

SUBJECT: Preventing worker displacement by welfare to work programs

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 8 ayes — Oliveira, Greenberg, Keffer, Luna, Raymond, Seaman, Siebert, Van de Putte

0 nays

1 absent — Yarbrough

WITNESSES: For — William Beardall, Applesseed Advocacy Fund; Travis Donoho, Texas State Employees Union; Rick Levy, Texas AFL-CIO; Dee Simpson, American Federation of State, County and Municipal Employees

Against — None

BACKGROUND : Subsidized employment programs are designed to help move welfare recipients into the workforce. In a subsidized employment situation, the government confers a benefit on employers who hire and/or train welfare recipients. Such benefits can take the form of a direct wage subsidy, tax credit, or requirement that the welfare recipient work for the employer in exchange for benefits received.

DIGEST: CSHB 3116 would prohibit employers from participating in subsidized employment programs if hiring welfare recipients would displace current employees, eliminate a vacant position created by the layoff of an employee in the preceding 90 days, or impair an existing collective bargaining agreement. Employers intending to hire participants in a subsidized employment program would first have to notify an organization that represents employees engaged in similar work or training.

Program participants would be considered employees under state and federal law and entitled to comparable benefits, pay and employee grievance rights as other employees with similar background, training or experience.

The bill would take effect September 1, 1997, but its implementation would be delayed if a waiver from the federal government were needed. CSHB

3116 would not apply to work supplementation programs created by other legislation enacted during the 75th session, and would become law only if it or other legislation contained provisions prohibiting the displacement of existing employees.

**SUPPORTERS
SAY:**

CSHB 3116 is necessary to prevent welfare reform, with its strong emphasis on work, from becoming a means for participating employers to obtain cheaper labor costs by displacing low-wage, unskilled employees with welfare recipients. This bill would also help ensure that public money expended on these programs truly benefitted the community and was used to promote the creation of new jobs at prevailing wages for welfare recipients rather than being used to displace current workers or underpay new ones.

The displacement issue is real. Many programs now send out welfare recipients, ostensibly for training, to do tasks without pay that once were done by regular employees whose wages have been reduced or hours shortened. In other states without these protections, employers are laying off employees in anticipation of a huge influx of welfare recipient workers. Displaced employees then fall into the welfare system and are later rehired for their old job by the same employer at substantially lower wages. This cycle is counterproductive for both the workers and the taxpayers, since welfare recipients generally receive government subsidized transportation, health and child care.

CSHB 3116 would protect the working poor, who make up about 30 percent of the workforce, totalling some 38 million individuals. These employees, who make \$7.50 an hour or less and have at most a high school education, are being squeezed by intense pressures of new initiatives to incorporate welfare recipients into the workforce. These pressures are keeping wages down.

The working poor are further disadvantaged under these new programs because welfare recipients who are being “trained” while they work usually have transportation, health care and child care benefits, all of which inflate their income. The working poor, if displaced, run the risk of being recycled back into the welfare system as future welfare recipients.

Welfare recipients are being allowed to work while “training” for as long as two years for pay as low as \$1.50 an hour without the employer ever being obligated to hire them and without protection of the Fair Labor Standards Act or minimum wage laws. The old federal welfare law incorporated these kinds of worker protections; however, the new law makes the states responsible for protecting workers in these situations.

CSHB 3116 would clearly define the protections afforded these workers, who may be unaware of established grievance or complaint procedures. It also would provide for clear notification to employees to avoid any possibility that a subsidized employment program would impair contractual obligations under collective bargaining agreements between employers and unions and their members.

This bill would not circumvent the at-will doctrine of employment; employers would still retain their rights to hire without discrimination and require probationary training periods. Furthermore, since subsidized employment is a voluntary program, employers that choose to participate and receive public money cannot complain of requirements that would merely mandate equal treatment of all their workers.

There is ample precedent for private entities having to comply with federal and state laws and other restrictions, especially if they are receiving public funds. Furthermore, the benefits received by the participating employer would offset any costs the employer may incur from training welfare recipients.

**OPPONENTS
SAY:**

Employers should not have to provide comparable benefits to workers they are training for future jobs. The costs of training can be enormous, totalling more than the supplement offered by the state. These well intentioned companies should not have to spend proportionately more on unskilled trainees than they do on their regular workforce. A training wage is an accepted practice in industry; by curtailing this practice, CSHB 3116 could create impediments threatening the viability of subsidized employment programs in Texas.

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OTHER
OPPONENTS
SAY:

CSHB 3116 would better guard against layoffs due to displacements by extending the 90-day window to cover a longer time period.

NOTES:

The committee substitute required notification of organizations representing employees engaged in similar work, stipulated participants would be entitled to the same employee grievance procedures, and allowed for delayed implementation pending approval of a federal waiver.

The companion bill, SB 1494 by Ellis, is pending in the Senate Health and Human Services Committee.