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SENATE BILL 25 | OHIO WORKER'S RIGHTS ACT
SPONSOR TESTIMONY
BEFORE THE
SENATE TRANSPORTATION, COMMERCE AND LABOR COMMITTEE

JUNE 24, 2015

Good morning Chairwoman Manning, Vice Chair Patton, Ranking Member Cafaro, and members of the Senate Transportation, Commerce and Labor Committee. Thank you for allowing me to present testimony on Senate Bill 25, also known as the Ohio Worker's Rights Act. This bill takes a multi-pronged approach to aggressively empower workers whose paychecks, benefits, and well-being have been eroding for decades. Senate Bill 25 contains provisions that would rectify these issues through an increase in the minimum wage, better over-time protection, and guidance on employee classification.

Raise the Minimum Wage—Help the Working Poor

Senate Bill 25 would raise Ohio's minimum wage from \$8.10 an hour to \$10.10 an hour beginning in 2016, and would adjust to inflation in the years following. For some of you, this provision is reason enough to balk at having further conversations about this bill. However, we need to take an honest look at our "economic recovery" that has occurred since the recession. On February 3, 2015, Office of Budget and Management Director Tim Keen testified before the House Finance Committee regarding the Governor's state budget proposal. In his testimony, he stated:

The one aspect of the labor market that has not yet shown significant improvement is wage growth. Average hourly earnings of all private sector employees rose by only 1.65% in 2014, a lower increase than even the recession and early recovery years of 2009 and 2010, and well below the 3% to 3.5% range of earnings growth before the recession. Real wage inflation is effectively zero, since wages have grown more slowly than labor productivity.

Director Keen's statements are striking. While workers in Ohio have become more efficient and productive, wages have not grown at the rate that would reflect this increase. This is a trend that has been occurring at the national level, as well. If the minimum wage had kept up with inflation since the high point in 1968, it would be \$10.59 an hour today. If it had kept up with productivity, it would be even higher - almost \$18.75. So while our economy has rebounded and corporate businesses are seeing their profits increase, middle and lower-class workers aren't reaping the benefits, as evidenced by their stagnant wages.

Imagine raising a family on \$324 per week, which equates to a little over \$1,000 per month, after taxes. When we talk about minimum wage earners in Ohio, 56% of these individuals are women, and 86% are over 20 years old. These are hardworking people that have to pay rent, medical bills, and childcare for their children. Ohioans who don't earn a living wage have no choice but to turn to government programs to subsidize their needs. If we increase the minimum wage to \$10.10, we could lessen the dependency on government programs. For example, it is estimated that 88,580 Ohioans would no longer need food stamps with an increase in the minimum wage, saving the state \$153.9 million. People are worth more than the dollars and cents that confine them to working in poverty with no end in sight. People are priceless, and our constituents deserve better than \$8.10 an hour.

Aside from the moral arguments for raising the minimum wage, there is also an economic imperative, which there are, of course, competing schools of thoughts regarding this matter. The claim that raising the minimum wage will result in people losing their jobs resurfaces every time there is a proposal to increase it. However, a review of 64 studies on minimum wage increases found no discernible effect on employment. In addition, more than 600 economists, seven of them Nobel Prize winners in economics, have signed onto a letter in support of raising the minimum wage to \$10.10 by 2016. And, according to data released in 2014 by the U.S. Bureau of Labor Statistics, the 13 states that boosted their minimum wage had higher job growth than the 37 states that did not. Let's not forget about the significant savings that result from paying higher wages, including but not limited to, reduced employee turnover and increased productivity. Higher wages also benefit the local economy through increased spending on products and services.

We know that support for workers at both lower and middle income levels will bring more people into economic protection, helping their families, and their communities. Let's give Ohioans the long overdue pay raise they deserve.

Expand Overtime Protection—Expand the Middle Class and Promote Strong Families

Overtime standards are an indispensable labor protection to growing the middle class. However, under the current salary threshold of \$23,660, which lies below the poverty line for a family four, these protections only apply to 11% of salaried American workers. The original intention of overtime regulations was instilled in the Fair Labor Standards Act in 1975 and covered 65% of the workforce. In order for us to get back to the same workforce coverage percentage of 65%, Senate Bill 25 proposes an increase in overtime protection from the current threshold of \$23,000 to \$50,000 in 2016, and then to \$69,000 in 2017.

I think we can all agree that Americans are spending more time at the office and less time at home. According to a Gallup poll released in September 2014, adults employed full time in the U.S. report working an average of 47 hours per week, almost a full workday longer than what a standard five-day, 9-to-5 schedule entails. In fact, half of all full-time workers indicate they typically work more than 40 hours, and nearly four in 10 say they work at least 50 hours. If Americans are sacrificing precious family time to work overtime, they should be compensated

accordingly. Increasing overtime protections, of which is proposed in this bill, is good public policy that expands work protections for the middle class and supports strong family values.

Employment Reclassification—Help to Protect Honest Workers and Businesses

Businesses and corporations who misclassify employees often do so in an effort to avoid paying Workers Compensation premiums, unemployment insurance premiums, and other costs which honest and fair businesses pay. Employment misclassification practices dismantle the integrity of employee and employer benefit systems and do so at the expense of those companies that follow the rule of law. By working to ensure that all businesses are paying into the system in a fair manner, we can help control the rising costs of some programs, as well as create a more competitive environment for honest businesses.

The bill would change the definition of what constitutes an employee to a more uniform definition. It also expands the definition of "employment" as it relates to services provided by delivery drivers and specified salespersons. Companies, like FedEx, get away with classifying their delivery drivers as independent contractors, which allows them to avoid paying health benefits, unemployment insurance, retirement accounts and overtime pay, among other things. The creation of a uniform definition of employee will allow greater clarity, better cross-agency collaboration, and a level playing field for all.

In addition, Senate Bill 25 also contains added employee safeguard provisions that prohibit an employer from retaliating against an individual who challenges their classification, and prohibits any person from requiring or requesting an individual to enter into an agreement that results in the misclassification or does not accurately reflect the individual's relationship with an employer. These provisions aim to ensure businesses are acting with integrity and not exploiting their hardworking employees.

Conclusion

Chairwoman Manning and members of the Transportation, Commerce and Labor committee, this bill takes a dramatic, but necessary step forward in ensuring hardworking Ohioans are paid and treated fairly. The protections provided in Senate Bill 25 will lift Ohioans out of poverty, provide an incentive for hiring of additional middle class workers, and allow salaried workers to better balance work and family. I will never stop trying to persuade my colleagues in this esteemed body to support hardworking Ohioans, as I believe that it will lead to an overall strengthened and better economy. Thank you all very much for your time, and I would be happy to answer any questions you may have.