detailed explanation of the CPS sampling methodology is included in Flood and Pacas (2016).

Nonresponse for various CPS variables are a potential source of bias for our analysis, as evidenced by the growing literature on imputations in CPS. Our general approach for dealing with nonresponse is to drop cases with nonresponse and then conduct robustness checks. More specifically, when a respondent refuses to respond to a particular survey question, rather than leaving the field blank, the Census Bureau allocates a value from a donor set comprised of respondents from that same sample. The process by which the allocation is conducted is known as the hot-deck imputation procedure and, in essence, takes a nonrespondent and matches based on a set of measured attributes. For earnings items, this set broadly consists of age, sex, race, employment status, and industry/occupation. As early as 1986, Lillard, Smith and Welch investigated the Census Bureau's approach to dealing with missing data and pointed out that the hot-deck procedure for imputing income likely affects results regarding income and earnings. More recently, Hirsch and Schumacher (2004, 2006) have shown that "coefficient bias resulting from imputation of a dependent variable (earnings) can be of first-order importance."

In our analysis, item nonresponse on earnings, union-status, and all sources of income raise familiar issues. The Census imputes values for missing data. However, relying on these imputed values has been shown to introduce bias in analysis like ours. Bollinger and Hirsch (2004) showed that using imputed earnings as an outcome, "if the attribute under study is not used as a census match criterion in selecting a donor, wage differential estimates (with or without controls) are biased towards zero." More importantly, "this bias is large and exists independent of any from the nonrandom determination of missing earnings" (p. 691). Bollinger and Hirsch (2004) estimated attenuation bias from missing union-status data to be about 5 percentage points for estimates between 1999 and 2001. The prevalence of imputations has only increased since 2001. We drop observations with imputed union status to reduce the attenuation bias introduced by the imputation itself. About 6 percent of the full sample have imputed union status. Secondly, the hot-deck procedure used for imputing earnings leads to attenuation that is roughly the size of the imputation rate (Bollinger & Hirsch, 2006). As they suggest, "the simplest approach to account for match bias is to omit imputed earners from wage equation (and other) analyses" (p. 517). Following their recommendation, we also drop individuals with any imputed earnings, who are about 45 percent of the sample.[11] Third, for respondents who answer the March Basic CPS but refuse to

[11] The analyses of Bollinger and Hirsch (2004, 2006) focuses primarily on a single earning variable from the ORG files while we focus on a larger set of variables from the CPS-ASEC (listed in Table A.9). But the imputation

answer the longer ASEC questions, the Census Bureau performs a "full-line" impute for these cases, imputing answers to every income question. In other words, there are respondents in the March Basic for whom there is not enough income data collected. Rather than leaving these cases as non-responses, the Census Bureau uses a hot-deck procedure to impute the values of the missing income data (Stewart, 2002). Hokayem, Bollinger and Ziliak (2014) analyzes the role of nonresponse for the CPS-ASEC including the full-line impute and find evidence of bias from non-response. More importantly, in a longitudinal framework, dropping respondents with full-line imputes is preferred. In effect, comparing a full-line impute in one time period to an actual response in the second time period introduces unnecessary measurement error. We drop respondents with full-line imputes, who are about 14 percent of the sample. These three categories are not mutually exclusive. Dropping all observations with any type of imputation means dropping just over half (57 percent) of our otherwise-eligible sample. Table A.4 breaks down the resulting sample sizes from each imputation restriction imposed here.[12]

A different form of measurement error arises from any inaccurate reports of union status. While we present specifications for a balanced, pooled cross-sectional model, we also use an individual fixed-effect model. Doing so allows us to make a better causal claim of the effect of unionization. Indeed, Freeman (1984) points out two relevant facts: (1) there is substantial measurement error in reported union status and (2) this can bias down estimates based on individual fixed effects. This measurement error comes from inaccurate responses, rather than the nonresponse discussed above. Freeman further argues that cross-sectional estimates can be interpreted as an upper bound on the causal effect of unionization, due to likely positive omitted-variable bias. That is, given high union wages, it is typically assumed that firms selected workers with higher unobserved ability which cannot be controlled for in a standard cross-sectional setup. Furthermore, the fixed effect estimate can be interpreted as a lower bound due to attenuation caused by the union-status measurement error.

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method is nearly the same for both surveys and, more importantly, imputation is more pronounced in the CPS-ASEC. These facts further warrant dropping the observations with imputed earnings and union status.

[12] We also look at the effect of dropping free/reduced price lunch and housing subsidies from our analysis. We find that there is no significant effect of doing so our final model includes these benefits. Results not presented.

Table A.5 displays estimated coefficients on each of 4 outcomes under each of the three specifications after including only one kind of imputation at a time, then, in the final row, including all of them. The cross-sectional results of specifications 1 and 2 are quite stable. Fixed effect estimates are qualitatively stable except for inclusion of full-line imputes and inclusion of all imputes. These findings echo Bollinger & Hirsch (2004, 2006). Imputations attenuate the union coefficient towards zero.

Taxes

All tax variables are imputed in the CPS-ASEC using a Census Bureau created tax model. These variables include federal and state taxes, local property taxes, payments to social security and federal retirement. Also included are different credits such as the earned income tax credit, the child and additional child tax credit, and the Making Work Pay stimulus of 2009-2010 and the federal stimulus payments of 2008. The general approach the Census Bureau uses for imputing taxes is to statistically match CPS tax units to a Statistics of Income (SOI) public use file from the IRS (CPS tax documentation). State and local taxes follow a similar procedure but includes different parameters as is relevant to specific state tax laws.

Wheaton and Stevens (2016) review different methods for calculating taxes in the CPS-ASEC and find that, on average, the Census Bureau's method produces roughly the same results as those using other tax models. However, no research has looked at whether the choice of tax model results in different results across union membership status. Future research would benefit from looking at the potential bias of tax models across different subgroups.

Weights

We check the effect of weights on our results. Table A.6 presents estimates that do not use weights. Results are largely stable.

Is higher private income the channel?

Presumably, union members pay more taxes and collect less public benefits because they have higher incomes from private sources. Do we see evidence of this hypothesized channel in the data? In the cross-sectional analysis, union members earn about $4,625 (average for specifications (1) and (2)) more than nonunion workers. In the longitudinal analysis, the estimated union effect on income is $1,614. For this outcome, the fixed effect estimate is statistically significant at 1 percent, despite attenuation issues. Full estimates for all these models are not reported.

Because increased private income is the primary channel through which union membership increases tax payments and reduces public benefit receipt, our specifications for taxes, public benefits and NFI exclude income as a control. Including it would overcontrol (Wooldridge, 2005). This theorized channel provides a testable implication. If private income is indeed the channel by which taxes are increased and benefits reduced for union members, then the coefficient on union membership should decrease substantially when private income is included in the regression.

This is largely the case for NFI and income, but much less so for public-benefit receipt. In all specifications and for all outcomes, adding private income linearly reduces the magnitude of the estimated union effect. For all specifications with NFI and taxes paid, the union coefficient with linear income is not significant. This can be seen by comparing the first two rows of estimates in the first six columns of Table A.10. Because taxes are not linear functions of income, we go on to add higher-order polynomial terms of private income to allow more flexibility in the relationship. These are reported in the table's lower panels. Although the cross-sectional specifications yield statistically-significant estimates, estimates remain much smaller than in the specifications excluding income. For instance, adding a quartic function of private income to specification 1 makes the estimated union effect coefficient on NFI fall from $1289.80 to $241.90, a reduction of two-thirds in magnitude. In all fixed effect models of NFI and taxes paid, union membership is not significant once any function of private income is included. The NFI results follow the tax results and largely confirm the theory. Differences in private income associated with union membership largely explain the association between union membership and NFI observed when excluding private income.

The results for benefits are different. The specification-1 estimates drop in magnitude and significance, consistent with the theory. However, estimates in specifications 2 and 3 do not change substantively with the addition of private income terms, providing some evidence against the theory.

Alternatively, it may be a spurious result driven by a long lag in public-benefit changes as income changes. Certainly, individuals have incentives to reduce tax liabilities immediately but to delay loss of benefits as long as possible.

Table A.1: Summary statistics for variables and underlying components in primary sample, union subsample, and non-union subsample

Sample:	All	Union	Non-union
Net fiscal impact (winsorized)	8862.4	11505	8398.5
	(14326.5)	(13304.0)	(14448.8)
Net fiscal impact (unwinsorized)	7967.5	10566.3	7511.3
	(27112.6)	(25953.7)	(27285.5)
Taxes paid (winsorized)	10289.7	12635.2	9877.9
	(13030.1)	(12358.8)	(13101.2)
Taxes paid (unwinsorized)	10918.9	13105.9	10534.9
	(18600.8)	(18103.9)	(18660.3)
Federal income tax liability before credits	5540.3	6446.4	5381.2
	(13378.7)	(13357.5)	(13376.1)
State income tax liability before credits	1605.1	2051.3	1526.8
	(3918.9)	(3831.6)	(3928.8)
Annual property taxes	1003.6	1251.9	960.1
	(2138.0)	(2208.8)	(2122.4)
Social security retirement payroll deduction	3155.7	3451.6	3103.7
	(2353.1)	(2290.4)	(2360.1)
Federal retirement payroll deduction	141.6	315.3	111.1
	(1036.5)	(1333.0)	(972.0)
Earned income tax credit (-)	235.6	115.1	256.8
	(888.9)	(603.9)	(928.4)
Additional child tax credit (-)	53.66	29.44	57.91
	(329.3)	(251.4)	(340.9)
Child tax credit (-)	154.3	183	149.2
	(549.1)	(608.9)	(537.7)
Credit received from making work pay (-)	45.14	43.68	45.40
	(170.6)	(170.0)	(170.7)
Federal stimulus payment (-)	38.73	39.37	38.62
	(221.4)	(230.0)	(219.9)
Income from Public Benefits (winsorized)	1427.3	1130.2	1479.4
	(5477.8)	(4922.3)	(5568.0)
Income from Public Benefits (unwinsorized)	2951.4	2539.7	3023.7
	(19710.7)	(18851.9)	(19856.8)
Supplemental Security Income (SSI)	18.27	11.64	19.44
	(421.1)	(369.6)	(429.5)
Welfare (public assistance)	14	5.99	15.40
	(343.3)	(205.4)	(362.2)
Person market value of Medicare	1029.3	895.8	1052.8
	(9588.6)	(9169.3)	(9660.1)
Person market value of Medicaid	1028.8	891.4	1053.0
	(9580.6)	(9166.9)	(9651.2)
Person value of food stamps	63.97	24.97	70.82

	(464.0)	(264.4)	(490.4)
Person value of housing subsidy	2.39	1.627	2.524
	(22.6)	(17.6)	(23.36)
Person value of school-lunch subsidy	57.08	41.22	59.87
	(184.8)	(145.6)	(190.7)
Person value of energy subsidy	2.863	1.829	3.044
	(40.8)	(31.5)	(42.21)
Educational assistance (beyond HS)	80.2	69.27	82.12
	(1014.2)	(890.5)	(1034.4)
Social security	343.9	166.6	375.1
	(2389.9)	(1745.2)	(2484.6)
Unemployment benefits	104	135.7	98.39
	(1071.3)	(1183.5)	(1050.3)
Worker's compensation	35.47	92.28	25.49
	(788.3)	(1345.0)	(642.0)
Veteran's benefits	63.25	69.88	62.08
	(1258.6)	(1171.7)	(1273.2)
Disability benefits	23.1	35.31	20.96
	(931.2)	(1265.4)	(859.2)
Survivor's benefits	84.73	96.21	82.71
	(2393.2)	(2514.9)	(2371.2)
Private Income (winsorized)	51821.2	60338.7	50325.8
	(36378.4)	(30772.9)	(37074.4)
Private Income (unwinsorized)	53593.0	61093.9	52276.1
	(50134.6)	(38396.3)	(51810.5)
Alimony	18.99	12.81	20.07
	(666.0)	(484.2)	(693.0)
Non-farm business income	144.8	128.2	147.7
	(3716.4)	(3146.2)	(3807.8)
Child support	164.7	154.8	166.4
	(1406.7)	(1356.1)	(1415.3)
Dividends	278.4	235.9	285.9
	(2555.9)	(2011.9)	(2639.8)
Farm	20.98	19.69	21.20
	(1296.3)	(1428.0)	(1271.8)
Interest	385.3	400.9	382.5
	(2714.9)	(2400.2)	(2766.5)
Income from other source not specified	21.23	25.3	20.52
	(706.7)	(614.5)	(721.7)
Rent	188.2	223.1	182.1
	(3103.7)	(3499.0)	(3028.9)
Retirement	395.2	287.8	414.1
	(3873.7)	(3179.9)	(3982.8)
Wage and salary income	47903.7	54553.7	46736.1
	(47113.7)	(35829.1)	(48733.1)

Assistance from friends/relatives not in HH	23.69	20.96	24.17
	(720.8)	(622.0)	(736.8)
Implied value of owner-occupied housing	4047.9	5030.9	3875.3
	(5386.7)	(5988.4)	(5255.0)
Observations (individual-year)	241,906	36,098	205,808

Note: All means are weighted using sample weights and all dollar amounts are inflated to 2015 dollars. Standard deviations in parentheses. Taxes paid, benefits received, and private income are winsorized to their 99th percentile. NFI is the difference between winsorized taxes paid and benefits received.

Table A.2 - Transitions including Unemployed, Idle, and In School

Status in t+1:	Non-Union	Union	Unempl.	Idle	School
Status in t:					
Non-union	90.5	3.2	2.3	3.4	0.6
Union	21.2	74.9	1.5	2.4	0.1
Unempl.	44.1	3.8	29.6	20.7	1.8
Idle	4.9	0.3	1.3	92.9	0.5
In School	24.7	0.9	4.1	11.9	58.5

Source: CPS-ASEC 1994-2015. Note: Row percentages are calculated using sample weights.

Table A.3: Summary statistics for variables and underlying components in extended sample and various subsamples

Sample:	All	Union	Non-union	Unemployed	Idle	In School
Net fiscal impact (winsorized)	1120.7	10833.7	7670.5	-686.8	-11856.7	-3497.4
	(18087.5)	(14324.0)	(15857.3)	(13264.0)	(15746.9)	(10150.3)
Net fiscal impact (unwinsorized)	384.2	10231.7	7330.0	-1522.6	-13233.9	-5023.3
	(29131.2)	(26657.9)	(28638.5)	(23438.1)	(26167.9)	(23159.5)
Taxes paid (winsorized)	7184.0	12368.6	9721.4	4134.3	2370.7	308.4
	(11877.1)	(12196.8)	(13295.8)	(8856.6)	(6981.0)	(2570.7)
Taxes paid (unwinsorized)	7791.9	12911.4	10628.6	4418.0	2553.4	357.6
	(17526.3)	(18761.4)	(20331.2)	(12756.0)	(9815.6)	(4650.6)
Federal income tax liability before credits	4002.8	6366.3	5427.1	2260.8	1431.3	203.7
	(12426.1)	(14002.0)	(14436.7)	(8945.3)	(7484.5)	(4197.4)
State income tax liability before credits	1142.9	2018.2	1534.3	713.4	381.2	47.29
	(3741.8)	(3880.8)	(4425.9)	(2531.7)	(2179.4)	(566.5)
Annual property taxes	921.7	1237.7	966.8	753.2	843.9	53.35
	(2104.0)	(2176.2)	(2099.2)	(1909.4)	(2157.3)	(532.9)
Social security retirement payroll deduction	2059.2	3397.6	3145.6	1331.5	92.32	106.5
	(2665.3)	(2305.5)	(2809.6)	(1905.1)	(602.7)	(425.5)
Federal retirement payroll deduction	72.94	304.4	87.28	11.58	3.024	1.128
	(743.1)	(1310.3)	(859.3)	(279.8)	(124.0)	(70.97)
Earned income tax credit (-)	193.8	118.6	255.1	374.7	103.8	32.18
	(814.2)	(613.1)	(922.9)	(1090.8)	(620.7)	(324.4)
Additional child tax credit (-)	45.66	29.98	57.56	76.18	29.31	7.141
	(307.7)	(251.8)	(341.0)	(377.2)	(257.8)	(116.7)
Child tax credit (-)	106.0	180.9	140.1	97.07	37.72	6.981
	(462.4)	(605.6)	(523.1)	(426.2)	(289.3)	(107.1)
Credit received from making work pay (-)	31.86	43.52	42.29	52.81	11.45	4.450
	(145.6)	(169.3)	(164.7)	(181.3)	(94.69)	(41.30)
Federal stimulus payment (-)	30.40	39.84	37.57	51.79	16.00	3.634

	(194.2)	(230.3)	(215.5)	(246.6)	(139.1)	(46.63)
Income from Public Benefits (winsorized)	6063.3	1534.8	2050.9	4821.1	14227.4	3805.9
	(11977.3)	(7618.6)	(8360.3)	(9711.3)	(14028.9)	(9938.5)
Income from Public Benefits (unwinsorized)	7407.7	2679.6	3298.6	5940.6	15787.3	5380.9
	(22306.3)	(19146.1)	(20151.8)	(19787.1)	(24232.4)	(22805.9)
Supplemental Security Income (SSI)	233.2	12.13	21.27	76.94	665.1	153.0
	(1498.3)	(386.4)	(461.4)	(881.8)	(2473.2)	(1113.4)
Welfare (public assistance)	45.09	7.252	17.85	145.1	91.74	46.34
	(604.1)	(224.3)	(376.9)	(1036.3)	(869.4)	(570.0)
Person market value of Medicare	1939.6	925.1	1102.4	1016.5	3733.0	1239.3
	(10195.7)	(9304.1)	(9759.6)	(9120.9)	(10902.6)	(10926.3)
Person market value of Medicaid	1749.7	921.6	1090.1	1349.2	3101.3	1774.0
	(10238.5)	(9300.3)	(9743.9)	(9230.7)	(11123.8)	(11065.0)
Person value of food stamps	128.3	28.75	76.10	357.3	219.2	155.2
	(637.3)	(292.4)	(509.8)	(1093.1)	(801.6)	(653.3)
Person value of housing subsidy	7.504	1.771	2.671	14.38	16.58	6.242
	(44.70)	(18.59)	(24.77)	(64.54)	(66.85)	(36.87)
Person value of school-lunch subsidy	56.91	41.75	58.45	108.9	53.23	60.63
	(190.4)	(147.7)	(187.9)	(283.0)	(194.8)	(162.7)
Person value of energy subsidy	8.045	1.946	3.363	17.03	16.91	4.900
	(65.82)	(32.22)	(44.28)	(91.97)	(93.80)	(49.03)
Educational assistance (beyond HS)	138.7	87.01	140.1	108.8	49.04	1607.7
	(1442.8)	(992.2)	(1383.5)	(1089.5)	(949.3)	(5068.8)
Social security	2433.6	177.5	469.1	491.9	6635.8	172.1
	(5763.4)	(1791.6)	(2807.4)	(2742.4)	(7856.4)	(1353.1)
Unemployment benefits	158.7	174.9	122.4	2008.8	65.16	43.77
	(1465.2)	(1412.4)	(1189.9)	(5292.7)	(999.4)	(750.0)
Worker's compensation	62.58	96.76	26.83	51.71	120.0	3.699
	(1186.4)	(1371.9)	(721.2)	(974.3)	(1711.0)	(176.7)
Veteran's benefits	158.7	73.04	60.48	74.35	361.8	35.94

	(2141.9)	(1226.3)	(1253.9)	(1200.8)	(3303.1)	(980.2)
Disability benefits	115.6	37.08	22.23	40.72	305.1	32.28
	(1888.4)	(1280.7)	(863.3)	(1000.6)	(3027.3)	(986.5)
Survivor's benefits	171.5	93.05	85.28	79.01	353.4	45.76
	(2775.0)	(2455.6)	(2390.8)	(2129.6)	(3472.6)	(1574.2)
Private Income (winsorized)	35185.8	59204.0	48040.5	22264.9	11010.4	1996.9
	(36770.9)	(30709.1)	(37984.6)	(27150.8)	(18588.8)	(7061.0)
Private Income (unwinsorized)	36803.3	60217.4	50765.4	23003.6	11083.2	2005.3
	(49380.3)	(41249.0)	(56399.8)	(35777.1)	(19942.2)	(7297.0)
Alimony	19.07	12.25	19.46	7.36	21.97	6.196
	(758.9)	(471.5)	(741.9)	(427.4)	(875.8)	(413.5)
Non-farm business income	1727.6	135.0	3056.6	580.9	73.73	52.06
	(14536.1)	(3240.0)	(19351.2)	(7167.9)	(2083.0)	(2796.9)
Child support	123.1	152.4	155.9	150.3	64.51	32.67
	(1248.6)	(1361.0)	(1382.9)	(1276.5)	(984.2)	(489.5)
Dividends	365.4	229.6	326.7	85.30	511.1	31.18
	(3206.1)	(1967.1)	(2965.8)	(1214.7)	(3965.3)	(872.9)
Farm	131.2	19.23	232.2	16.56	6.020	0.435
	(4176.1)	(1400.1)	(5563.9)	(1175.8)	(900.2)	(66.06)
Interest	547.8	391.1	436.4	153.7	844.7	30.49
	(3698.1)	(2350.1)	(3182.2)	(1619.9)	(4838.4)	(474.8)
Income from other source not specified	42.91	29.05	26.43	45.32	76.65	5.187
	(1191.5)	(754.7)	(910.9)	(1004.9)	(1660.1)	(196.7)
Rent	282.1	220.2	280.6	117.2	331.1	34.19
	(3800.4)	(3459.2)	(3828.0)	(2586.4)	(4031.6)	(1177.6)
Retirement	1382.0	296.6	471.7	479.1	3361.8	8.916
	(7197.0)	(3251.5)	(4399.5)	(4560.3)	(10827.6)	(496.1)
Wage and salary income	27982.0	53706.1	41697.3	18012.0	1216.5	1447.8
	(45139.8)	(38910.9)	(51473.8)	(33011.8)	(9732.1)	(5643.9)
Assistance from friends/relatives not in HH	42.72	22.17	31.52	63.84	54.28	194.4

	(999.2)	(636.6)	(801.7)	(852.2)	(1185.3)	(2485.5)
Implied value of owner-occupied housing	4157.3	5003.6	4030.7	3292.0	4520.9	161.8
	(5457.7)	(5989.0)	(5377.8)	(5194.5)	(5520.2)	(1338.0)
Observations (individual-year)	486,964	38,039	268,564	12,544	158,628	9,189

Source: CPS-ASEC 1994-2015. Note: All means are weighted using sample weights and all dollar amounts are inflated to 2015 dollars. Standard deviations in parentheses. Taxes paid, benefits received, and private income are winsorized to their 99th percentile. NFI is the difference between winsorized taxes paid and benefits received.

Table A.4 - Sample description

Sample:	1	2	3	4	5	6	7
Year:	N	N	N	N	N	N	N
1994	150,943	133,669	121,386	86,477	11,658	5,927	2,245
1995	149,642	100,490	94,223	67,658	11,658	5,927	2,245
1996	130,476	114,667	104,622	74,532	13,190	6,668	1,967
1997	131,854	115,963	105,774	75,723	26,652	13,485	4,033
1998	131,617	115,369	105,640	75,736	25,672	13,059	3,934
1999	132,324	115,066	105,165	75,627	23,483	11,897	3,589
2000	133,710	115,800	105,968	76,632	22,062	11,189	3,420
2001	218,269	111,062	101,365	73,573	20,726	10,636	3,238
2002	217,219	133,615	120,342	87,153	21,778	11,153	3,347
2003	216,424	135,524	122,174	88,847	23,912	12,124	3,578
2004	213,241	131,818	119,186	86,624	22,802	11,562	3,480
2005	210,648	129,816	118,784	86,697	22,741	11,401	3,436
2006	208,562	128,322	117,205	85,777	24,913	12,424	3,634
2007	206,639	127,990	116,991	85,685	26,498	13,479	3,992
2008	206,404	127,219	116,347	86,102	27,546	13,776	4,153
2009	207,921	128,976	117,473	86,767	28,148	13,625	4,054
2010	209,802	129,156	117,896	87,378	27,916	13,434	3,893
2011	204,983	126,241	115,228	86,110	27,292	13,296	3,793
2012	201,398	125,256	114,506	85,819	27,182	13,164	3,757
2013	202,634	124,254	113,802	85,412	24,583	11,498	3,292
2014	199,556	123,438	112,740	75,403	18,763	8,597	2,446
2015	199,024	122,467	111,277	83,695	7,789	3,585	1,026
Total	4,083,290	2,716,178	2,478,094	1,803,427	486,964	241,906	72,552

Sample 1 - Full ASEC

Sample 2 - keep mis=4 or 8 and then only the people that link to their ORG. This should include all march people and less april may june

Sample 3 - drop people who don't match on age, sex, race and seem to be at the same job
Sample 4 - drops <18

Sample 5 - Keep NILF and unemployed. drop if person not in both years, drop if union=NIU (civilians 15+ wage/salary workers, excludes self-employed), not matches in sex, hispanic, black, asian, foreign born.

Sample 6 - drop if person not in both years, drop if union=NIU (civilians 15+ wage/salary workers, excludes self-employed), not matches in sex, hispanic, black, asian, foreign born
Sample 7 - keep only March Basic observations from Sample 6

Table A.5 - Effect of imputations on coefficients

Outcome:	Net fiscal impact			Taxes paid			Benefits Received			Private Income		
Specification	1	2	3	1	2	3	1	2	3	1	2	3
						Main Sample (Drop all imputations)						
1(union member)	1289.8***	1264.3***	540.0**	1108.6***	1240.2***	216.3	-181.3***	-24.2	-323.7**	4661.6***	4588.0***	1614.0***
	(91.6)	(138.1)	(254.4)	(85.6)	(129.7)	(208.5)	(35.0)	(47.1)	(144.9)	(205.3)	(302.4)	(575.1)
N						241,906						
Dropped N (%)						317,200 (56.73%)						
						Drop Imputed Union Status Only						
1(union member)	949.0***	1017.8***	547.5	722.6***	928.2***	280.2	-226.4***	-89.6	-267.4	2834.6***	3517.1***	1119.2**
	(105.0)	(147.8)	(506.1)	(70.5)	(89.8)	(186.8)	(79.5)	(119.2)	(476.4)	(180.2)	(198.3)	(528.9)
N						526,954						
Dropped N (%)						32,152 (5.75%)						
						Drop Imputed Income Only						
1(union member)	1145.3***	1155.9***	369.2	991.4***	1135.3***	319.8	-153.9***	-20.6	-49.4	3992.1***	4111.0***	1752.4***
	(82.8)	(117.9)	(252.5)	(75.7)	(107.5)	(205.8)	(34.9)	(52.1)	(148.0)	(188.1)	(262.1)	(580.3)
N						305,750						
Dropped N (%)						253,356 (45.31%)						
						Drop Full-Line Impute Only						
1(union member)	990.8***	1058.1***	99.4	771.6***	950.3***	18.9	-219.3***	-107.8	-80.5	3195.4***	3808.9***	433.3
	(90.5)	(117.7)	(340.9)	(72.9)	(92.8)	(176.5)	(53.7)	(73.2)	(297.0)	(180.2)	(208.3)	(500.3)
N						478,544						
Dropped N (%)						80,652 (14.43%)						
						Include All Imputations						
1(union member)	919.6***	996.5***	43.0	717.2***	898.6***	155.3	-202.4***	-98.0	112.3	2786.8***	3455.3***	805.6
	(99.0)	(136.5)	(447.1)	(67.4)	(83.1)	(174.1)	(74.7)	(108.8)	(417.5)	(170.6)	(186.4)	(499.5)
N						559,106						
Dropped N (%)						0 (0%)						

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 241,906 observations of 120.953 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Table A.6 - Estimates without weights

Specification:	1	2	3
		Outcome: net fiscal impact	
1(union member)	1200.4 ***	1208.2***	571.8**
	(78.4)	(120.5)	(225.4)
		Outcome: taxes paid	
1(union member)	1013.8***	1148.2***	281.0
	(72.9)	(111.9)	(187.1)
		Outcome: public benefits received	
1(union member)	-186.6***	-60.1	-290.8**
	(29.9)	(41.0)	(125.3)
		Outcome: private income earned	
1(union member)	4268.7***	4442.2***	1468.4***
	(185.7)	(262.0)	(516.2)
Demographics	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes
Individual FE			Yes

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 241,906 observations of 120.953 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Dollar amounts are inflated to 2015 dollars.

Table A.7: Results including covered non-members with union members

Specification:	1	2	3
		Outcome: net fiscal impact	
1(union member)	1163.9***	1142.1***	617.0**
	(92.3)	(133.1)	(233.4)
		Outcome: taxes paid	
1(union member)	997.7***	1129.6***	337.8*
	(83.8)	(122.4)	(189.6)
		Outcome: public benefits received	
1(union member)	-166.1***	-12.5	-279.2**
	(33.2)	(46.3)	(133.4)
		Outcome: private income earned	
1(union member)	4335.6 ***	4225.0***	1729.4***
	(206.6)	(294.8)	(529.0)
Demographics	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes
Individual FE			Yes

Note: Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. 241,906 observations of 120.953 individuals over 2 consecutive years each. Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. All means are weighted using sample weights and all dollar amounts are inflated to 2015 dollars.

Table A.8 – Results including covered non-members as independent control

Specification:	1	2	3
		Outcome: net fiscal impact	
1(union member)	1289.5***	1267.7***	610.8**
	(93.2)	(138.8)	(258.4)
1(covered non-members)	-8.8	70.6	639.2
	(235.0)	(344.4)	(398.0)
		Outcome: taxes paid	
1(union member)	1107.5***	1246.5***	277.6
	(86.5)	(129.5)	(210.6)
1(covered non-members)	-27.3	132.1	553.0*
	(203.0)	(314.1)	(333.8)
		Outcome: public benefits received	
1(union member)	-182.0***	-21.2	-333.2**
	(34.8)	(47.5)	(147.6)
1(covered non-members)	-18.4	61.5	-86.2
	(106.6)	(128.1)	(221.6)
		Outcome: private income earned	
1(union member)	4698.8***	4626.4***	1784.0***
	(209.2)	(305.3)	(586.8)
1(covered non-members)	944.6*	799.7	1533.8*
	(489.4)	(741.9)	(853.6)
Demographics	Yes	Yes	Yes
State-year FE	Yes	Yes	Yes
Individual FE			Yes

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 241,906 observations of 120,953 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.

Table A.9 - Details of variables

Variable	Var Name (IPUMS)	Variable (Census)	Type	Record type	Special construction
Taxes					
Federal income tax liability before credits	FEDTAX	FEDTAX_BC	Imputed	Person	None
State income tax liability before credits	STATETAX	STATETAX_BC	Imputed	Person	None
Annual property taxes	PROPTAX	PROP_TAX	Imputed (asks estimated value of property)	Household	Divided by total adults (age>18) in household
Social security retirement payroll deduction	FICA	FICA	Imputed	Person	None
Federal retirement payroll deduction	FEDRETIR	FED_RET	Imputed	Person	None
Earned income tax credit	EITCRED	EIT_CRED	Imputed	Person	None
Additional child tax credit	ACTCCRD	ACTC_CRD	Imputed	Person	None
Child tax credit	CTCCRD	CTC_CRD	Imputed	Person	None
Credit received from Making Work Pay	MWPVAL	MWP_VAL	Imputed	Person	CPS ASEC 2010-2011
Federal stimulus payment	STIMULUS	STIMULUS	Imputed	Person	CPS ASEC 2009
Income from Public Benefits					
Supplemental Security Income	INCSSI	SSI_VAL	Collected	Person	None
Welfare (Public assistance)	INCWELFR	PAW_VAL	Collected	Person	None
Person market value of Medicare	PMVCARE	P_MVCARE	Receipt not amount	Person	None
Person market value of Medicaid	PMVCAID	P_MVCAID	Receipt not amount	Person	None
Person value of food stamps	FMFDSTAMP (Not in IPUMS)	F_MV_FS	Collected	Family	Divided by total adults (age>18) in family
Person value of housing subsidy	NOT IN IPUMS (FMVHOUSSUB)	FHOUSSUB	Receipt not amount (amount imputed)	Family	Divided by total adults (age>18) in family

Person value of school-lunch subsidy	NOT IN IPUMS (FMVSCHLUNCH)	F_MV_SL	Receipt not amount (amount imputed)	Family	Divided by total adults (age>18) in family
Person value of energy subsidy	HEATVAL	HENGVAL	Collected	Household	Divided by total adults (age>18) in household
Educational assistance (beyond HS)	INCEDUC	ED_VAL	Collected	Person	None
Social security	INCSS	SS_VAL	Collected	Person	None
Unemployment benefits	INCUNEMP	UC_VAL	Collected	Person	None
Worker's compensation	INCWKCOM	WC_VAL	Collected	Person	None
Veteran's benefits	INCVET	VET_VAL	Collected	Person	None
Disability benefits	INCDISAB	DSAB_VAL	Collected	Person	None
Survivor's benefits	INCSURV	SRVS_VAL	Collected	Person	None
Private Income					
Wage and salary income	INCWAGE	PEARNVAL	Collected	Person	None
Alimony	INCALIM	ALM_VAL	Collected	Person	None
Non-farm business income	INCBUS	SEMP_VAL	Collected	Person	None
Child support	INCCHILD	CSP_VAL	Collected	Person	None
Dividends	INCDIVID	DIV_VAL	Collected	Person	None
Farm	INCFARM	FRM_VAL	Collected	Person	None
Interest	INCINT	INT_VAL	Collected	Person	None
Income from other source not specified	INCOTHER	OI_VAL	Collected	Person	None
Rent	INCRENT	RNT_VAL	Collected	Person	None
Retirement	INCRETIR	RTM_VAL	Collected	Person	None
Assistance from friends not in HH	INCASIST	FIN_VAL	Collected	Person	None
Implied value of owner-occupied Housing	HOUSRET	HOUSRET	Estimated value collected of sell + presence of mortage (not amount)	Household	Divided by total adults (age>18) in household

Table A.10 - Estimated union-membership coefficients when controlling for various functions of private income

	Net fiscal impact			**Taxes paid**			**Benefits Received**		
Specification:	1	2	3	1	2	3	1	2	3
					Base Model				
1(union member)	1289.8***	1264.3***	540.0**	1108.6***	1240.2***	216.3	-181.3***	-24.2	-323.7**
	(91.6)	(138.1)	(254.4)	(85.6)	(129.7)	(208.5)	(35.0)	(47.1)	(144.9)
					Base Model + Income				
1(union member)	71.5	91.9	143.7	-73.5	97.6	-163.7	-145.0***	5.7	-307.4**
	(69.8)	(113.0)	(209.0)	(61.5)	(101.5)	(155.6)	(35.0)	(47.2)	(144.8)
					Base Model + Income + Income^2				
1(union member)	219.1***	184.4*	171.7	166.6***	252.7**	-122.8	-52.5	68.3	-294.5**
	(70.3)	(111.7)	(208.8)	(62.0)	(99.9)	(154.8)	(34.9)	(47.4)	(144.6)
					Base Model + Income + Income^2 + Income^3				
1(union member)	237.8***	200.4*	178.7	204.7***	280.4***	-110.4	-33.1	80.0*	-289.0**
	(70.4)	(111.7)	(208.8)	(62.0)	(99.4)	(154.6)	(34.9)	(47.1)	(144.4)
					Base Model + Income + Income^2 + Income^3 + Income^4				
1(union member)	241.9***	201.4*	182.4	211.3***	260.9***	-105.6	-30.7	59.6	-288.1**
	(70.4)	(111.7)	(208.7)	(62.0)	(99.6)	(154.3)	(34.9)	(46.7)	(144.4)
N					241,906				

Source: CPS-ASEC 1994-2015. Notes: a) Coefficient (within-individual, correlation-corrected SE). Significant at: *10 **5 ***1 percent level. b) 241,906 observations of 120.953 individuals over 2 consecutive years each. c) Coefficient estimates on 1(union member) are presented for each {outcome}x{specification} regression model. d) Weighted using sample weights and dollar amounts are inflated to 2015 dollars.