

THE HIGH COST OF LOW WAGES



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HIGH COST OF LOW WAGES UPDATE.

EXECUTIVE SUMMARY

In 2014, the *High Cost of Low Wages in Oregon* report showed how much taxpayers spend supporting the low wage workforce in the state. Public assistance programs are our safety net, protecting families and the economy during hard times. These programs were never intended to provide indefinite assistance to working people, but they've become a necessity because so many jobs offer only low wages, part time hours, and no benefits. Large corporations profit from low wages, and then taxpayers pick up a multi-billion dollar tab to make sure these working Oregonians can afford food and health care.

At a time when the state is facing a \$1.6 billion budget shortfall, it's important to look at the key economic factors that drive an ongoing demand for services. This brief update looks at the cost of public assistance to workers and their families in 2016 and hopefully will provide guidance to decision makers as they determine the right way to fill gaps in services.

Key findings are below.

- ▶ Taxpayer-funded assistance to working Oregonians and their families costs over \$2.6 billion a year. Over \$2 billion of that is for health insurance, and over \$600 million for food assistance. About 20% of those costs (\$570 million per year) are paid with state tax dollars; federal taxes cover the rest.
- ▶ This is an increase from the estimated \$1.7 billion a year in assistance identified in the 2014 *High Cost of Low Wages* report. The bill is higher mostly because of the Medicaid expansion and rising health costs.
- ▶ It's no surprise that many low wage workers have jobs at restaurants, hotels, and retail stores. But many of the workers enrolled on the Oregon Health Plan are employed in health care jobs. Taxpayers spend nearly \$100 million a year on health insurance for over 10,000 health care workers and their children.
- ▶ Employers benefit from having workers with health insurance whose families can get the care they need to stay healthy. In order to protect health insurance for those workers, big employers need to step up and pay their fair share.
- ▶ For years, Oregon has had the country's lowest corporate taxes. Taxpayers cover the cost of food and health insurance for employees of big corporations, but those corporations are not paying their fair share. Oregon should raise corporate taxes, and require large employers offset the cost of assistance for low wage employees.



THE HIGH COST OF LOW WAGES

It's a basic Oregon value: people who work hard should be able to support themselves and their families. Unfortunately, low wage, part-time jobs are the norm for too many Oregonians. Even though we work, many of us cannot afford the basics that families need: health care, a roof over our heads, food on our tables. This is because hundreds of thousands of Oregon workers make too little to support their families. These low wage workers are more likely to be women and communities of color – workers that have struggled for decades to get equal pay and equal opportunity in the workforce.

As a state, we have made the decision not to be a community that accepts low wages that don't support families, and in recent years, we've made great strides to protect workers and support their households. An increased minimum wage will eventually boost the incomes of over one-third the workers in the state and allow many to achieve self-sufficiency. Paid sick leave and retirement security gains were big victories, as was Oregon's leadership in expanding Medicaid coverage. Thanks to state and federal investments, more Oregonians than ever have health insurance. Many workers who previously were unable to get coverage through their jobs now benefit from affordable access to

health care. Getting insurance reduces financial stress, increases the use of preventative health screenings, and results in better physical and mental health.

This assistance has had a particularly important impact on communities of color and rural Oregonians. The benefits of Medicaid expansion were made clear during recent congressional efforts to repeal the Affordable Care Act; over 129,000 Oregonians living in Rep. Greg Walden's district got insurance thanks to the ACA. By 2015, uninsured rates in rural Oregon (5.8%) were close to rates in urban areas (4.6%).¹ In 2012, before the ACA, 28.7% of Native Americans in Oregon were uninsured. By 2015, that number had dropped to 12.5%. Similar declines in uninsured rates were seen for African Americans (from 16.1% to 6.4%), Asians (11.5% to 6.8%), and Pacific Islanders (26.3% to 11.4%).²

There's no question that providing food and medical care is the right thing to do, but it is not free. In December 2016, 214,149 workers were Oregon Health Plan clients, nearly 49,000 more than in 2014. It costs over \$2 billion a year to provide health insurance to those workers and their families (Table 1). About \$570 million of those costs are paid with Oregon tax dollars, and the rest with federal funds.³

Table 1. Costs for workers receiving food and medical assistance in 2016

INDUSTRY DESCRIPTION	WORKING OHP CLIENTS MAY 2016	ANNUAL COSTS FOR HEALTH CARE ASSISTANCE TO WORKING FAMILIES	WORKING SNAP CLIENTS 2016 Q1	ANNUAL COSTS FOR FOOD ASSISTANCE TO WORKING FAMILIES	TOTAL COSTS, HEALTH CARE + FOOD ASSISTANCE
TOTAL	214,149	\$ 2,012,651,139	186,352	\$ 623,906,496	\$ 2,636,557,635
<i>Accommodation and Food Services</i>	38,601	362,786,409	35,853	120,035,844	482,822,253
<i>Retail Trade</i>	35,317	331,922,168	34,635	115,957,980	447,880,148
<i>Health Care and Social Assistance</i>	34,503	324,271,896	30,193	101,086,164	425,358,060
<i>Administrative and Support and Waste Management and Remediation Services</i>	24,581	231,021,287	24,814	83,077,272	314,098,559
<i>Manufacturing</i>	14,749	138,616,532	11,115	37,213,020	175,829,552
<i>Construction</i>	9,878	92,837,080	6,799	22,763,052	115,600,132
<i>Educational Services</i>	8,849	83,166,160	6,856	22,953,888	106,120,048
<i>Agriculture, Forestry, Fishing, and Hunting</i>	6,336	59,548,061	3,970	13,291,560	72,839,621
<i>Professional, Scientific, and Technical Services</i>	5,676	53,345,138	3,993	13,368,564	66,713,702
<i>Wholesale Trade</i>	5,067	47,621,531	3,891	13,027,068	60,648,599
<i>Transportation and Warehousing</i>	4,560	42,856,559	3,963	13,268,124	56,124,683
<i>Arts, Entertainment and Recreation</i>	3,663	34,426,222	3,086	10,331,928	44,758,150
<i>Real Estate and Rental and Leasing</i>	3,629	34,106,678	2,904	9,722,592	43,829,270
<i>Public Administration</i>	3,625	34,069,085	2,616	8,758,368	42,827,453
<i>Finance and Insurance</i>	3,039	28,561,641	2,346	7,854,408	36,416,049
<i>Information</i>	2,035	19,125,679	1,774	5,939,352	25,065,031
<i>All other industry sectors</i>	10,041	94,369,014	7,544	25,257,312	119,626,326

Assistance to working people goes beyond health care. Many workers also rely on taxpayer-funded food assistance programs, which reduce hunger and improve nutrition. Oregon continues to struggle with hunger; over half the students in Oregon's public schools are eligible for free or reduced price lunch.⁴ The share of households experiencing food insecurity in Oregon is significantly greater than the average state, and has gotten worse in recent years. From 2010-12 an average 13.6% of Oregon households were food insecure, but the share climbed to 16.1% in 2013-15.⁵ The Supplemental Nutrition Assistance Program (SNAP) is the primary assistance program that addresses food insecurity. The number of Oregonians enrolled in SNAP climbed during the recession, peaking in 2012 (Table 2).⁶ In 2013, Oregon had the highest SNAP participation rate in the country.⁷



Table 2. Trends in SNAP enrollment by industry

INDUSTRY	2012 Q1	2013 Q1	2014 Q1	2015 Q1	2016 Q1
Grand Total	178,485	187,271	190,542	198,141	186,352
<i>Accommodation and Food Services</i>	33,117	34,840	35,721	37,908	35,853
<i>Retail Trade</i>	33,611	35,095	35,289	37,302	34,635
<i>Health Care and Social Assistance</i>	28,258	29,861	30,338	31,491	30,193
<i>Administrative and Support and Waste Management and Remediation Services</i>	22,300	23,164	24,506	25,097	24,814
<i>Manufacturing</i>	10,626	11,410	11,447	11,987	11,115
<i>Educational Services</i>	7,812	7,785	7,419	7,357	6,856
<i>Construction</i>	6,172	6,666	6,921	7,122	6,799
<i>Professional, Scientific, and Technical Services</i>	4,161	4,203	4,462	4,414	3,993
<i>Agriculture, Forestry, Fishing, and Hunting</i>	3,545	4,202	4,355	4,405	3,970
<i>Transportation and Warehousing</i>	3,528	3,746	3,895	4,249	3,963
<i>Wholesale Trade</i>	3,307	3,508	3,769	3,763	3,891
<i>Arts, Entertainment and Recreation</i>	3,187	3,158	3,068	3,223	3,086
<i>Real Estate and Rental and Leasing</i>	2,871	3,160	2,957	3,125	2,904
<i>Public Administration</i>	3,064	3,021	3,022	2,853	2,616
<i>Finance and Insurance</i>	2,340	2,633	2,607	2,532	2,346
<i>Information</i>	1,758	1,946	1,893	1,793	1,774
<i>All other industry sectors</i>	8,828	8,873	8,873	8,710	7,544

As overall SNAP caseloads declined, the number of workers receiving SNAP increased – a sign that many of the jobs that came in the wake of the recession were part-time and paid low wages. At the beginning of 2015, over 198,000 working adults were receiving SNAP food assistance. In the first quarter of 2016, 186,352 Oregonians worked and received SNAP self-sufficiency benefits. Conservatively, taxpayers spent over \$600 million providing food assistance to working families in 2016. SNAP benefits are paid entirely with federal funds, but the state pays half of the costs to administer the program.

Between food benefits and health insurance, public assistance costs to working families in Oregon top \$2.6 billion a year.

Though assistance costs money, these programs are good for Oregon. They improve the health, stability, and well-being of Oregon families, and give kids a better chance to succeed and realize their potential. People enrolled in the Oregon Health Plan got more preventive care, had lower out-of-pocket medical expenditures and medical debt, and

reported better physical and mental health.⁸ Children in were more likely to be in good health a year after enrolling in Oregon's Healthy Kids insurance program.⁹ Healthy kids learn better, and studies indicate kids with health insurance succeed more often in school, and in life. They're more likely to graduate high school and go to college. And they're less likely to have serious health problems.¹⁰

Businesses benefit from spending on health care and food assistance. Healthier people – and people who get enough to eat – are more productive at work. According to the Centers for Disease Control and Prevention, productivity losses linked to absenteeism cost employers \$225.8 billion a year. However, two-thirds of the costs of sick workers are due to people going to work when they are sick.¹¹ When employees and their families can get the medical care they need, there are fewer missed days of work and lower turnover rates.¹²

Public assistance is also good for Oregon businesses. The money spent on health care and food assistance goes right back into the economy; every SNAP dollar spent increases

GDP by \$1.73.¹³ That's because SNAP benefits make up a large share of the revenue of grocery stores and supercenters, supporting thousands of jobs.

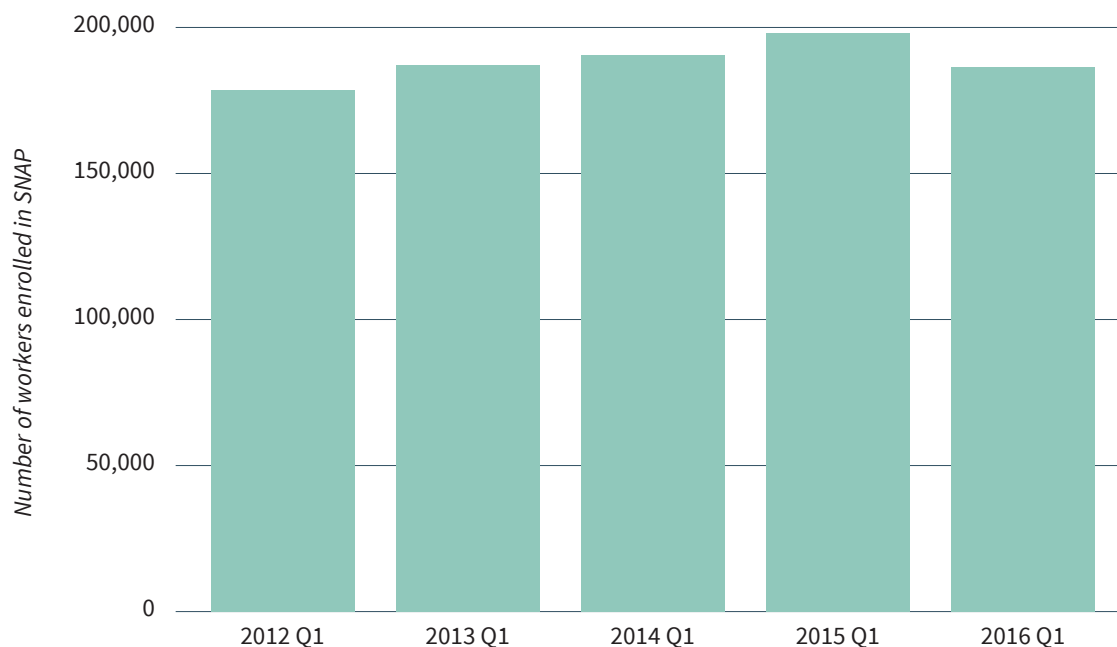
Over \$1 billion in SNAP benefits will be spent in Oregon this year, at all types of stores. However, 81% of SNAP dollars go to supermarkets and super stores like Walmart.¹⁴ The stores that make the most money from SNAP keep workers on assistance by paying low wages. At the beginning of 2016, 5,339 Oregon supermarket employees were enrolled in SNAP, along with 4,845 workers of warehouse clubs and super centers. Walmart collected a reported \$13 billion in SNAP revenue in 2013.¹⁵ Meanwhile, public assistance to Walmart workers alone costs more than \$6 billion a year.¹⁶

Retail trade isn't the only industry benefiting from public assistance dollars. Medical care providers, especially big hospitals and health systems, collect a large share of their revenue from public spending on health care. With more people insured than ever before, hospital profits are up and uncompensated care is down. Oregon's nonprofit hospitals made

over \$1 billion in net income in 2015, a 53.8% increase over the year before.¹⁷ By 2015, just 62% of Oregon's nonprofit hospitals and their health systems had accumulated over \$5.9 billion in unrestricted cash. From 2013 to 2015, uncompensated care dropped by 65% due to more patients having health insurance; this saved Oregon hospitals around \$545 million in 2015 alone.

While businesses benefit from public investments in assistance programs, some companies take advantage of low wage workers and count on taxpayers footing the bill. The corporations that hire these workers at low wages are some of the biggest winners when their employees have health care and food – they should shoulder the burden for paying these costs. But in Oregon, taxpayers, and not large corporations, pay these bills. For years, Oregon has had the lowest corporate taxes in the country. A recent study by Ernst & Young concluded that corporations doing business in Oregon get far more benefit from public investments than they pay in taxes. Only in Alaska and Maryland did corporations pay a smaller share of the benefits received.¹⁸

SNAP ENROLLMENT BY YEAR





A CALL FOR ACTION

The Oregon story is increasingly defined by a caring community that invests in its working families and an absent business community that relies more and more on taxpayers to support their workers' health care and put food on their dinner table.

The tax dollars we use to support these services could be used for other vital shortchanged programs – like K-12 schools, higher education, and transportation. To make matters worse, Oregon has for years had the country's lowest corporate taxes. While corporations get great benefits from taxpayers-funded assistance to employees, those corporations aren't contributing their fair share to pay for those services. If corporations in Oregon paid their fair share in taxes and paid their employees family wages, we all could afford good schools, good food and good health care.

We could afford to support our values if Oregon corporations weren't paying lower taxes here than in any other state. But it doesn't have to be this way. There are two important policy changes Oregon should enact.

- ▶ Raise taxes on corporations. Right now in Salem, legislators are considering raising taxes on corporations – as they consider their final plan, the fact that each year taxpayers are subsidizing corporations over \$2 billion should provide a road map for how much they should ask from corporations, and who should pay.
- ▶ Make corporations pay to offset the cost of taxpayer-funded health insurance for employees. SB 997, the Oregon Health Insurance Accountability Act, will assess a penalty on large employers based on the number of their employees enrolled in the Oregon Health Plan and working at least 30 hours per week. The funds recouped from penalties will be reinvested back into public health, Medicaid, and mental health, improving care in health profession shortage areas and supporting vital health safety net services. Since so many workers are enrolled in the Oregon Health Plan, it's only fair that big employers help cover the tab.

Only the very few benefit when workers are paid too little, but we can all succeed and thrive if large corporations simply pay their fair share.



INDUSTRY DETAILS

Most workers receiving assistance are employed in a few industry sectors: Accommodation and Food Service; Retail Trade; and Health Care and Social Assistance. The tables below highlight the businesses within those sectors that employ the most low wage workers.

ACCOMMODATION AND FOOD SERVICES

The Accommodation and Food Services sector has the most workers enrolled in OHP and SNAP. In the first quarter of 2016, 21% of restaurant workers in Oregon received SNAP benefits. Fast food workers enrolled in OHP averaged only \$10.85 an hour in 2016.

INDUSTRY	COUNT OF OHP CLIENTS IN MAY 2016	AVERAGE HOURLY WAGE	AVERAGE HOURS PER WEEK
Full-Service Restaurants	14,654	\$14.38	22
Limited-Service (Fast Food) Restaurants	11,332	\$10.85	23
Hotels (except Casino Hotels) and Motels	5,527	\$11.96	24
Drinking Places (Alcoholic Beverages)	2,231	\$12.67	22
Snack and Nonalcoholic Beverage Bars	2,041	\$10.05	26
Food Service Contractors	1,024	\$12.97	23

RETAIL TRADE

Warehouse clubs and supercenters, like Walmart and Target, employ the most retail trade workers receiving assistance for food and health care. Supermarkets come in a close second. These large businesses opt for a part-time workforce to keep benefits costs down.

INDUSTRY	COUNT OF OHP CLIENTS IN MAY 2016	AVERAGE HOURLY WAGE	AVERAGE HOURS PER WEEK
Warehouse Clubs and Supercenters	4,887	\$12.54	26
Supermarkets and Other Grocery (except Convenience) Stores	4,722	\$10.13	30
Gasoline Stations	3,797	\$10.38	26
Discount Department Stores	1,836	\$11.71	22
Convenience Stores	1,811	\$10.38	25
Home Centers	1,607	\$12.67	29
New Car Dealers	1,274	\$16.96	34

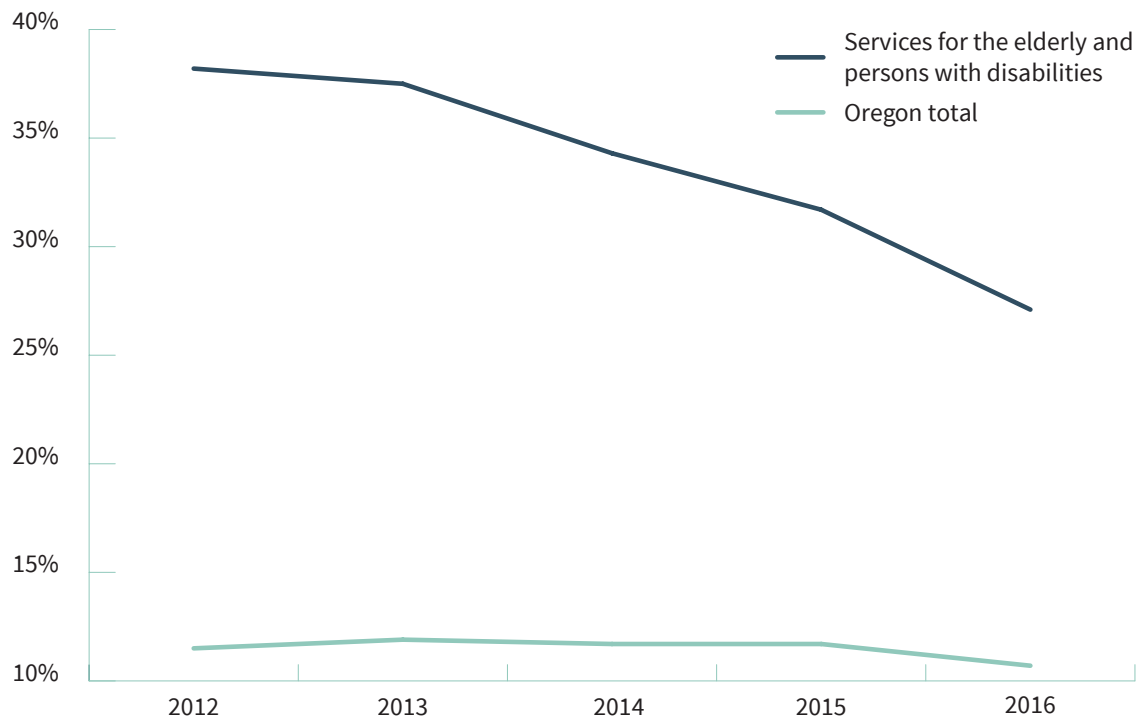
HEALTH CARE AND SOCIAL ASSISTANCE

In the health care and social assistance sector, many thousands of care providers are supported by public assistance programs. But nearly 3,000 hospital workers also rely on taxpayer-funded health care, as do over 2,200 people who work in the offices of physicians.

INDUSTRY	COUNT OF OHP CLIENTS IN MAY 2016	AVERAGE HOURLY WAGE	AVERAGE HOURS PER WEEK
Services for the Elderly and Persons with Disabilities	6,436	\$13.51	20
Assisted Living Facilities for the Elderly	5,215	\$12.12	27
General Medical and Surgical Hospitals	2,967	\$20.78	27
Child Day Care Services	2,509	\$12.71	26
Offices of Physicians (except Mental Health Specialists)	2,285	\$17.38	30
Nursing Care Facilities (Skilled Nursing Facilities)	2,229	\$15.11	28
Residential Intellectual and Developmental Disability Facilities	1,957	\$12.61	31
Vocational Rehabilitation Services	1,502	\$12.15	29

While improvements have been slow in most sectors, one area stands out for large reductions in the share of workers receiving food assistance: Services for the Elderly and Persons with Disabilities. In 2012, 38.2% of home care workers were receiving SNAP. By 2016 that had dropped to 27.1%. Even after accounting for the background trend in SNAP enrollment, the reduced rate suggests over 2,400 fewer home care workers were receiving SNAP than would have been without the change. The increase in self-sufficiency among home care workers is due to a pay raise negotiated by SEIU after home care workers unionized.

PERCENT OF WORKERS RECEIVING SNAP



ENDNOTES

1. Oregon Health Authority, Oregon Health Insurance Survey 2015
2. U.S. Census Bureau American Community Survey 2012 and 2015, Table S2701.
3. The federal government covers 98.13% of the cost of health care for children, and 64.47% of the share of adult health care costs. U.S. Department of Health & Human Services <https://aspe.hhs.gov/basic-report/fy2017-federal-medical-assistance-percentages>
4. Oregon Department of Education, Statewide Report Card 2016
5. United States Department of Agriculture, Household Food Security in the United States in 2015 <https://www.ers.usda.gov/webdocs/publications/err215/err-215.pdf?v=42636>
6. Office of Forecasting, Research & Analysis Fall 2016 caseload forecast
7. United States Department of Agriculture, Estimates of State Supplemental Nutrition Assistance Program Participation Rates in 2013 <https://fns-prod.azureedge.net/sites/default/files/ops/Reaching2013.pdf>
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16. Report: Walmart Workers Cost Taxpayers \$6.2 Billion In Public Assistance <https://www.forbes.com/sites/clareoconnor/2014/04/15/report-walmart-workers-cost-taxpayers-6-2-billion-in-public-assistance/#6325b26a720b>
17. Oregon Health Authority, Oregon Acute Care Hospitals Annual Financials Reporting Highlights 2015. <https://www.oregon.gov/oha/analytics/HospitalReporting/2015-Financial-Highlights.pdf>
18. Council on State Taxation. Total state and local business taxes FY2015. <http://www.cost.org/Page.aspx?id=69654>