The Human Needs Report

February 10, 2014

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Unemployment Insurance Extension Turned Back Again in the Senate

On February 6, the Senate failed twice on procedural votes to garner the necessary support of 60 Senators to limit debate and move to passage of S. 1845, The Emergency Compensation Extension Act. All Democrats and Independents and 4 Republicans [Ayotte (NH), Collins (ME), Murkowski (AK) and Heller (NV)] supported an *amendment* to S. 1845 that called for a 3-month retroactive extension of emergency unemployment compensation (EUC), falling just one vote short of passage. (The actual vote was 58-40, because Majority Leader Reid (D-NV), a strong supporter of restoring unemployment insurance, changed his vote from yes to no in order to be able to move reconsideration of the bill at a later time.) The $6.4 billion cost of the extension was fully paid for by allowing corporations to reduce tax-deductible pension fund contributions. Democrats then tried to pass the original version of S. 1845, an 11-month extension through November 30 costing $25 billion and paid for by extending the sequestration cuts that apply to Medicare and certain other mandatory programs for an additional year. Republicans had demanded that the bill be paid for, but raised the bar by also demanding an open amendment process seen as an opening for unlimited controversial amendments. Only one Republican, Heller (NV), joined Democrats and Independents in support of the 11-month extension. The votes followed two earlier attempts in January to extend EUC. (See more details in the January 24 ***Human Needs Report***.)

Failure to extend the program means that each week approximately 72,000 workers are added to the 1.3 million that were left without this safety net program when their EUC expired on December 28. Contrary to some myths, these are not individuals who refuse to look for work and are enjoying an easy, laid-back time. In order to receive EUC they must be actively looking for work, a daunting task when there are three job seekers for every available job.

In January, the national unemployment rate dropped to 6.6 percent from 6.7 percent in December, but jobs grew by a less than expected 113,000. Congress, by failing to renew unemployment benefits, is making things worse. According to the Congressional Budget Office, restoring EUC throughout 2014 will increase employment by 200,000 jobs. Of particular concern is the number of long-term unemployed – 35.8 percent of the unemployed have been out of work for six months or longer, and nearly one-fourth of them have been out of work for at least one year. Investing in these workers who desperately need assistance to meet basic needs like housing and food is a strong anti-poverty strategy. In 2012, unemployment insurance kept 1.7 million people out of poverty, including 446,000 children, according to a report from the National Employment Law Project.

EUC has long been considered an *emergency* program that does not have to be paid for by other spending reductions or revenue increases. Five times under President George W. Bush, when the unemployment rate was above 6 percent, unemployment insurance was extended without paying for it and with the support of the majority of Republicans. Now Republicans are demanding offsetting cuts.

Democrats in the Senate say they are committed to continue to find a way forward. If more negotiations result in Senate passage, advocates hope the Republican-led House will bring the bill to the floor.

It's Time to Raise the Minimum Wage

Corporate profits are soaring. The wealthiest one percent in the United States earned 19 percent of the income in 2012, the highest since 1928. Productivity of U.S. workers increases and yet their wages remain stagnant while their cost of living rises. The current $7.25 federal minimum wage translates into an annual income of $15,080 for a full-time worker, over $4000 less than the poverty level for a family of three. There is a growing consensus that no one should work full time and not earn enough to lift their family out of poverty.

The President in his State of the Union address called for increasing the minimum wage to $10.10 an hour. He also announced his intent to sign an executive order that would require companies receiving new federal contracts to pay their employees no less than $10.10 an hour. Proponents of increasing the minimum wage hope the President's actions will provide momentum towards passage of legislation introduced in the House and Senate that would increase the federal minimum wage to $10.10 an hour for all workers.

Early last year Senator Tom Harkin (D-IA) and Representative George Miller (D-CA) introduced The Fair Minimum Wage Act of 2013 (S. 640/H.R. 1010), increasing the minimum wage to $10.10 per hour in three increments of 95 cents each. Employees would receive $8.20 an hour beginning 6 months after the legislation is enacted; $9.15 an hour one year later; $10.10 two years after the initial increase; and the wage would be indexed to inflation each year thereafter to maintain its value.

The bills also address the unconscionable low wage paid to tipped employees in occupations where they regularly receive more than $30 per month in tips. An employer is only required to pay $2.13 per hour in wages if the amount combined with tips received at least equals the federal minimum wage. If not, the employer must make up the difference. The system is open to abuse and often tipped workers do not receive an equivalent of minimum wage, as exemplified by the class action suit won by pizza delivery workers against Domino's in January. The $2.13 tipped wage has not been increased since 1991. Restaurant servers comprise the largest group of tipped workers and they have three times the poverty rate and are twice as likely to rely on SNAP/food stamps as the general population. S. 640/H.R. 1010 increase the federal minimum wage for tipped workers to $3.00 an hour for one year, starting six months after the legislation is enacted, and provide a formula for annual adjustments until it equals 70 percent of the regular minimum wage. The tipped wage is adjusted for inflation thereafter.

At the behest of Senate Small Business Committee Chairwoman Mary Landrieu (D-LA), Senator Harkin introduced a new bill in November, the Minimum Wage Fairness Act (S. 1737). The bill includes the same minimum wage changes that are in S. 640 but adds a provision that will allow a tax deduction of up to $500,000 for small businesses for the cost of new investments in assets like computer software and improvements to certain kinds of business property.

A report by the Economic Policy Institute (EPI) concludes that by 2016 when the proposed minimum wage increases would be fully phased in 16.7 million workers would be directly affected and another 11.1 million would be indirectly affected. Over 14 million children would have at least one parent who would benefit from the increase. Contrary to one myth perpetuated by opponents of increasing the minimum wage, nearly 88 percent of those affected are at least 20 years old. In fact, that average age of affected workers is 35. Women comprise 55 percent of those who would benefit from the increased wage. See the state-by-state impact and demographics of those affected.

Other myths around raising the minimum wage center on the impact a raise would have on job creation and the economy. According to the EPI report, during the phase-in period of the Harkin/Miller bills, the GDP would grow by nearly $22 billion, resulting in the creation of almost 85,000 net new jobs.

Poll after poll show that a large majority of Americans support increasing the minimum wage. Consistent with these findings, a poll was released by the National Employment Law Project last July in which 80 percent expressed approval for a $10.10 minimum wage including a majority of Republicans (62 percent), Independents (80 percent) and Democrats (92 percent). Slightly over half (51 percent) of registered voters in the poll said they would be more likely to support a candidate for Congress who favored the increased wage.

A growing number of states, counties and cities have a minimum wage and tipped wage that is higher than the federal wage. In 2013, five states raised their minimum wage (CA, CT, NJ, NY and RI) as did the District of Columbia, Montgomery and Prince George's counties in Maryland and Seatac county in Washington. Momentum is building for more legislatures to act and for ballot initiatives in 2014.

Senate leaders plan to bring S 1737 to the floor for a vote in early March. If the increase passes in the Senate, pressure would build for it to be taken up in the House.

Farm Bill Finally Enacted, With Disappointing SNAP Cuts

On February 7, President Obama signed the farm bill into law. After a two-year struggle to come to agreement, Congress finally enacted the bill to reauthorize farm, nutrition, and conservation legislation for another five years. There were bitter divisions over the legislation, with most anti-hunger advocates deeply distressed over the $8.6 billion cut in SNAP/food stamps included in the bill, which will result in 850,000 households losing about $90 per month in food assistance. Rep. Rosa DeLauro (D-CT) spoke for many of the 103 House Democrats voting against the farm bill: "Congress has lost its way. This conference report is nothing more than Reserve Robin Hood legislation that steals food from the poor in favor of crop subsidies for the rich."

The SNAP cut limited the ability of states to provide a very small Low Income Home Energy Assistance Program (LIHEAP) benefit in order to qualify SNAP-eligible households for higher SNAP benefits. Households receiving LIHEAP funds are automatically able to have their SNAP benefits calculated based on a Standard Utility Allowance, without having to submit receipts for specific heating bills. The restriction in the enacted farm bill requires states to pay households at least $20 per year in LIHEAP benefits before they can make use of the Standard Utility Allowance. It would affect people in 17 states now coordinating LIHEAP and SNAP benefits in this way.

Total savings in the bill as estimated by the Congressional Budget Office are $16.6 billion over 10 years. There is a net savings of $14.3 billion in the Commodity Programs section of the bill, which includes various farm supports. Direct payments to farms whether or not they are growing anything are ended, at a savings of over $40 billion over 10 years. However, that savings is considerably reduced by increases in crop insurance and other new subsidy programs. The Environmental Working Group, an organization that tracks farm subsidies, expects that these new or increased subsidies will provide more to at least some agricultural interests than under the previous law.

There are increases in the Nutrition title of the legislation, including $205 million for The Emergency Food Assistance Program (TEFAP) and $250 million for pilot projects intended to increase work among SNAP recipients. These and other increases bring the net savings from the Nutrition provisions to $8.0 billion over 10 years.

Anti-hunger advocates are relieved that the $40 billion in cuts to SNAP proposed by the House were mostly rejected in the final bill. These cuts would have kicked millions of low-income people off SNAP altogether. The final legislation did not include a lifetime ban of SNAP to certain ex-offenders, drug-testing of recipients, or harsh work requirements. In addition, the new law includes administrative improvements for SNAP to further reduce fraud and disarm critics. One provision specifically denies SNAP to big lottery winners. *(For more on the averted cuts and administrative changes, see this by the Center on Budget and Policy Priorities.)*

Still, the sizable reduction in SNAP for so many households is a blow, particularly disappointing for many advocates since it follows soon after the November reductions affecting all households receiving SNAP. Although champions in Congress have fought to reduce the extent of cuts, it remains true that low-income people, hit by SNAP and Unemployment Insurance losses, have borne disproportionate pain in the deficit reduction wars.

The bill, H.R. 2642, passed the House 251-166 on January 29, followed by Senate enactment on February 4, with a vote of 68-32. There were bipartisan majorities in both bodies, but those hoping the farm bill's passage signals a new spirit of cooperation duly noted that no Republicans showed up at the President's bill-signing, held at Michigan State University.