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Legislators consider several bills affecting low-wage workers

Unemployment insurance, minimum wage, and tax holiday proposals before House committees now

UNEMPLOYMENT INSURANCE:

The incomes of many workers are often reduced over the course of a year because they experience a spell of unemployment. The unemployment insurance (UI) system is designed to help prevent the negative effects of such spells. Unemployment insurance helps workers who lose their jobs by replacing a portion of their former earnings while they are looking for new jobs or waiting to be called back to their old jobs, frequently preventing the unemployed from falling into poverty or from needing to rely on welfare.

Unemployment insurance has been less effective in maintaining income of workers in Texas than in other states. In Texas, just 22.3 percent of unemployed workers received UI benefits in 1997, compared to a national average of 35 percent. Texas ranks 8th lowest among the 50 states in the percentage of unemployed workers receiving benefits. Since annual state reciprocity rates first became available in 1976, Texas has never ranked better than 8th lowest among the 50 states. In the average month, some 425,000 unemployed Texans had to support themselves and their families without the assistance of the unemployment insurance system.

Texas does not recognize recent earnings—from the three-month period (quarter) when the UI claim is filed and from the full preceding calendar quarter—in determining monetary eligibility. This is a holdover from when employers prepared earnings statements by hand and mailed them to the state. Modern technology has eliminated the basis for this rule, which

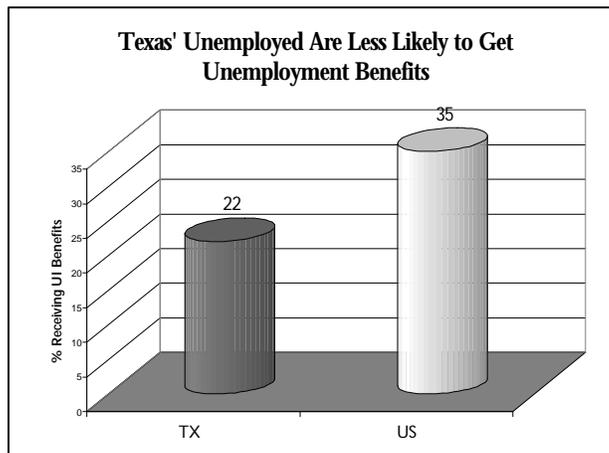
often makes qualifying difficult for low-wage workers who are paid on an hourly basis and who work intermittently. An “alternative base period” that recognizes most recent earnings would greatly increase access to UI benefits by low-wage workers and others with sporadic work histories. Several states, including Michigan, Ohio, and North Carolina, have already adopted this reform.

HB 914 by Rep. Greenberg would establish an “alternative base period.” Under the bill, a worker who did not qualify under the current rule could prove eligibility by using earnings from the four most recent calendar quarters.

HB 914 also would open up eligibility to part-time workers. Current law requires a person seeking UI benefits to be “available for work,” which is defined only as full-time work. Individuals may have valid personal reasons to work part-time, such as looking for child care responsibilities or

educational commitments. A person seeking a part-time job to replace a similar lost job is exercising a reasonable job-search strategy that should be recognized as being available for work and therefore eligible for UI coverage. The bill would allow those seeking part-time work to be eligible if they previously worked part-time or if they had a legitimate personal reason, such as child-care responsibilities or enrollment in an educational program, to limit their employment to part-time work.

UI regulations disqualify individuals who “voluntarily” leave their jobs. The disqualification penalty usually lasts for the entire spell of



unemployment, plus a short time interval at the subsequent job while the person “requalifies.” Texas does not recognize many family and health reasons as “good cause” for leaving employment. HB 616, also by Rep. Greenberg, would allow workers to qualify for UI if they left their workplace to protect themselves from family violence or stalking, on the advice of a law enforcement officer, a licensed medical practitioner, or a licensed counselor.

Current law does allow a worker to retain eligibility for UI if the worker leaves a job because of a medically verifiable illness of the worker or the worker’s minor child. HB 616 would also permit the worker to leave a job because of the illness of any other member of the employee’s household for whom the employee is responsible for providing necessary care.

HB 616 and HB 914, along with many other bills affecting UI eligibility and benefits, were heard by the House Economic Development Committee on March 15 and sent to a subcommittee for further action.

MINIMUM WAGE BILLS:

Depending on the type of job and employer, Texas workers may be covered by either federal or state minimum wage laws. The Texas state minimum wage is \$3.35 per hour, compared to the federal minimum of \$5.15. The state law covers only those workers who are not covered by the federal law—agricultural workers; people who work in homes, such as babysitters and personal-care givers; and students. Workers in positions that receive tips, such as waitresses, are guaranteed a state minimum wage of only \$1.68 per hour, as long as their total compensation reaches the statutory minimum.

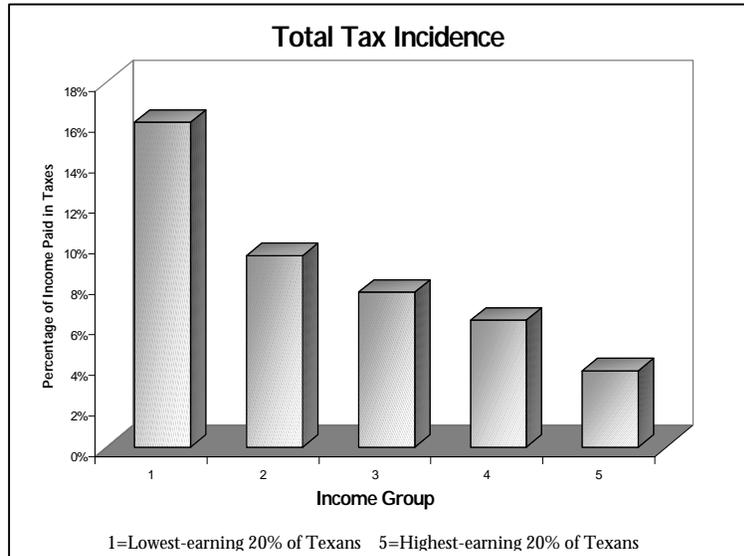
The two major minimum wage bills that have been filed this session, HB 197 by Rep. Lon Burnam and HB 327 by Rep. Senfronia Thompson, were heard by the House Economic Development Committee on March 11. Both bills were left pending in the committee.

The revised version of HB 197 would peg the state minimum wage to the median rent in each county; the minimum would be three times the local rent. The minimum wage in Austin would be approximately

\$9.00 per hour. HB 327 would set the state minimum wage at the federal minimum. Any increase in the federal minimum wage would be automatically reflected in the state requirement. Either bill would be a significant step in the right direction for low-wage workers, although even full-time year-round work at the current federal minimum wage is not enough to lift a family of three above the poverty line (\$13,880 in 1999).

TAX BILLS:

The Texas state and local tax system is among the most regressive in the nation—families with lower incomes pay a higher percentage of their income in state and local taxes than do families with higher incomes. The state comptroller recently calculated that the one-fifth of Texas families



with the lowest income pay 16.0 percent of their income in state and local taxes. In contrast, families in the middle of the income distribution pay 7.6 percent of their income and those in the top 1 percent pay only 3.8 percent of their income in taxes. The comptroller’s study may be found on the Internet at: <http://www.cpa.state.tx.us/taxinfo/incidence/>. The CPPP analysis of the report is available at <http://www.cppp.org/products/policyanalysis/taxincidence.html>.

Texas’ tax system is so regressive primarily because it relies heavily on the sales tax, which takes a far larger proportion of income from a low-income person than from a higher-income person. Families with low incomes generally spend most of their income (and sometimes more, by borrowing) just to provide necessities such as clothing and transportation. Upper-income families usually can afford not just these necessities, but luxuries too, with additional money left over for savings and investment. The sales tax accounts for more than one-third of all state and local taxes paid by Texans.

Many bills have been filed that would exempt from the sales tax items that absorb a larger share of the budget of a low-income family than of an upper-income family. For instance, SB 441 by Sen. Ellis, as filed, would exempt over-the-counter medicines, diapers, health aids, and back-to-school clothing.

Prescription medicine is currently exempt from the sales tax. However, many people cannot afford either to go to a doctor to get a prescription or to purchase expensive prescription medicine. The bill would extend to these people, who must rely on over-the-counter remedies, an identical exemption.

Diapers and health aids, which can take a large portion of a poor family's income, would also be exempted. Back-to-school clothes—currently defined as clothing costing less than \$500 and purchased in August for children under age 13—could not be taxed. SB 441 was heard by the Senate

Finance Committee on March 4 and left pending in the committee. The author will likely change some of the bill's provisions to reduce its cost to the state.

The House Ways and Means Committee considered a large number of similar bills on March 3 and sent them all to subcommittee. These bills, all of which would exempt some combination of over-the-counter medicine, health care supplies, diapers, children's clothing, and shoes, include HB 86 by Rep. Gutierrez, HB 112 by Rep. Maxey, HB 113 by Rep. Maxey, HB 1298 by Rep. Dukes, and HB 1587 by Rep. Sadler.

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