

EMPOWERMENT IN THE WORKPLACE

HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

ONE HUNDRED THIRTEENTH CONGRESS

SECOND SESSION

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EMPOWERMENT IN THE WORKPLACE

WEDNESDAY, JUNE 18, 2014

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The committee met, pursuant to call, at 1:59 p.m. in Room 216 of the Hart Senate Office Building, the Honorable Kevin Brady, Chairman, presiding.

Representatives present: Brady of Texas, Paulsen, Carolyn B. Maloney, and Delaney.

Senators Present: Lee

Staff present: Gail Cohen, Connie Foster, Niles Godes, Colleen Healy, Christina King, Patrick Miller, and Robert O'Quinn.

OPENING STATEMENT OF HON. KEVIN BRADY, CHAIRMAN, A U.S. REPRESENTATIVE FROM TEXAS

Chairman Brady. Good afternoon, everyone, and welcome to this hearing.

Vice Chairman Klobuchar, Members, and distinguished witnesses:

On May 21st, the Joint Economic Committee held a hearing on "Women's Retirement Security." Today we turn our focus to the workplace—which policies help to empower or harm American workers, and especially women in their quest to attain their vision of the American Dream. This has been a major focus of Congresswoman Cathy McMorris Rodgers, Vice Chair of the House GOP Conference.

The disappointing economic recovery led by the Obama White House remains the most significant obstacle preventing American men and women from achieving economic empowerment. Although the current recession actually ended five years ago this month, almost three out of every four Americans believe we are still in a recession.

That is because the economic policies pursued by President Obama and Congressional Democrats have produced the weakest recovery in more than 50 years, and a troubling "Growth Gap" between this recovery and other recoveries since 1960, robbing over \$1,000 a month from a family of four's real disposable income.

Because of this Growth Gap, we are missing \$1.5 trillion of real GDP from the economy, and 5.8 million private sector jobs. Merely to catch up with an average recovery before President Obama leaves office, our economy would have to expand at an annual rate of 6.2 percent every quarter and add 371,000 new private jobs every month.

Neither figure has been achieved once during the Obama recovery. Catching up will be hard to do, especially as the President continues to throw further roadblocks in front of this struggling recovery.

Next month this Committee will examine the Administration's macroeconomic policy failures at a hearing marking the fifth anniversary of this recovery. For now, though, let's focus on the workplace.

One of the best means of empowering workers is to provide choice and flexibility in the workplace. Flexibility is especially important to the many women who are caregivers to their children and elderly parents.

Yet in March, President Obama directed the Department of Labor to extend overtime regulations to several million workers who are currently exempt. This regulation would harm working women who need the flexibility and choice between taking overtime pay and banking those extra hours for time off in their later work schedule.

A much better approach is The Working Families Flexibility Act of 2013 which passed the House over a year ago, but has stalled in the Democrat-controlled Senate. Joint Economic Committee Member Senator Mike Lee is sponsoring the companion bill in the Senate.

The bill would allow private-sector companies to offer hourly workers who put in more than 40 hours a week the choice between taking overtime pay or time-off. This is a choice that is currently available to federal, state, and local government workers, but is denied to private sector workers. It is a highly valued benefit for government workers, but not for workers along Main Street. So why did the President and Congressional Democrats fight so hard to deny women in the workforce this important choice?

The House passed The Working Families Flexibility Act in May of 2013. It is past time for Senate Majority Leader Reid to bring this bill to the Senate for a vote.

There are other ways this White House has made the workplace less family friendly, especially for women. Economist Casey Mulligan argues the President's Affordable Care Act will push more young women out of the full-time work, making them "29ers"—referring to the maximum number of hours that an hourly worker can work and still be considered part-time under the new health care law. Mr. Mulligan expects 2 percent of workers to become "29ers," an increase by more than a factor of 10.

Moreover, at the urging of special interests, the Environmental Protection Agency recently introduced new, sweeping global-warming regulations on carbon emissions. A study by the U.S. Chamber of Commerce's Institute for 21st Century Energy found that through the year 2030 these regulations would lower America's economy by an average of \$51 billion each year, reduce jobs by 224,000 each year, increase electricity payments from American families by \$289 billion, and lower disposable income for U.S. households by \$586 billion.

So thanks to the President, women will compete for fewer jobs in a slower economy, paying higher electricity bills, with less money in their family's budget. Thank you, Mr. President.

America's broken tax code and extremely progressive income tax system penalizes two-income households—which are the norm today among married, working-age couples.

Although Congress lessened this penalty in the last decade, it still exists and should be eliminated. It is hard enough to make ends meet as it is, especially with college costs, gasoline, utilities, and food costs all rising.

Washington makes it harder to climb out of poverty, especially for young women and single moms with limited skills. While unintended, the conflict between the phase-out of many means' tested federal benefit programs like food stamps and the tax system, means that working families struggling to leave poverty face an effective marginal tax rate as high as 80 percent, by one study's estimate. This interaction creates poverty traps that discourage work and make it harder to climb the economic ladder.

Moreover, the Cato Institute's Michael Tanner and Charles Hughes found that welfare can pay more than the minimum wage in 35 states, even after accounting for the Earned Income Tax Credit. And in 13 of those states, welfare can pay more than \$15 per hour. The President should work with Congress to correct these perverse policies.

Occupational licensing is another problem facing poor families, especially those headed by women who are seeking to work their way into the middle class. Joint Economic Committee Member Representative Hanna held a hearing on this issue recently at the Small Business Committee.

Over the last several decades, the number of workers required to have occupational licenses has risen steadily. In many cases, occupational licensing goes far beyond what is necessary to protect public health and safety. It has been a means for incumbent workers to raise their wages by an estimated 15 percent, at the expense of new entrants who have fewer jobs, and consumers who pay higher prices.

Although occupational licensing is primarily a state issue, Congress should use its investigative powers to shed light on how licensing abuse harms ordinary Americans, both as workers and consumers. Catching up will be hard to do, especially as the President continues to throw further roadblocks in front of this struggling recovery.

Empowering workers, especially women, should be a common goal of both Democrats and Republicans. Staying the course with the same old federal traps and obstacles just simply is not an option.

With that, I look forward to hearing from today's witnesses, and I recognize Mr. Delaney for the first of two opening statements.

[The prepared statement of Chairman Brady appears in the Submissions for the Record on page 22.]

**OPENING STATEMENT OF HON. JOHN DELANEY, A U.S.
REPRESENTATIVE FROM MARYLAND**

Representative Delaney. Thank you, Chairman Brady, for holding this hearing. And I want to thank all the witnesses for joining us today to talk about this important topic.

As we talk about empowerment in the workforce and policies that I believe we need to put in place to make a difference against this issue, it is important to think about the context of what is going on in the employment market and the labor market and the economy right now.

We have created over 9 million jobs in the last 4 years, and the unemployment rate has fallen significantly. In my opinion, by almost any measure the President's policies have made a clear and measurable difference in terms of getting people to work and getting the economy back on track.

But there is much more to be done, and there is more to be done particularly when you think about what is going on in the world and the really important macro trends of globalization and technology, and the disruptive effect they are having on so many American workers.

People with great educations or with access to capital are doing great in this economy. Billions of people around the world are benefiting because they are moving into a global economy. But the average American, the middle-skilled American worker is really struggling because of the disruptive effects of these trends.

And we need smart public policy to make a difference against these trends. The long game, if you will, is education: greater investment in education and reform to how we think about education.

The short to mid-term game, if you will, in my opinion is increasing our investment in infrastructure. It makes us more competitive, creates jobs; tax reform, as the Chairman mentioned, is incredibly important for this debate; and immigration reform.

But while we hopefully will work on some of these policies to increase the country's competitiveness, and increase our ability to create jobs that have a decent standard of living, we do have to worry about segments of our population who are either not working, or who are working at jobs where they have a declining standard of living. Because in fact we have not seen the standard of living of the average American go up in the last several decades. We have actually seen it declining.

And that, to me, is the most troubling trend. For those that are unemployed, we need in my opinion two very specific things. About a third of them have been unemployed for over six months, so we need to extend unemployment insurance. That is incredibly important for these citizens.

The other thing we need to do is invest greater resources in job training. In my State of Maryland, recent data indicates that 60 percent of the positions that are available cannot be filled because people are not trained to do the jobs.

So we need those policies for those Americans who are not employed. But even for those who are employed, they are facing pressures. They lack flexibility in their lives, in their schedules, around child care. They have no ability to negotiate or position themselves for growing wages, and in fact the standard of living is declining.

We need a separate set of policies to empower those workers. One of them, or one policy in particular that is important particularly as it relates to women is the Paycheck Fairness Act, because the data clearly suggest that women are underpaid relative to men.

Even if you normalize for educational disparities, you see these trends. And these trends are disturbing particularly as you go up the corporate ladder where you see a talent drain occurring with respect to women. That is an important policy.

And many of these policies, by the way, are not only good for the employees but they're good for the bottom line of the business.

As someone who ran and started two public companies prior to running for office, and created over 2,000 jobs, I saw first hand how good employee-friendly policies were very, very good for the bottom line. So the Paycheck Fairness Act, in my opinion, would be virtuous in this regard.

The minimum wage, which is often positioned as negative for economic growth, in fact if you look at the data you see that a lot of minimum wage earners do business, or shop, or buy food at places that are minimum wage payers. So there is an incredibly kind of virtuous cycle associated with raising the minimum wage.

It has to be done carefully. It cannot be done in a way that shocks the economy. But if we actually had a minimum wage that was adjusted for inflation, that to me would be important.

Quality affordable child care is another issue, as well as expanding family and medical leave. These pieces of legislation are incredibly important for all these policies: creating jobs in the long term, dealing with the people who are unemployed, and helping those who are employed, giving them a little boost so that they have more flexibility in their lives and an opportunity to get better wages. There is a role for government to do it, and I look forward to your testimony very much here today.

Thank you.

Chairman Brady. Thank you. And I would like to recognize the former Chair of the Joint Economic Committee, Mrs. Maloney, for her opening statement.

OPENING STATEMENT OF HON. CAROLYN B. MALONEY, A U.S. REPRESENTATIVE FROM NEW YORK

Representative Maloney. Thank you so much, Chairman Brady, and we have a vote on. We are going to have to hurry, and hurry back to hear your testimony. I would like to also thank Vice Chair Klobuchar for allowing me to step in on her place today.

This hearing looks at how workplace practices affect productivity, economic growth, and our economic wellbeing, and there is a very real cost to our economy associated with losing experienced and highly skilled workers to the very real competing demands of child care and looking after an aged parent.

We will also be looking at whether or not federal and state laws to require a minimum wage reduces employment or slows economic growth. The minimum wage is now effectively lower than it has been at any time since 1968.

The Congressional Budget Office found that if we raised the minimum wage to \$10.10 an hour by 2016, it would mean higher earnings for 16.5 million workers resulting in \$31 billion more for low- and moderate-income households. And this is very important because this money would be plowed right back into the economy, effectively be a stimulus for our economy, and it is very important to addressing a concern that I think everyone has in our country

that the gap between the haves and have-nots is getting wider and wider. And we need to make sure that our workers are paid appropriately and have a living wage.

The CBO also projected it would lift nearly 1 million people out of poverty. I think it is important. As for businesses, the Center for Economic and Policy Research found that they can benefit from improved efficiency and lower turnover facilitated by a higher minimum wage.

And there are other policies that provide benefits to both employers and employees. We know that almost 50 percent of American women work, and yet the laws are not flexible or supportive for working women.

Some companies have started first-rate policies, but really the federal policies and other policies really have not kept pace with the changing realities of the workforce.

I have introduced a bill that I modeled after a bill in London that has worked very well called the Flexibility for Working Families Act. I would love Mr. Brady to join me as a bipartisan sponsor on it.

It would not cost a business one dime, or the taxpayer. But it would guarantee the right of workers to ask for flexible work arrangements with not being fired, to allow them to meet with the human resource staff and try to work out a work schedule that would really confront the lives that they have.

If granted, that flexibility could mean workers would be able to adjust their schedules to meet the demands of caring for children, or aging parents, while staying in the labor force and allowing companies to benefit from their experience with less turnover in staff.

Our country's first and only national law to support working families is the landmark Family and Medical Leave Act of 1993 which allows individuals to take up to 12 weeks of job protected unpaid leave. This is an incredible bill. It was the first bill I voted on when I came to Congress, and very personal to me. I remember when I had my first child, calling personnel and asking about any leave policies, and they said there's no leave policies; people just leave. When are you leaving?

Well this guaranteed that you could keep your job, come back to work, and have a family. I have put in legislation to expand this important legislation to also provide for unpaid leave so that parents can attend school conferences, or take family members to the doctor.

We always say that this country is so family friendly, but if you look at our policies they really are not there. And this bill would also cover more businesses that employ between 20 and 50 workers.

In the past decades, protections that Congress has already put in place have allowed women to make some incredible strides. I can remember when women used to be fired because they became pregnant, or fired because they wanted to express milk on their lunch break and on their own time. And I can remember when advertisements used to be jobs for men, jobs for women.

But one area where we have really been stagnant is in terms of pay. When I began working, we were 50 cents to the dollar; now it is 80 cents to the dollar. We got a raise, but it is not enough and

we should be paid equally for our work. The Paycheck Fairness Act is a step in that right direction, but still a great deal more has to be done.

And affordable and accessible child care. We have some policies, but they have not kept up with—the Child Care Tax Credit is not keeping pace with the realities of the cost of child care. And our economy and our families are more dependent than ever on the earnings of women.

Almost a third of all working mothers are the sole earners for their household. So I hope we will examine how workplace policies affect women's ability to stay in the workforce and take care of their families. And it is important to recognize that it is just not some feel-good slogan, it is the economic reality of our country today that when women succeed, America succeeds.

So thank you, Mr. Chairman, and we've got to run vote, right?

Chairman Brady. Votes have been called. The good news is it is a single vote. To be respectful of your time and testimony, I am going to introduce our four witnesses now, recess for 20 minutes, and then we will come back and start with testimony.

First, Diana Furchtgott-Roth is the Director of Economics 21 and Senior Fellow at the Manhattan Institute for Policy Research. She has served as Chief Economist at the U.S. Department of Labor; as Chief of Staff for President George W. Bush's Council of Economic Advisers; and an economist on the staff of President Reagan's Council of Economic Advisers. She received her B.A. in Economics from Swarthmore College, and her Masters in Philosophy and Economics from Oxford.

Barbara Gault, Ph.D., is Executive Director and Vice President of the Institute for Women's Policy Research. Previously Dr. Gault conducted research at the Office of Children's Health Policy Research, and served as staff and board member of organizations promoting human rights in Latin America. She received her Doctorate in Social Psychology from the University of Pennsylvania, and her Bachelor's from the University of Michigan.

Rachel Greszler is currently a Senior Policy Analyst for Economics and Entitlements at the Heritage Foundation. Previously Ms. Greszler has served as a Senior Economist on this Joint Economic Committee, Minority staff. Ms. Greszler holds a Masters in Economics and a Masters in Public Policy from Georgetown University, and a Bachelor's in Economics from Mary Washington College.

Dr. Heidi Shierholz is an Economist at the Economic Policy Institute. Her research focuses on the economy and economic policy as it affects middle- and low-income families, especially in regards to employment. She is also a member of the Board of Directors of the D.C. Employment Justice Center. Previously Dr. Shierholz worked as an Assistant Professor of Economics to the University of Toronto. She holds a Ph.D. and a Masters in Economics from the University of Michigan, a M.S. in Statistics from Iowa State, and a Bachelor in Mathematics from Grinnell College.

With that, we are going to recess for 20 minutes and we will be back after that.

(Whereupon, a recess was taken.)

Chairman Brady. The hearing will reconvene. I recognize Ms. Furchtgott-Roth for her testimony.

STATEMENT OF MS. DIANA FURCHTGOTT-ROTH, SENIOR FELLOW AND DIRECTOR, ECONOMICS 21, MANHATTAN INSTITUTE FOR POLICY RESEARCH, WASHINGTON, DC

Ms. Furchtgott-Roth. Thank you very much for inviting me to testify today. With your permission, I will summarize my testimony and hope that the full testimony is accepted into the record.

Chairman Brady. Yes, ma'am.

Ms. Furchtgott-Roth. Employment of women 25 to 54 years stands at 45 million and has yet to reach pre-recession levels of 46 million. Labor force participation for women 16 years and older has declined from 59.4 percent in December 2007 to 57 percent today. And the labor force participation rate for women in their prime working years fell from 76 percent to 74 percent over the same period.

What is important is to provide a flexible work environment so that employers can hire women, and so that women can feel comfortable working. Women have an important role not just as workers in the economy but also as mothers who prefer flexible work schedules. And for those who do not think children are important, you should take a look at the website Yale Law Women. It has just announced its 9th list of top 10 family friendly firms.

Now few of these young women have children, but already they are looking at family friendliness indicators, and I will quote, "such as the billable-hour requirement." That means fewer, rather than more, billable hours. "Part-time and Flex-Time options. Caregiver leave policies, and child care availability."

As you just said, Mr. Chairman, President Obama's new proposed overtime rules would reduce flexibility for working women. What would be far better would be to pass the Working Families Flexibility Act of 2013 which would give women the choice of overtime pay or comp time in exchange for more hours worked.

Many times when you've worked a very long week, you don't just want to have extra money, maybe you want to have time off with your kids, time that you can spend with them. And it is very difficult to buy more time if you are forced to take overtime pay instead of comp time, which is what many people would like.

President Obama's new proposed regulation, which is now working its way through the Labor Department, would restrict the number of women who could receive comp time in exchange for overtime. I think that would be very harmful for working women.

Another problem is the marriage penalty. The marriage penalty affects working women disproportionately because they are frequently the second earners in the family. If you look at women in the top income quintile, you find there are many, many two-earner families.

You find as they work their way up the income ladder, their progress is stalled. Similarly, low-income women when they move into the workforce, they find they have to give up certain benefits. And that means that they have a disincentive to work.

Just as it is important to have flexibility for working women, it is also important to put in place conditions that enable employers to hire women. The Paycheck Fairness Act would create burdensome reporting requirements for employers. It would discourage employers from hiring women.

With the Paycheck Fairness Act, which the President by Executive Order has extended to federal contractors, you have a reporting requirement for groups of women and groups of men. And there are many reasons that groups of women and groups of men are paid differently in firms.

Take Exxon, for example, that has groups of men that drill on oil rigs, groups of women who serve in office jobs, and there's no reason for these two groups to pay the same; but employers would have to justify that difference.

The Paycheck Fairness Act did not even pass a completely Democrat-controlled Congress in 2009 and 2010 because it was so costly and so expensive.

Similarly, raising the minimum wage would impede young women from getting hired. Right now the minimum wage is \$7.25 an hour. That means anyone with skills under around \$8 an hour is not allowed to work. President Obama wants to raise it to \$10.10 an hour.

When you add Social Security, Worker's Comp, that means the cost is about \$11 an hour to employers. Low-skill people just would not have the right to work, and that hurts teens and unskilled workers.

Ninety-seven percent of American workers are paid above the minimum wage, but this minimum wage is important to people who want to enter into the workforce and who want to have their first job and have the first step on the career ladder.

In the Flexibility For Working Families Act, which was mentioned by Mrs. Maloney, companies would have to justify and document if they did not give women the flexible schedules they asked for. Again, it is a disincentive to hiring women.

We want to make it as easy as possible for companies to hire workers, including women, not place an additional cost on them.

Thank you very much for allowing me to testify.

[The prepared statement of Ms. Furchtgott-Roth appears in the Submissions for the Record on page 25.]

Chairman Brady. Thank you.

Dr. Gault.

STATEMENT OF DR. BARBARA GAULT, VICE PRESIDENT AND EXECUTIVE DIRECTOR, INSTITUTE FOR WOMEN'S POLICY RESEARCH, WASHINGTON, DC

Dr. Gault. Thank you, Chairman Brady. Thanks also to Vice Chair Klobuchar for this opportunity to speak to the Committee about empowerment in the workplace.

Employees are empowered through access to quality jobs and services that help them build skills to support and care for their families and to do their best work every day. Research shows that the important benefits brought to businesses, to families, the economy, and to society as a whole when employers offer jobs with fair wages, paid sick days, predictable schedules, and when workers have access to supports such as quality early care and education, paid parental leave, and the earned income tax credit.

Many basic workplace benefits and supports are inequitably distributed in today's economy. Almost 4 in 10 private-sector workers in the U.S. lack access to a single paid sick day. Among Hispanic

workers, 53 percent do not receive paid sick days, compared with 36 percent of white workers.

Employees in food preparation and direct health care occupations are especially unlikely to be able to take a day off with pay when they are sick, which increases contagion in the workplace, forestalls preventive health care, and costs taxpayers and businesses millions of dollars each year in unnecessary health expenditures and lost productivity.

Since employees on average take so few paid sick days when they are available, the cost to employers is negligible and offset by benefits in the form of health, safety, productivity, and retention.

Research has also found that when parents have access to stable child care, they stay in their jobs longer and exposure to high-quality early care in education among low-income children leads to social and economic gains to families and society that lasts decades.

In many states, however, economic growth is hampered by a lack of access to affordable, quality child care. Infant care costs more than public college tuition in 31 states, and 19 states have waiting lists or frozen intake for child care subsidy.

Among community college students seeking to gain job skills, a striking 30 percent are parents of dependent children, but less than half of community college campuses have child care facilities, and those that do have long waiting lists.

Research finds that when parents attain post-secondary education their children experience real-time cognitive gains, especially if parents go to college when their children are still young.

Empowered workplaces need skilled workers with stable, reliable childcare arrangements that allow them to focus on doing their best jobs. Workers in hourly positions often have difficulty arranging child care, elder care, or college attendance due to increasingly common scheduling practices that give them only a few days' notice of their schedules, or that require them to be available for call-in shifts.

We can empower workers to plan ahead by requiring employers to distribute schedules with sufficient advance notice, and by prohibiting retaliation against workers who request schedule changes.

Improved scheduling practices also have bottom-line benefits for businesses. They are associated with lower absenteeism and turnover, and heightened employee engagement.

Expanded access to paid family and medical leave insurance can also help families stay connected to work while they care for newborns, sick children, or elderly parents, or seek treatment for their own serious medical condition.

While such benefits are the norm in other high-income countries, the United States has yet to establish a family and medical leave insurance system which would help employers retain talent and improve the health and welfare of families and children.

Three states, Rhode Island, California, and New Jersey, have established paid family leave programs, and these successful state models demonstrate that a federal family and medical leave insurance program is both attainable and cost effective.

In a study of California's paid leave program, the vast majority of employers report increases in employee morale, minimal costs, and positive or no noticeable effects on productivity.

Allowing transparency in pay would also go far toward creating empowered workplaces and helping women address gender-based pay inequities.

About half of all workers say they could be disciplined or reprimanded for sharing salary information. An analysis by the Institute for Women's Policy Research finds that if women earned wages equal to those of men with the same education levels and work hours, the poverty rate among working women would be cut in half, falling to 3.9 percent from 8.1 percent.

Finally, we can strengthen our economy through basic supports to help low-income adults when they are looking for work, attending school, or receiving wages that are too low to cover their basic needs.

Recent economic analysis of the effects of the EITC over several decades demonstrates the program's effectiveness at helping families maintain work. The Center on Budget and Policy Priorities found that in 2012 alone the EITC lifted 6.5 million people out of poverty.

Similarly, the U.S. Census Bureau finds that unemployment insurance keeps millions of job seekers from falling into poverty each year. Employees, businesses, and our communities as a whole are stronger when people have the supports they need to attain new skills, stay healthy, care for their families, and maintain secure, high-quality jobs.

[The prepared statement of Dr. Gault appears in the Submissions for the Record on page 32.]

Chairman Brady. Thank you, Doctor.

Ms. Greszler, welcome back to the Joint Economic Committee.

STATEMENT OF MS. RACHEL GRESZLER, SENIOR POLICY ANALYST, ECONOMICS AND ENTITLEMENTS, CENTER FOR DATA ANALYSIS, THE HERITAGE FOUNDATION, WASHINGTON, DC

Ms. Greszler. Thank you for the opportunity to be here today. I would like to focus on three points:

First is there is a great lack of employment in today's economy, and unemployed workers cannot be empowered.

Second, existing regulations and workplace policies could be reformed to encourage greater worker empowerment.

And third, policymakers can look to successful and innovative companies as a way to encourage empowerment.

First, nearly 10 million workers are unemployed, and another 8 million have left the labor force. There is no workplace empowerment for the unemployed, but businesses are not hiring.

According to a recent survey, only 8 percent of small and independent businesses say that it is a good time to expand operations. They cite taxes, followed by government requirements and red tape as their two primary concerns.

Increased costs and regulation make it harder for businesses to expand and start up. A recent Brookings Institution report documents a, quote, "troubling secular decline in business dynamism and entrepreneurship."

Policymakers need to relieve employers and entrepreneurs of the red tape and economic burdens that are holding them back from investing, expanding, and hiring workers.

Second, for the roughly 146 million workers who have jobs, certain reforms such as licensing and government restraint from micro managing private businesses, could encourage greater workforce empowerment.

Licensure laws require individuals to obtain a license to practice a certain trade. Licensing laws are often irrational, arbitrary, and onerous. For example, the average cosmetologist spends 372 days in training, whereas the average EMT spends 33 days.

These licensing laws are particularly harmful to low-income workers who often lack the resources necessary to obtain a desired license, as well as mothers who often have less time that they can devote to such training. Despite its widespread use, evidence suggests that licensing does not improve quality, but it reduces the supply of workers and increases prices.

States should be encouraged to re-evaluate their licensure laws in accordance with cost/benefit analysis and to allow cross-state licensing reciprocity so that a massage therapist who practiced in one state would not have to obtain a new license upon moving to another state.

A measure that employers could take to empower employees through choice and higher wages is to allow employees the option of exchanging employer-subsidized benefits such as health insurance for cash wages. The option of cash wages could increase incomes for many workers, particularly women who are often the second earners and already have access to health care through a spouse.

And the primary thing that the Federal Government can do to encourage workplace empowerment is to refrain from micro managing private businesses. For example, the President's proposed increase in the overtime cap would significantly limit flexible work arrangements.

As a working mother, I place a high value on the ability to work from home as needed. But if firms are required to pay workers overtime, they will want those workers in the office where they can monitor their hours.

What's more, incomes would not rise. Even Jared Bernstein, former economic adviser to Vice President Biden, has written that employers would offset the higher overtime costs by reducing their base pay.

The government should refrain from micro managing employers and instead encourage employers to empower the workers with individual choices which can only be provided if those employers are allowed to determine their employee's pay.

My final point is that policymakers should look to the successes of less regulated businesses and entrepreneurs as a way to empower existing ones. Companies and industries such as Etsy, Uber, and food trucks, are prime examples of entrepreneurship and empowerment.

Etsy is an online marketplace that allows individuals to sell their goods and services without having to jump through significant hoops, invest large amounts of time and money, or commit to a regular work schedule. Etsy has opened the door for more than a million individuals who might not otherwise participate in the labor force to become active workers.

Eighty-eight percent of Etsy sellers are women, and 74 percent consider Etsy as their business place. Etsy sellers are their own bosses. They decide what to sell, how much to sell it for, and how often to work.

Uber is a software company that contracts with individual drivers. The drivers use Uber's unique technology that allows individuals to request, ride, and pay for transportation services via mobile app. Uber drivers also act as their own bosses and work as much or as little as they would like.

Finally food trucks are another example of entrepreneurship and empowerment. Because food trucks operate without a brick-and-mortar storefront, they enjoy lower startup costs and operations. Food truck owners and operators have more control over their daily schedule.

Uber and food trucks have been wildly successful, yet they have been threatened by demands from their competitors to impose hefty new regulations and costs that would depress their growth and profitability.

Policymakers should refrain from imposing unnecessary and costly regulations on new, innovative companies and look to the successes of these businesses as ways to promote greater entrepreneurship and empowerment.

Where competitive disadvantages and regulation exists, policymakers should level the playing field by reducing existing disadvantages rather than creating new ones.

Thank you.

[The prepared statement of Ms. Greszler appears in the Submissions for the Record on page 39.]

Chairman Brady. Thank you.

Dr. Shierholz.

**STATEMENT OF DR. HEIDI SHIERHOLZ, ECONOMIST,
ECONOMIC POLICY INSTITUTE, WASHINGTON, DC**

Dr. Shierholz. Thank you, Chairman Brady, and others Members of the Committee:

I appreciate the opportunity to come here to discuss empowerment in the workforce. And I think it is perhaps useful to start by defining what is meant by an empowered workforce.

Under any reasonable definition, an empowered workforce is one that shares fairly in the fruits of its labor. In particular, a minimal definition of an empowered workforce is a workforce where, as productivity grows, most workers share in that growth and see compensation growth.

By contrast, an economy where productivity grows but the fruits of that growth accrue to just a small sliver of the workforce, that is an economy where that small share is empowered but where the workforce as a whole is broadly disempowered. So from the 1940s to the 1970s, the U.S. had an empowered workforce by this definition. As productivity grew, compensation grew with it. Compensation for typical workers grew with it.

Since the 1970s, however, the U.S. has not met this minimal definition of an empowered workforce. Productivity has continued to rise consistently, but the typical worker's compensation began lagging farther and farther behind. And rising wage inequality is at

the core of the disconnect between productivity growth and compensation growth for most workers since the 1970s.

Between 1979 and 2012, the top 1 percent saw their wages grow by over 150 percent. The bottom 90 percent, on the other hand, saw their wages grow by 17 percent. That was far less than the average growth rate.

In other words, the top captured so much of the growth over this period that the entire bottom 90 percent saw wage growth that was lower than the average. Below-average wage growth for the vast majority means that in a very real sense a discussion about workplace empowerment boils down to a discussion about rising wage inequality.

And I am very pleased that the Committee is focusing this hearing on labor market policies and practices, which I think are a very key part of this dynamic. And I will list a few of these things. We need a higher minimum wage. In real terms, the minimum wage is now 25 percent below its peak in 1968. Raising it to \$10.10 would partially restore this eroded labor standard.

The real value of the salary threshold under which all salaried workers are covered by overtime provisions has also been allowed to erode dramatically. Simply adjusting the threshold for inflation since 1975 would roughly double the current threshold, guaranteeing an additional millions of workers time-and-a-half pay when they work more than 40 hours a week.

And I think it is worth noting that there is nothing that prohibits employers from offering comp time to people who get overtime. There's nothing. They can simply pay their workers overtime, and then give them unpaid leave. So employers still have the flexibility to offer employees overtime and comp time. Low-wage service workers are increasingly subject to just-in-time scheduling, which is an enormously disempowering practice where employers give workers little or no advance notice of their schedules, and send workers home early when business is slow. Imagine what this does to people who have to arrange for child care to get to work.

Policymakers should pass laws that require minimum guaranteed hours per pay period, and require compensation for a minimum number of hours when workers are called into or sent home from work unexpectedly.

We need to update labor law, which has not kept pace with dramatically increased employer aggressiveness in citing unions and has resulted in a growing wedge between workers' desire to organize and their ability to do so.

We need to crack down on wage theft and misclassification. Wage theft is when employers do not pay workers for work they have done. Employers steal billions of dollars from their employees each year by doing things like working them off the clock and failing to pay the minimum wage. And misclassification is when employers treat employees as independent contractors, which allows them to avoid paying Worker's Compensation and Unemployment Insurance, or the minimum wage, or offering overtime, which means workers are denied access to these benefits and protections.

So in closing, I would just like to again thank the Committee for highlighting how labor market policies have affected worker empowerment. I think there is a strong public narrative out there that

just dismisses rising wage inequality and worker disempowerment as a natural and unstoppable consequence of a modern economy, when in fact there are government policies behind these trends. So that is actually good news, because it means that the dramatic rise in inequality that has impeded worker empowerment for a generation does not have to continue. We need to enforce the labor standards we have, update the ones that need it, and empower workers to bargain for better working conditions for themselves and their families. Thank you.

[The prepared statement of Dr. Shierholz appears in the Submissions for the Record on page 51.]

Chairman Brady. Thank you, Doctor.

Ms. Greszler, you make the point that there is very little empowerment for those who do not have a job.

Ms. Greszler. Um-hmm.

Chairman Brady. And as Ms. Furchtgott-Roth made note in her testimony, for women of prime working ages, there's actually 2 million fewer in the workforce today than there was before the recession began. Labor participation rates, how many are in that workforce, has actually declined as well.

So for women of working ages, prime working ages, the economy has actually gone backwards for them. So how do we get these women back to work? What are the obstacles? Or what can Washington do to remove the obstacles so that the businesses that you referenced in your testimony will begin hiring again?

Ms. Greszler. Well I think the biggest thing that the government can do is to refrain from a lot of the policies that are currently being considered: the Paycheck Fairness Act, and this increase in the overtime cap. These things are going to reduce flexibility because they are going to enforce employers to have one-size-fits-all pay scales, and one-size-fits-all jobs that women don't want.

Women in their prime working years often also have children, or they may have parents that they need to care for, and if they are going to have to accept either this job, which is a defined job and there's no flexibility around it, or staying at home, they're often going to have to choose to stay at home because they cannot meet a job that is not willing to accommodate them.

Chairman Brady. In your view, what impact has the Affordable Care Act had on hiring, or on full-time employment for women?

Ms. Greszler. I think the Affordable Care Act is going to have—well, already has had some implications. It's reducing the hours that employers are offering, and that hurts women as well. A lot of women want to work part-time.

It is also going to increase the marginal tax rates for women. Women are often second earners in their family, and if—you know, the median wage right now, there is a study by Casey Mulligan, an economist at the University of Chicago, who showed the median earner, the marginal tax rate for them, is going to be 47 percent in 2016 as a result of the Affordable Care Act and all the other slew of government transfer programs and benefits.

And this is not going to help working women, or mothers who would like to enter the labor force who, you know, they are maybe struggling; they are low- to middle-class, and they would like to start working so that they can have an additional income. If they

are going to face a marginal tax rate of 47 percent and only be able to take home one of every two dollars that they earn, they are unlikely to enter the labor force.

Chairman Brady. Thank you.

Ms. Furchtgott-Roth, you know we are told that capturing more workers in the overtime legislation the President has directed would be a good thing, and you have a different view. Could you go sort of deeper into that?

Could you hit the microphone?

Ms. Furchtgott-Roth. It would limit choices for women. Right now if someone is earning around \$23,000–\$24,000 a year and their employer asks them to work more, they are not allowed to take any time off in exchange. They have to be given overtime pay.

A lot of these women cannot wait to move to higher income levels because then they get more flexibility. They get a choice of overtime pay or time off. And, you know, young people these days, they are very keen on lifestyles, they want a lot of choice, and they want to be able to choose.

It would be really detrimental to extend the current overtime regulations to more women. The President says if you work more, of course you should get paid more. You find in many kinds of jobs, for example yours, Mr. Chairman, when you work longer in Congress, you don't complain that you don't get overtime pay. You have a particular salary and you know it consists of a certain number of hours.

The same with people in many, many other professions. They get a salary and they do not expect then to get paid overtime when they stay late. They make up for it later.

So I think it would be extremely detrimental.

Chairman Brady. The majority of part-time workers are women. Many face the absence of extra benefits at their work, including health insurance, retirement benefits. Full-time workers tend to be the ones with those additional benefits.

So what would you recommend to encourage not only greater pension coverage for workers, but also additional benefits for workers at smaller firms and those who work part-time?

Ms. Furchtgott-Roth. They should make sure that they are informed and that they take advantage of any IRAs that they have. If you think that it is necessary to increase that IRA amount, then that IRA amount could be increased from \$5- or \$6,000 a year to maybe \$10,000 a year so that they have more room to save on their own.

I just want to say that part-time jobs are very desirable by many people. Many people especially mothers, prefer part-time jobs to full-time, and they would only work if they have part-time jobs.

If they have fewer benefits, they often have a higher cash wage. So quite a lot of the growth in income, as can be seen from Table 5 of the excellent study that Dr. Shierholz has written called "Raising America's Pay," in Table 5 you can see that when benefits are included and a comprehensive measure of income is used, then income has risen substantially for many income groups, almost all income groups.

But just on an hourly wage basis, that is not necessarily true because they are getting more benefits. Many people would prefer a higher cash wage to a lower cash wage and more benefits.

Chairman Brady. Thank you.

Senator Lee.

Senator Lee. Thank you very much, Mr. Chairman. Thanks to all of you for coming to testify before this Committee today. Your insights have been very, very helpful.

Ms. Furchtgott-Roth, I would like to start with you and talk to you a little bit about the Working Families Flexibility Act, which was introduced and passed in the House by Representative Robey.

I am sponsoring the Senate companion bill on this side of the Capitol, and I just wanted to talk to you about this for a minute.

It has always been striking to me that federal law puts us in a position where we even need legislation like this. I mean, we start out with an understanding that the only people who are subject to the existing federal restrictions that make this legislation even necessary are those who are, number one, hourly as opposed to salaried; and number two, not government employees.

And so people who are either salaried or who work for the government don't have to worry about it. So those of us in those categories are able to, as circumstances may require, go to our children's school plays, or games, or whatever else we need to do during the day on one day of the week, if we need to work more later in the week to offset those hours we do that, and sometimes we take that for granted.

But it seems particularly unfair that we tell hourly employees who are not government workers that they do not have the same advantage.

Can you think of—can you identify any good public policy reason why we ought to be discriminating against hourly employees who are generally lower paid merely because they do not work for the government, is there any good reason to do that?

Ms. Furchtgott-Roth. There is no good reason to do that. And as I said in my testimony, it is unfair that upper income workers have the advantage of comp time and lower income workers do not.

We should expand that advantage to all American workers. They should all be allowed the choice.

Senator Lee. Right. I think it is important for all of us to remember that, you know, whenever people have increased flexibility they can live their lives better. So this is not just an economic issue. This has all sorts of social implications, as well. And it has always been difficult to me how someone could be against this, how someone would want the government to continue to discriminate against hourly workers who are generally less well paid, and particularly those hourly workers who do not work for the government.

Ms. Furchtgott-Roth. It also takes away an option for employers. Because employers can offer a benefit of comp time that enables them to compete. Just as 97 percent of employers pay above minimum wage, they have to pay more to retain talent.

So allowing them the option to offer comp time is a way to retain talent. And I brought one of my young staff with me, Jared Meyer. He often works very late, working on our e-brief, and sometimes he

wants a day off. He wants a day off to go see his family in Chicago. So I say, fine, Jared, take the day off.

But if the law was to go through, I would not be permitted to give him that option.

Senator Lee. Okay. I suppose that it has one benefit relative to government in that it gives perhaps the government something of a competitive advantage in hiring workers. But that is probably not the kind of advantage we want to be giving government. I assume you would not disagree with that?

Ms. Furchtgott-Roth. That is correct, I don't think we need to give government any more advantages than it already has. Government workers have very, very low quit rates and they are undoubtedly at a big advantage in many ways.

Senator Lee. Thank you.

Ms. Greszler, in your testimony you noted that several regulatory factors tend to add rigidity to the labor market, restricting job growth and labor flexibility. And some of these include licensing laws, dated labor laws, and general government micro management.

I think there is an important corollary to this, which is that many workers may be drawn out of the formal economy and into the informal economy as we might describe it. Could you speak to how these kinds of restrictions, those regulatory restrictions that I just described, might do this? How they might encourage people to participate in the informal economy rather than the formal economy? And what kinds of public policy ramifications that might have?

Ms. Greszler. Sure. Licensure laws, regulations, all these things that drive up the cost to either starting a business, continuing to work if it's a new regulation that's come down and it's going to cost your company, or you as an individual too much to implement that and keep profitable, then you're probably just going to go off on the side and say, well, I'm going to do this, you know, under the table, or I'll give you this service but, you know, I'm not going to report that.

It's fairly easy for people who are their own employers to do that if they're not working for a large company and receiving a W-2. You see that in restaurants that don't want to pay a minimum wage. They might just say, okay, I can't afford to do this. You know, in my home town there was an ice cream shop and everybody knew, everybody that works there is under-the-table because they can't afford to pay people the minimum wage.

And so there are plenty of people that wanted to work there, and they were willing to accept lower than the minimum wage but that all goes off the books. The company is not paying taxes. The individuals aren't. And so we are driving people into the informal economy, and that is reducing revenues.

Senator Lee. So it's reducing revenue to the government. That hurts the government.

Ms. Greszler. Um-hmm.

Senator Lee. How might it also—

Ms. Greszler. It hurts—I'm sorry.

Senator Lee. How might—I see my time has expired, let me just follow up on this one more point, if I could.

How might it also hurt the worker, separate and apart from how it might hurt the government.

Ms. Greszler. Right. When the worker is not part of the formal economy, they are not entitled to any of the benefits that are required of employers. They are not contributing payroll taxes, so that is not going toward Social Security. There's no record of that.

They are not entitled to any benefits that employers are required to provide, and so they are left with really few protections from the government if they are working under the table.

Senator Lee. Okay. Thank you. I think that is a great example of how many of these restrictions that are publicly touted as ways of protecting the little guy actually end up hurting the little guy. And men and women throughout America are often victims to this.

Thank you, very much.

Chairman Brady. Thank you, Senator. I want to thank all of you for being here today, for taking your time. It was great testimony. Thank you for being here.

Republicans and Democrats on the Committee will continue to examine this economy, ways we can get people back to work, and how we can look at empowering workers and increase their standard of living.

In this recovery, Wall Street is doing very well. Middle-class America has been left behind. And so we are looking for and searching for answers that we can work together on to try to find a stronger economy for Americans.

With that, the hearing is adjourned.

(Whereupon, at 3:19 p.m., Wednesday, June 18, 2014, the hearing in the above-entitled matter was adjourned.)

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. KEVIN BRADY, CHAIRMAN, JOINT ECONOMIC COMMITTEE

Vice Chair Klobuchar, Members, and distinguished witnesses:

On May 21st, the Joint Economic Committee held a hearing on “Women’s Retirement Security.” Today, we turn our focus to the workplace—which policies help to empower or harm American workers, and especially women, in their quest to attain their vision of the American Dream. This has been a major focus of Congresswoman Cathy McMorris Rogers, chairman of the House GOP Conference.

The disappointing economic recovery led by the Obama White House remains the most significant obstacle preventing American men and women from achieving economic empowerment. Although the current recession actually ended five years ago this month, almost three out of every four Americans believe we are still in a recession.

That’s because the economic policies pursued by President Obama and congressional Democrats have produced the weakest recovery in more than 50 years, and a troubling “Growth Gap” between this recovery and other recoveries since 1960, robbing over \$1,000 a month from a family of four’s real disposable income.

Because of this Growth Gap, we are missing \$1.5 trillion of real GDP and 5.8 million private-sector jobs. Merely to catch up with an average recovery before President Obama leaves office, our economy would have to expand at an annual rate of 6.2 percent every quarter and add 371,000 new private jobs every month. Neither figure has been achieved once during the Obama recovery. Catching up will be hard to do, especially as the President continues to throw further roadblocks in front of this struggling recovery.

Next month this Committee will examine this Administration’s macroeconomic policy failures at a hearing marking the fifth anniversary of this recovery. For now though, let us focus on the workplace.

One of the best means of empowering workers is to provide choice and flexibility in the workplace. Flexibility is especially important to the many women who are caregivers to their children and elderly parents.

Yet in March, President Obama directed the Department of Labor to extend overtime regulations to several million workers, who are currently exempt. This regulation would harm working women who need the flexibility and choice between taking overtime pay, and banking those extra hours for time off in their later work schedule.

A much better approach is The Working Families Flexibility Act of 2013, which passed the House over a year ago, but has stalled in the Democrat-controlled Senate. JEC Member, Senator Mike Lee, is sponsoring the companion bill in the Senate.

The bill would allow private-sector companies to offer hourly workers, who put in more than 40 hours a week the choice between taking overtime pay or time-off. This is a choice that is currently available to Federal, state, and local government workers, but is denied to private-sector workers. It’s a highly-valued benefit for government workers, but not for workers along Main Street. Why do the President and Congressional Democrats fight so hard to deny women in the workforce this important choice?

The House passed the Working Families Flexibility Act in May 2013. It is past time for Senate Majority Leader Reid to bring this bill to the Senate for a vote.

There are other ways this White House has made the workplace less family friendly, especially for women. Economist Casey Mulligan argues the President’s Affordable Care Act will push more young women out of the full-time work, making them “29ers”—referring to the maximum number of hours that an hourly employee can work and still be considered part-time under the new health care law. Mr. Mulligan expects 2 percent of workers to become “29ers,” an increase by more than a factor of 10.

Moreover, at the urging of special interests, the Environmental Protection Agency recently introduced new sweeping global warming regulations on carbon emissions. A study by the U.S. Chamber of Commerce’s Institute for 21st Century Energy found that through the year 2030 these regulations would lower America’s economy by an average of \$51 billion each year, reduce jobs by 224,000 every year, increase electricity payments from American families by \$289 billion, and lower disposable income for U.S. households by \$586 billion.

So thanks to President Obama, women will compete for fewer jobs in a slower economy, paying higher electricity bills with less money in their family’s budget. Thank you, Mr. President.

America’s broken tax code and extremely progressive income tax system penalize two-income households— which are the norm today among married, working-age couples. Although Congress lessened this penalty in the last decade, it still exists

and should be eliminated. It's hard enough to make ends meet as it is, especially with college costs, gasoline, utilities and food costs all rising.

Washington makes it harder to climb out of poverty, especially for young women and single moms with limited skills. While unintended, the conflict between the phase-outs of many means-tested Federal benefit programs like food stamps and the tax system means that working families struggling to leave poverty face an effective marginal tax rate as high as 80 percent, by one study's estimate. This interaction creates poverty traps that discourage work and climbing the economic ladder.

Moreover, the Cato Institute's Michael Tanner and Charles Hughes found that welfare can pay more than the minimum wage in 35 states, even after accounting for the Earned Income Tax Credit, and in 13 of those states, welfare can pay more than \$15 per hour. The President should work with Congress to correct these perverse policies.

Occupational licensing is another problem facing poor families, especially those headed by women, who are seeking to work their way into the middle class. Representative Hanna held a hearing on the occupational licensing issue at the Small Business Committee.

Over the last several decades, the number of workers required to have occupational licenses has risen steadily. In many cases, occupational licensing goes far beyond what is necessary to protect public health and safety. It has been a means for incumbent workers to raise their wages, by an estimated 15 percent, at the expense of new entrants who have fewer jobs, and consumers who pay higher prices.

Although occupational licensing is primarily a state issue, Congress should use its investigative powers to shed light on how licensing abuse harms ordinary Americans, both as workers and consumers. Catching up will be hard to do, especially as the President continues to throw further roadblocks in front of this struggling recovery.

Empowering workers, especially women, should be a common goal of both Democrats and Republicans. "Staying the course" with the same old federal traps and obstacles is not an option.

With that, I look forward to hearing from today's witnesses.

PREPARED STATEMENT OF HON. AMY KLOBUCHAR, VICE CHAIR, JOINT ECONOMIC COMMITTEE

Thank you, Chairman Brady for holding this important hearing on empowerment in the workplace and our country's economic well-being.

I would like to thank all of the witnesses on today's panel. A special thanks goes to the witnesses I invited: Dr. Barbara Gault, Executive Director and Vice President of the Institute for Women's Policy Research, and Dr. Heidi Shierholz, an economist with the Economic Policy Institute.

I'd like to take a minute to talk about the condition of the labor market and the workforce today. Job growth has continued to strengthen, with the private sector gaining jobs for the past 51 months. During this time, more than 9.4 million jobs have been added. The national unemployment rate is 6.3 percent, the lowest level in five-and-a-half years.

For most workers, the prospects of getting and keeping a job today are better than they've been in years. The number of unemployed workers per job opening has decreased from nearly seven in July 2009 to 2.2 in April 2014, close to the pre-recession level of roughly two unemployed workers for every job opening. But we still have work left to do.

Despite the drop in the national unemployment rate, long-term unemployment is still a very real problem. Nearly three-and-a-half million Americans – over one-third of unemployed workers – have been out of work for more than six months. Long periods of joblessness do significant damage to workers' future earnings and to our nation's productivity.

Long-term unemployment problems spill over to create problems for the next generation. Spells of long-term unemployment not only reduce life-time earnings and increase mortality rates for the unemployed, but also lead to lower educational performance and lower earnings for the children of the long-term unemployed.

We must also do more to address growing income inequality. The average income for the top one percent of households has grown more than seven times as fast as it has for the average household. Yet for the rest of America, income growth has stalled completely: the average American household earned less in 2012 than they did in 1989. The middle class is shrinking and is less secure. Seventy percent of our economy is based on consumer spending. So when families can't afford to buy things, our businesses suffer and our whole economy suffers.

There are a number of steps our country should be taking to make sure that our economy continues to grow for everyone so that all participants in the workplace benefit. We've got to approach long-term unemployment from all sides. Two months ago, the Senate passed an extension of unemployment insurance, but it remains stalled in the House. Unemployment insurance is an important piece of the puzzle, but it's not the only piece. We also need to make investments in job training.

Ramping up job training is part of the key to empowering workers. We know that there are shortages of workers with the skills that employers need. In a poll of manufacturing companies in my home state, 60 percent of respondents said it was difficult to find workers with the right skills and experience, up from 40 percent in 2010.

That's why I introduced a bipartisan bill with Senator John Hoeven that would add 100 STEM high schools and strengthen partnerships between employers and technical and community colleges. We're already seeing this model work in Minnesota. Alexandria Tech has a 96 percent placement rate. Improving access to job training programs and STEM education will not only help people get jobs, but will also help ensure that those are good paying jobs.

Another thing we should do is combine workforce training for parents with quality early education for low-income children. In my home state, Minnesota Child Care Assistance Programs help lower-income families pay for childcare costs so their parents can look for work or attend school. Integrated programs that meet the needs of both parents and children have been shown to be effective at reducing poverty for both generations. The idea is simple: helping parents helps the kids. When parents are doing well, that has an enormous positive impact on their children.

Raising the minimum wage can help reduce poverty and help families' economic security. At \$7.25 per hour, the real value of the current minimum wage is now lower than it was in 1968. Low wages hurt workers but also cost the rest of society. For instance, more than half of the nation's fast-food workers rely on the federal safety net because their wages are low, resulting in annual costs of over \$6.8 billion to taxpayers.

Finally, we need to eliminate the gender pay gap. Women who work full time earn about 80 cents for every dollar men earn. Much of this disparity is due to differences in education and occupation, but even after accounting for those and other factors, women still make less than men. The Paycheck Fairness Act would give women new protections against pay discrimination and help affirm that basic principle that all women deserve equal pay for equal work.

We need to keep moving forward, ensuring every person can work a steady job, with good wages, provide for their families and save a little for the future.

Labor laws have played and must continue to play a key role in protecting workers from unfair labor practices:

- Child labor laws prevent young kids from being exploited and forced to work instead of going to school;
- Laws that mandate decent working conditions protect people from being hurt or injured on the job; and
- we need to uphold the fundamental right of workers to organize.

This is about providing stability and consistency to workers and businesses. It's also about doing the right thing for American families. Again, I want to thank the witnesses for being here this afternoon. I look forward to your testimony.



Empowerment in the Workplace

Diana Furchtgott-Roth
Senior Fellow and Director, Economics21
Manhattan Institute for Policy Research

Testimony before the Joint Economic Committee
June 18, 2014

Empowerment in the Workplace

Diana Furchtgott-Roth
Senior Fellow and Director, Economics21

Mr. Chairman, Ms. Vice Chair, members of the Committee, I am honored to be invited to testify before your Committee today on the subject of how to help women. I have followed and written about this and related issues for many years. Currently I am a senior fellow and director of Economics21 at the Manhattan Institute for Policy Research. From February 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2003 I served at the Council of Economic Advisers as chief of staff and special adviser. Previously, I was a resident fellow at the American Enterprise Institute. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush. I am the author of several books, including *Women's Figures: An Illustrated Guide to the Economic Progress of Women in America*.

Employment for women 16 years and older only reached December 2007 levels (68 million) in January of this year. Employment for women 25 to 54 years old stands at 44 million, and has yet to reach pre-recession levels of 46 million. Labor force participation for women 16 years and older has declined from 59.4 percent in December 2007 to 57.0 percent today. The labor force participation rate for women in their prime working years (25 to 54) fell from 75.5 percent to 73.8 percent over the same period, so the decline cannot be explained by more women retiring or staying in school. At its peak in 2000, 60.3 percent of women participated in the workforce.¹

The slow growth of the economy is reducing employment opportunities for men and women alike. In addition, women face particular barriers to employment in their role as secondary workers and as family caregivers. It is important to make sure that labor markets are flexible so that women can have the choice of jobs that they want.

For those who believe that children are not important to women in the workplace, look at the Yale Law Women website. Yale Law Women just announced its ninth list of Top Ten Family Friendly Firms.² Now, few women at Yale Law School have children, but they are looking ahead. Their top firms are derived from a survey which "explores

¹ Bureau of Labor Statistics, "Current Population Survey," June 2014.

² Yale Law Women, "2014 Top Ten Family Friendly Firms List," April 2014.

important family friendliness indicators such as the billable hour requirement, part-time and flex-time options, caregiver leave policies, and childcare availability.”

Choice of Comp Time Instead of Overtime Pay

President Obama’s new proposed overtime rules would reduce flexibility for working women. In March, President Obama directed the Department of Labor to overhaul regulations regarding overtime compensation. His proposed regulation would extend overtime rules to several million employees that businesses classify as executive or professional employees. The rules currently grant overtime pay to any salaried worker making less than \$455 per week, or \$23,660 a year, a level established under new Department of Labor regulations in 2004. The Department of Labor has not yet stated how high it will seek to push the weekly salary limit for guaranteed overtime, but it is expected to be a significant increase.³

Overtime rules hurt women by reducing flexibility with their employer. Many women with children, particularly young mothers who cannot afford childcare, would prefer to have flexibility in their schedule rather than extra overtime pay. When overtime hours are allowed to count toward time off instead of pay, women can change their work schedules according to their needs. If a child becomes sick or the babysitter cancels, a female employee with the flexibility of extra hours can simply take time off. Requiring overtime pay legally limits many women from trying to negotiate time off with their employers.

The Working Families Flexibility Act of 2013, sponsored by Representative Martha Roby, would allow employers to offer workers who worked more than 40 hours a week a choice of compensatory time off rather than overtime pay.⁴

There is a fundamental law in economics: giving individuals a greater number of attractive choices makes them better off. The Working Families Flexibility Act expands choices available to workers. Some may prefer additional financial compensation, and some may prefer additional time, either to spend with their families or for activities such as going to sports events, fixing their cars, or running their own small business.

³ Shear, Michael D. and Steven Greenhouse, “Obama Will Seek Broad Expansion of Overtime Pay,” *New York Times*, March 11, 2014.

⁴ Congressional Research Service, “Summary: H.R. 1406 – 113th Congress (2013-2014),” May 8, 2013.

The advantage of the Working Families Flexibility Act is that it gives employees, not employers, the power to choose what is in their best interest, either more time or more money.

When people have more money they can buy many things to make their lives more pleasant and more entertaining – but they cannot buy more time. When workers are hired, they frequently have little vacation. When they are given the choice of comp time instead of overtime pay, they are taking something that money cannot buy. Some people would always prefer to receive overtime pay rather than comp time, and they would be able to do it under the Act.

The bill would extend to middle-income families those privileges already enjoyed by higher-salaried individuals, such as graduates of Yale Law School. Many Americans already have the opportunity of comp time. They mostly work in white collar professions and the federal and state governments. But for millions of average hourly and salaried workers, comp time is just a dream, not a reality. President Obama wants to remove the choice of comp time from millions more workers, not extend it to others.

The choice of comp time instead of overtime pay is simply not available to many employees under current labor law. The Fair Labor Standards Act is a well-intentioned law, fashioned in 1938. Its overtime regulations were updated in 2004. But those who designed the Fair Labor Standards Act in 1938 might have never imaged the workplace as we know it today, or as it may look in the future.

One of the main problems facing parents today is how to combine the dual demands of work and family. It is here that the Working Families Flexibility Act is so valuable. Many women choose flexible careers, and 24 percent work part-time, because they place a higher value on extra hours spent with the family.⁵

The Working Families Flexibility Act would benefit not just current workers who would like additional flexibility, but also women who do not work but who might find the prospect of comp time an inducement to enter the labor force. Some mothers do not want to enter the workforce because they are unwilling to work long hours. In some occupations overtime is required, rather than voluntary, leading to more than 40 hours a week away from home. For these people, the prospect of comp time might make working a full-time job a viable option.

⁵ Bureau of Labor Statistics, "Current Population Survey," June 2014.

Marriage Penalty

The marriage penalty affects working women disproportionately, because they move in and out of the labor force. When single women work and are considering marriage, higher tax rates discourage marriage. Sometimes high tax rates result in women quitting the workforce altogether. Marriage penalties are found throughout the income distribution.

The top fifth of the income distribution contains a disproportionate share of two-earner couples, where combined federal and state marginal income tax rates can reach over 50 percent. Frequently it is women's work that pushes the family into the top brackets. Transportation, child care, and professional clothing are additional costs to moving into the workforce.

Census Bureau data show that in 2012, in the top fifth of earners, 78 percent of households were married couples. In the top 5 percent of income earners, 81 percent were married couples.⁶ Mothers are more affected by the marriage penalty than other women because they are more likely to move out of the labor force to look after their children. They are also more likely to return to work when their children are in school or have left home.

Marriage penalties can also be seen at the bottom of the income scale, as women lose benefits as their earnings increase. These "effective marginal tax rates," as they are known, can exceed the marginal tax rates at the top of the income scale.

In a paper published by the Brookings Institution in December, University of Maryland economists Melissa Kearney and Lesley Turner calculate that if two people who each earn \$25,000 get married, they will take home less than 30 percent of the second earner's paycheck, due to taxes and phase-outs of transfer payments.⁷ That is equivalent to a 70 percent marginal tax rate.

A full-time worker earning \$25,000 a year with two children and a spouse who stays home would qualify for almost \$5,000 in earned income tax credit. But if the spouse goes into the workforce, also earning \$25,000, the family would not qualify for the EITC. The EITC disappears completely.

⁶ U.S. Census Bureau, Annual Social and Economic Supplement, 2013 (Table HINC-05).

⁷ Kearney, Melissa S. and Lesley J. Turner, "Giving Secondary Earners a Tax Break: A Proposal to Help Low- and Middle-Income Families," The Hamilton Project, December, 2013.

Marriage penalties have been made worse by the Affordable Care Act. The phaseouts of subsidies in the Act could increase the incentive to divorce and discourage marriage.

Anyone under 400 percent of the poverty line, currently \$94,000 for a family of four, qualifies for a subsidy – unless a family member has employer-provided insurance.⁸ Without subsidies, low-income families will not be able to afford to buy insurance on the state exchanges. The Internal Revenue Service estimates that family plans will cost \$20,000 (in after-tax dollars) a year by 2016.⁹

In a 2011 National Bureau of Economic Research working paper, Cornell University professor Richard Burkhauser, Indiana University professor Kosali Simon, and Cornell PhD candidate Sean Lyons showed that in 2014, when the law will take full effect, 13 million low-income Americans may be unable to get subsidized health insurance through new state healthcare exchanges because one family member has employer-provided coverage for that person only.¹⁰

Perversely, the only way for other family members to get subsidized coverage would be for the spouses to get divorced. Then the spouse without coverage and the children could get coverage on the exchange.

This provision of the Act also discourages marriage. Since premium subsidies are on a sliding scale, two married people getting their coverage on the exchange would pay more than if they were single.

Those at 133 percent of the poverty line can pay no more than 3 percent of their income in premiums. Someone at 400 percent of the poverty line can pay no more than 9.5 percent of income.¹¹ Two people making \$32,000 annually would qualify for subsidies when single, but not when they got married and earned a combined income of \$64,000.

The incentives are different for people earning above 400 percent of the poverty line because they will not qualify for subsidies. They will be better off with an employer

⁸ U.S. Department of Health & Human Services, “2014 Poverty Guidelines,” January 22, 2014.

⁹ Internal Revenue Service and Department of the Treasury, “Shared Responsibility Payment for Not Maintaining Minimum Essential Coverage,” May 3, 2013.

¹⁰ Burkhauser, Richard V., Sean Lyons, and Kosali I. Simon, “The Importance of the Meaning and Measurement of ‘Affordable’ in the Affordable Care Act,” National Bureau of Economic Research working paper, August, 2011.

¹¹ Fernandez, Bernadette, “Health Insurance Premium Credits in the Patient Protection and Affordable Care Act,” Congressional Research Service, March 12, 2014.

who does offer health insurance, because it is a tax-free benefit. To the extent that premiums are paid through an employer, these can be paid out of pre-tax income.

Families without employer-provided insurance who do not qualify for a subsidy will be worse off because they will have to buy insurance with after-tax dollars on the exchange. To pay for a \$20,000 family policy a taxpayer in the 33 percent tax bracket would have to use \$30,000 in pre-tax dollars to buy a \$20,000 policy.

Honorable Members of Congress, marriage penalties and arcane rules discourage women in the workplace. I hope that you can manage to solve some of these problems. Thanks for inviting me to testify, and I would be glad to answer any questions.



Quality Jobs and Supports Build Strong Workplaces

Barbara Gault, Ph.D.
Vice President and Executive Director
Institute for Women's Policy Research

Testimony before the Joint Economic Committee
June 18, 2014

Statement of Barbara Gault
Vice President and Executive Director, Institute for Women's Policy Research
Quality Jobs and Supports Build Strong Workplaces

Thank you, Chairman Brady, and Vice Chair Klobuchar, for this opportunity to speak to the committee about empowerment in the workplace. Employees are empowered through access to quality jobs and services that help them build skills, to support and care for families, and do their best work every day. Research shows the important benefits brought to businesses, families, the economy, and society as a whole when employers offer jobs with fair wages, paid sick days, predictable schedules, and when workers have access to supports such as quality early care and education, paid parental leave, and the Earned Income Tax Credit (EITC).

Many basic workplace benefits and supports are inequitably distributed in today's economy. Almost four in ten (39 percent) private sector workers in the United States lack access to a single earned sick day (Williams and Gault 2014). Among Hispanic workers, 53 percent do not receive paid sick days, compared with 36 percent of white workers (Williams and Gault 2014). Employees in food preparation and direct care health care occupations are especially unlikely to be able to take a day off with pay when they are sick (Williams and Gault 2014), which increases contagion in the workplace (Smith and Kim 2010), forestalls preventive health care, and costs taxpayers and businesses millions of dollars each year in unnecessary health expenditures (Miller, Williams, and Yi 2011) and lost productivity (Cook, Heller, Bhatia, and Farhang 2009). Since employees, on average, take so few paid sick days when they are available, the costs to employers are negligible and offset by benefits in the form of health, safety, productivity, and retention (Barthold and Ford 2012; Williams and Andrzejewski 2014).

Research has found that when parents have access to stable child care, they stay in their jobs longer (Lee 2007), and exposure to high quality early care and education among low-income children leads to social and economic gains to families and society that last decades (Heckman et al. 2010; Schweinhart et al. 2005). In many states, however, economic growth is hampered by a lack of access to affordable, quality child care. Infant care costs more than public college tuition in 31 states (Child Care Aware 2013), and 19 states have waiting lists or frozen intake for subsidies (Schulman and Blank 2013). Among community college students seeking to gain job skills, a striking 30 percent are parents of dependent children (IWPR calculations, 2012 National Postsecondary Student Aid Survey), but less than half of community college campuses have child care facilities (Gault, Reichlin, and Román 2014), and those that do have long waiting lists (Miller, Gault, and Thorman 2011). Research finds that when parents attain postsecondary

education, their children experience real-time cognitive gains, especially if parents go to college while their children are still young (Magnusen 2007). Empowered workplaces need skilled workers with stable, reliable child care arrangements that allow them to focus on doing their best jobs.

Workers in hourly positions often have difficulty arranging child care, elder care, or college attendance due to increasingly common scheduling practices that give them only a few days' notice of their schedules, or that require them to be available for call-in shifts (Lambert, Halye-Lock, and Henly 2012). We can empower workers to plan ahead by requiring employers to distribute schedules with sufficient advance notice, and by prohibiting retaliation against workers who request schedule changes (Watson, Frohlich, and Johnston 2014). Improved scheduling practices also have bottom line benefits for businesses – they are associated with lower absenteeism and turnover and heightened employee engagement (Moen, Kelly, and Hill 2011).

Expanded access to paid family and medical leave insurance can also help families stay connected to work while they care for newborns, sick children, or elderly parents; or seek treatment for their own serious medical condition (Baum and Ruhm 2013). While such benefits are the norm in other high-income countries (Heymann and McNeill 2013), the United States has yet to establish a family and medical leave insurance system, which would help employers retain talent, and improve the health and welfare of families and children (Berger, Hill, and Waldfogel 2005; Chatterji and Markowitz 2012; Heymann, Raub, and Earle 2011). Three states, Rhode Island, California, and New Jersey, have established paid family leave programs, and these successful state models demonstrate that a federal family and medical leave insurance program is both attainable and cost effective. In a study of California's paid family leave program, the vast majority of employers report increases in employee morale, minimal costs, and positive or no noticeable effects on productivity (Appelbaum and Milkman 2011).

Allowing transparency in pay would also go far toward creating empowered workplaces and helping women address gender-based pay inequities. About half of all workers say they could be disciplined or reprimanded for sharing salary information (IWPR 2014). An analysis by the Institute for Women's Policy Research finds that if women earned wages equal to those of men with the same education levels and work hours, the poverty rate among working women would be cut in half, falling to 3.9 percent from 8.1 percent (Hartmann, Hayes, and Clark 2014).

Finally, we can strengthen our economy through basic supports to help low-income adults when they are looking for work, attending school, or receiving wages that are too low to cover their basic needs. Recent economic analysis of the effects of the EITC over several decades demonstrates the program's effectiveness at helping families maintain work (Meyer and Rosenbaum 2001). The Center on Budget and Policy Priorities found that in 2012 alone, the EITC lifted 6.5 million people out of poverty (CBPP 2014). Similarly, the U.S. Census Bureau finds that unemployment insurance keeps millions of job seekers from falling into poverty each year (DeNavas-Walt, Proctor, and Smith 2011).

Employees, businesses, and our communities as a whole are stronger when people have the supports they need to attain new skills, stay healthy, care for their families, and maintain secure, high quality jobs.

Thank you.

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Empowerment in the Workplace

Testimony Before the Joint Economic Committee United States Congress

I am Rachel Greszler, Senior Policy Analyst in Economics and Entitlements in the Center for Data Analysis at the Heritage Foundation. The views I express in this testimony are my own and should not be construed as representing any official position of The Heritage Foundation.

Vice-Chair Klobuchar, Chairman Brady, and members of the committee, thank you for the opportunity to testify today on the topic of workplace empowerment.

My testimony consists of three components: First, the lack of empowerment that exists for workers without jobs in today's weak labor market; second, policies that are holding back workplace empowerment; and third, some examples of companies that are leading the way in workplace empowerment.

Workplace Empowerment Is Nonexistent for the Unemployed

Empowerment encompasses a number of qualities including confidence, autonomy, and access to authority and influence. In short, empowerment is the opposite of micromanagement. Empowerment is beneficial for employees and employers alike: It leads to more satisfied and motivated employees and higher levels of productivity and innovation. This, in turn, helps economic growth and government tax revenues.

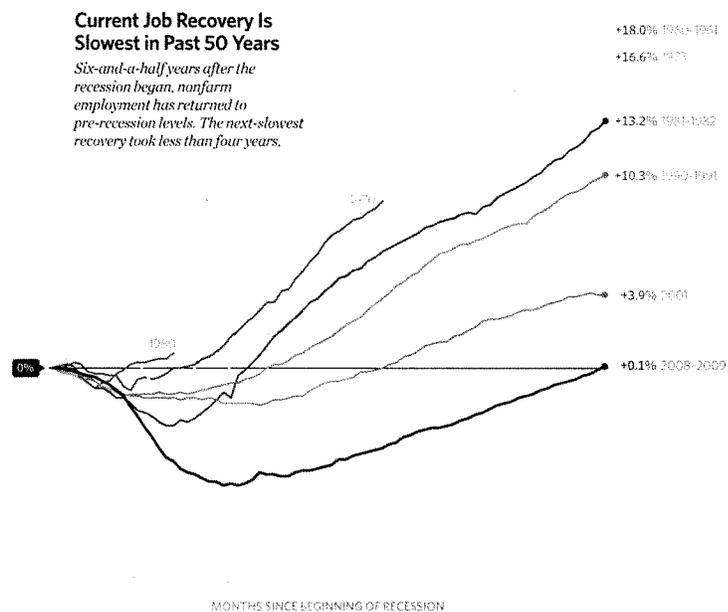
Employees' sense of workplace empowerment varies significantly across the labor force, but there is a universal lack of empowerment among the unemployed. Before workers can become empowered, they must first have a job. Government assistance can prevent the unemployed from living in poverty, but it cannot embolden them in the same way as a productive and meaningful job.

With nearly 10 million workers unemployed and another 8 million having left the labor force since the start of the recession, lack of employment is a significant barrier to workplace empowerment.

A picture is often worth a thousand words, and the graph I have included below that compares the current labor market recovery to that of other post-WWII recoveries is very telling. Employment during recessions and recoveries typically follows a U-shaped or V-shaped pattern. Declines in employment are typically matched with equal rebounds in employment. On average, it has taken 25 months for employment to return to its pre-recession level. In the current

recovery, however, it took three times that amount, or 76 months. Last month, May 2014, was the first month in which total nonfarm payroll employment finally caught back up to its pre-recession level.

PERCENT CHANGE IN NONFARM PAYROLLS SINCE START OF RECESSION



Source: U.S. Department of Labor, Bureau of Labor Statistics / Haver Analytics.
Figures are for nonfarm payrolls and exclude temporary Census workers.

heritage.org

While the official unemployment rate has declined, millions of workers have left the labor force. The labor force participation rate today is at a 36-year low of 62.8 percent. While some of the decline in labor force participation can be attributed to demographics—the aging of the baby boomers and changes in college attendance—a study by my colleague James Sherk at The Heritage Foundation shows that only one-quarter of the decline in labor force participation is the result of demographic changes.¹ Netting out those demographic effects, the labor force today is

¹James Sherk, “Not Looking for Work: Why Labor Force Participation Has Fallen During the Recession,” Heritage Foundation *Backgrounder* No. 2722, update, September 5, 2013, <http://www.heritage.org/research/reports/2013/09/not-looking-for-work-why-labor-force-participation-has-fallen-during-the-recession>.

nearly 6 million workers below what it would be if labor force participation were at its pre-recession level.²

Lower labor force participation translates into lower output, smaller incomes, higher government spending, and lower tax revenues. These are all drains on the economy.

Why Is Employment Lacking?

According to the April 2014 survey by the National Federation of Independent Business, half of small and independent businesses say that it is a bad time to expand facilities while only eight percent say it is a good time.³ When asked to cite their single biggest problem, taxes were the most frequently cited concern, followed by government requirements and red tape.⁴

Obamacare is one policy that has contributed to higher taxes and regulations. According to recent Federal Reserve Beige Books, “[C]ontacts remain concerned about general macroeconomic conditions and uncertainty surrounding healthcare reform,” and “many contacts indicated that non-wage labor costs increased because of higher healthcare premiums.”⁵

Other unnecessary regulations are significantly driving up employers’ costs and reducing employment. For example, Section 404 of the Sarbanes–Oxley Act requires publicly traded firms to have an annual external audit of their financial controls. This regulation provides little benefit to shareholders, but it costs an average 0.5 percent of revenues (\$1.5 million a year) for small to medium-sized companies. Nationally, Section 404 costs the economy \$35 billion a year.⁶

Increased costs and regulations make it harder for businesses to start up and expand. A recent study by the Brookings Institute noted a sharp decline in business dynamism and entrepreneurship over the past decades. According to the report,

²Author’s calculations. The labor force participation rate was 66.0 percent in December 2012 and 62.8 percent in May 2014. If the May participation rate were 66.0 percent, rather than 62.8 percent, the size of the labor force would be greater by 7.9 million. Netting out a 25 percent demographic factor, the labor force would be higher by 6 million.

³William C. Dunkelberg and Holly Wade, “NFIB Small Business Economic Trends,” National Federation of Independent Business, May 2014, <http://www.nfib.com/Portals/0/PDF/sbet/sbet201405.pdf> (accessed June 13, 2014).

⁴Ibid.

⁵Federal Reserve Board, “Summary of Commentary on Current Economic Conditions by Federal Reserve District,” March 5, 2014, http://www.federalreserve.gov/monetarypolicy/beigebook/files/Beigebook_20140305.pdf (accessed June 16, 2014).

⁶James Sherk, “Avoiding a Lost Generation: How to Minimize the Impact of the Great Recession on Young Workers,” testimony before the Joint Economic Committee, U.S. Congress, May 26, 2010, http://www.heritage.org/research/testimony/avoiding-a-lost-generation-how-to-minimize-the-impact-of-the-great-recession-on-young-workers#_ftn14.

Business dynamism and entrepreneurship are experiencing a troubling secular decline in the United States.... [B]usinesses are hanging on to cash, fewer people are launching firms, and workers are less likely to switch jobs or move.⁷

The authors of the report noted that mounting government regulations could be contributing to the decline in dynamism and entrepreneurship as it has become extremely costly for younger and smaller firms to comply with ever-growing regulations.

Not only is it difficult for businesses to expand and hire more workers, but it has become easier for workers to not work. The availability of generous government transfer programs and a permissive disability insurance program make it possible for able-bodied individuals to maintain a comfortable standard of living without working.

Less work means lower economic output. This creates a double whammy for the federal budget; lower output leads to fewer tax revenues, and transfer payments to low-income, unemployed, and disabled workers drive up government spending.

Policymakers need to relieve employers and entrepreneurs of the red tape and economic burdens that are holding them back from investing, expanding, and hiring more workers. On the employee side, policymakers need to create an environment that encourages and rewards work while making it more difficult for able-bodied individuals to choose not to work. Reform of the disability insurance program—to reduce abuse of the program and preserve benefits for the truly disabled—should be the first step.

Empowering Workers Who Have Jobs

For the roughly 146 million workers who are fortunate to be employed today, a number of actions could help empower these workers with more control over their jobs, more input into their companies' policies and plans, greater opportunities for advancement, and ultimately higher levels of satisfaction and productivity.

Labor Laws. For starters, U.S. labor laws are outdated. Laws governing labor unions were created in the 1930s for a largely industrial economy that no longer exists. Whereas unions were initially thought to empower workers through collective bargaining, their impact today is more often to impede workers by preventing individual raises and excluding workers from having a formal voice on the job. Furthermore, labor laws were created at a time when few women participated in the labor force, so it is no wonder these laws take little account of the needs of working women.

⁷Ian Hathaway and Robert E. Litan, "Declining Business Dynamism in the United States: A Look at States and Metros," The Brookings Institute, May 2014, http://www.brookings.edu/~media/research/files/papers/2014/05/declining%20business%20dynamism%20litan/finale2_declining_business_dynamism_its_for_real_hathaway_litan.pdf (accessed June 13, 2014).

Unions Restrict Employment. Economically, unions function as labor cartels; they restrict the supply of labor in order to drive up its cost. This also reduces the quantity of labor employers demand. Unions benefit their members by restricting competition and reducing job growth in their industry. The recent union attempts to prevent non-union competitors like Uber and Norwegian Air from entering the taxi and international airline markets, respectively, illustrate this phenomenon.

This also explains why unionized businesses create significantly fewer jobs than non-unionized ones. While manufacturing has been declining for decades in America, the entire decline has occurred among unionized manufacturers. Non-union manufacturing employment in 2013—at 12.6 million—stands at the same level it did in 1977. Unionized manufacturing, however, declined 80 percent over that same period, from 7.5 million to 1.6 million.⁸

Union Salary Negotiations Create Winners and Losers. Not only do unions lead to lower employment, but their salary negotiations effectively create winners and losers. By forcing employers to base salaries on seniority, more productive employees cannot be recognized for their contributions while less productive employees receive unmerited pay.

The case of Giant Eagle is a perfect example. In 2011, the Giant Eagle grocery store in Edinboro, Pennsylvania, rewarded two dozen of its hardest working employees with a pay raise above their union rates. However, some of those employees receiving raises lacked seniority in comparison to those who did not receive raises, so the United Food and Commercial Workers Local 23 union filed a grievance.⁹ An arbitrator, and later the courts, sided with the union and awarded it exactly what it wanted; Giant Eagle was forced to rescind the pay increases.

Performance pay can raise the incomes of all workers. When employees are paid based on their performance, they tend to be more productive. Additionally, performance pay is associated with higher overall job satisfaction.¹⁰

Unionized pay scales can be particularly harmful to women because women are more likely to take time out of the labor force to care for children. Time out of the labor force translates to lower seniority, and therefore lower pay.

Policymakers should remove the ability of unions to veto individual raises. Senator Marco Rubio (R-FL) and Representative Todd Rokita (R-IN) have introduced the Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act, which would retain union wages as a

⁸Barry T. Hirsch and David A. Macpherson, *Union Membership and Coverage Database from the Current Population Survey*, Union Stats, <http://www.unionstats.com> (accessed June 13, 2014).

⁹James Sherk, "Want to Help Workers? Reinvent the Union," Heritage Foundation *Commentary*, May 2, 2014, <http://www.heritage.org/research/commentary/2014/5/want-to-help-workers-reinvent-the-union>.

¹⁰Colin Green and John S. Heywood, "Does Performance Pay Increase Job Satisfaction?" Lancaster University, University of Wisconsin-Milwaukee and University of Birmingham, March 29, 2007, <http://onlinelibrary.wiley.com/doi/10.1111/j.1468-0335.2007.00649.x/pdf> (accessed June 17, 2014).

wage floor while allowing employers to raise wages above that floor.¹¹ A Heritage Foundation report finds that the RAISE act could increase the average union member's salary by \$2,700 to \$4,500 per year.¹²

Unions Restrict Employee-Employer Communication. Federal law prohibits any formal two-way communication between employees and employers over working conditions outside collective bargaining. The union speaks on the workers' behalfes; workers cannot speak on their own and if they do not have a union, they lack an institutional voice entirely—even if both workers and management want such dialogue.

Federal law denies workers who do not want union representation a formal voice on the job, as the recent vote at Volkswagen demonstrated. The company wanted to create a Works Council to expand its employees' voice in corporate governance. Volkswagen believed this would improve its operations. Volkswagen's employees, however, did not want the United Auto Workers (UAW) to represent them and voted against unionizing. As one Volkswagen employee told reporters, "We also looked at the track record of the UAW. Why buy a ticket on the Titanic?"¹³ Consequently, Volkswagen could not implement a Works Council. Its employees' aversion to the UAW also prevented them from speaking through formal non-union channels.

It is hard for workers to feel empowered or to have control over their job if they can only approach their employer with a union representative present and if their concerns can only be addressed through a collective bargaining process.

Women are also more likely to be hurt by this lack of direct communication between employees and employers over working conditions. Women are more likely to have individual needs and circumstances that could be easily accommodated through mutual negotiations with an employer. For example, a woman returning from maternity leave may want to work part-time for a short period, or a woman caring for an elderly parent may suddenly need to adjust her schedule or take time off. Universal policies, as negotiated by unions, are unlikely to meet the needs of women who often require greater flexibility in the workplace than men.

Employee-involvement (EI) programs could help give workers a voice on the job. EI programs consist of groups of employees and supervisors—often in the form of committees or teams—that

¹¹Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act, S. 1542, <https://www.govtrack.us/congress/bills/113/s1542> (accessed June 17, 2014), and Rewarding Achievement and Incentivizing Successful Employees (RAISE) Act, H.R. 3154, <https://www.govtrack.us/congress/bills/113/hr3154> (accessed June 17, 2014).

¹²James Sherk and Ryan O'Donnell, "RAISE Act Lifts Pay Cap on Millions of Workers," Heritage Foundation *Backgrounder* No. 2702, June 19, 2012, <http://www.heritage.org/research/reports/2012/06/raise-act-lifts-pay-cap-on-millions-of-american-workers>.

¹³Bernie Woodall, "Loss at Volkswagen Plant Upends Union's Plans for U.S. South," Reuters, February 15, 2014, <http://www.reuters.com/article/2014/02/15/us-autos-vw-election-idUSBREA1D1DP20140215> (accessed June 16, 2014).

meet to discuss and confront workplace issues. Polls show that 60 percent of workers prefer IE programs over labor unions or government regulations to improve working conditions.¹⁴

Yet, under the National Labor Relations Act (NLRA), most EI programs are illegal unless they are run by an outside union.¹⁵

Congress should remove the section 8(a)(2) proscription on employee involvement programs to allow employees direct access to employers regarding workplace conditions.

Ease Licensure Laws. Licensure laws are requirements, most often by states, to obtain a license to practice a certain trade. Requirements—in terms of training, exams, and other qualifications—vary significantly across professions and across states. Some professions, such as emergency medical technicians and cosmetologists require a license in every state while others, such as fortune tellers and cat groomers, are less likely to require licensure.

Despite the assumption that licensing is necessary for certain professions, evidence suggests that licensing does not improve quality. A study of dental hygienists showed that performance in states that required them to operate under the supervision of a dentist was not superior to performance in states that allowed them to operate separately and refer patients to dentists, but that stricter licensing laws reduced the supply of hygienists and increased the prices of dental care.¹⁶ Additionally, because dentists are predominantly male and dental hygienists are predominantly female, laws that require hygienists to practice under the supervision of dentists tend to benefit males at the expense of females.¹⁷

Additionally, lack of uniformity in licensing requirements across states suggests that many licensure requirements are unnecessary and onerous. A study by the Institute for Justice looked at 102 licensed occupations with below-average wages. It found that only 15 of the occupations required licensing in 40 states or more, and of 102 total licensed occupations, the average state required licensing for only 22.¹⁸ As the study pointed out, requirements for the same license vary

¹⁴James Sherk, “Expand Employee Participation in the Workplace,” Heritage Foundation *Issue Brief* No. 4169, March 13, 2014, <http://www.heritage.org/research/reports/2014/03/expand-employee-participation-in-the-workplace>.

¹⁵*Ibid.*

¹⁶Morris M. Kleiner and Robert T. Kudrle, “Does Regulation Affect Economic Outcomes? The Case of Dentistry,” *Journal of Law and Economics*, Vol. 43 (October 2000), pp. 547–582, <http://pirate.shu.edu/~rotthoku/Liberty/Does%20Regulation%20Affect%20Economic%20Outcomes%20the%20Case%20of%20Dentistry.pdf> (accessed June 17, 2014).

¹⁷Morris M. Kleiner and Kyoung Won Park, “Battles Among Licensed Occupations: Analyzing Government Regulations on Labor Market Outcomes for Dentists and Hygienists,” National Bureau of Economic Research *Working Paper* No. 16560, November 2010, <http://www.nber.org/papers/w16560> (accessed June 16, 2014).

¹⁸Dick M Carpenter II, Lisa Knepper, Angela C. Erickson, and John K. Ross, “License to Work: A National Study of Burdens from Occupational Licensing,” Institute for Justice, May 2012, https://www.ij.org/images/pdf_folder/economic_liberty/occupational_licensing/licensetowork.pdf (accessed June 13, 2014).

significantly across states: For example, 10 states require manicurists to obtain four or more months of training while others require fewer than 10 days.¹⁹

Many licensing requirements are arbitrary and irrational. For example, the average cosmetologist spends 372 days in education and training whereas the average EMT spends only 33 days.²⁰ Excessive requirements for certain occupations restrict the supply of labor for those occupations, driving up wages and prices in those occupations.

Adam Smith described licensure laws as a conspiracy of trades to reduce the availability of skilled craftsmen in order to raise wages.²¹ According to a report by the Kauffman Task Force on Entrepreneurial Growth,

Licensing regulation enables incumbent providers to thwart competition and innovation by raising entry barriers to entrepreneurs who may be able to deliver these services at lower cost and/or higher quality.²²

Excessive licensing can reduce employment and incomes and prevent individuals from improving their economic circumstances. A high percentage of licensed occupations are ones that low-income workers and women would find highly desirable and achievable if it were not for the time and costs required to obtain a license. Low-income individuals often lack the resources necessary to obtain a desired license, so they end up staying put in low-paying jobs with little opportunity for advancement. Likewise, it is generally much harder for mothers who want to make some extra money cutting hair to spend the time and money necessary to obtain a barber's license than it is for a man or childless woman.

States should be encouraged to re-evaluate their licensure laws. Licensing requirements should be eliminated or reduced in accordance with cost-benefit analysis of their public interest and economic consequences. Additionally, states should allow cross-state licensing reciprocity so that a massage therapist who practices in one state would not have to go through the entire licensure process again upon moving to a different state.

Encourage Cash Option in Cafeteria Plan Choices. A lesser known or publicized way to empower workers is by allowing employees to exchange cash wages for cafeteria plan benefit options. Cafeteria plans are compensation options offered by employers to employees in

¹⁹Ibid.

²⁰Ibid.

²¹Morris M. Kleiner and Alan B. Krueger, "Analyzing the Extent and Influence of Occupational Licensing on the Labor Market," National Bureau of Economic Research *Working Paper* No. 14979, May 2009, <http://www.nber.org/papers/w14979.pdf> (accessed June 13, 2014).

²²The Kauffman Foundation, "A License to Grow: Ending State, Local, and Some Federal Barriers to Innovation and Growth in Key Sectors of the Economy," Kauffman Task Force on Entrepreneurial Growth, January 2012, http://www.kauffman.org/-/media/kauffman_org/research%20reports%20and%20covers/2012/02/a_license_to_grow.pdf (accessed June 13, 2014).

exchange for what is typically a pre-tax reduction in salary. Common cafeteria plan offerings include flexible spending accounts, transportation benefits, and health insurance premiums.

In the case of health insurance premiums, employers often pay thousands of dollars (even upwards of ten thousand) of workers' premiums. However, if an employee does not elect to sign up for health insurance coverage, they do not receive any additional compensation in return for the savings to their employer.

Women, primarily because of their greater propensity to take time out of the labor force or work part-time, are more likely to turn down employer-provided health insurance because they already have family coverage through their husband. *If employers were to give employees the option of cash wages in exchange for not electing employer-provided benefits, many women would be able to garner significantly higher wages.* The option of higher wages would also encourage labor force participation.

As an added bonus, allowing employees to choose between cash wages and health insurance benefits could drive down health care costs. Greater awareness of the total cost of health insurance premiums could spur employees to demand less costly, more efficient plans, such as high-deductible and health spending account plans.

Avoid Government Micromanagement of Businesses

Employee empowerment is an important component of workplace empowerment, but if employers are not empowered to run their businesses based on their own needs, workers cannot be empowered. A number of recent proposals and executive actions seek to micromanage employers. Government micromanagement of firms' employment practices is worse than firm-level micromanagement.

The proposed Paycheck Fairness Act would effectively end performance-based pay. By significantly increasing businesses' liabilities for pay differentials caused by factors other than sex, the law would effectively force employers to implement one-size-fits-all pay scales that would translate to one-size-fits-all jobs. Few businesses can claim that performance bonuses or flexible workplaces are a matter of "workplace necessity." Consequently, flexible work arrangements and employee autonomy would fall by the wayside. Despite its name, the Paycheck Fairness Act would be anything but fair to women who have worked long and hard to achieve increased flexibilities and opportunities in the workplace today.

Another proposed policy that would limit employers' ability to pay employees according to their contributions is the President's proposal to raise the cap for overtime pay. Currently, salaried employees who earn less than about \$24,000 per year must receive overtime pay if they work more than 40 hours per week. Salaried employees who earn more than that are only required to

receive overtime if they do not pass the test of having sufficiently advanced job duties, as defined by Department of Labor regulations. The White House has suggested that this cap should be raised to somewhere between \$28,600 and \$50,440.²³

These regulations will not accomplish the President's goal of raising wages. Even Jared Bernstein, the former top economic advisor to Vice President Biden, has written that employers will offset higher overtime costs by reducing base pay rates, resulting in little change to total overall pay.²⁴ A recent lawsuit illustrates this phenomenon. In a settlement IBM agreed to provide several thousand salaried workers overtime. IBM also cut those employees' base salaries by 15 percent so that after overtime they received the same as before.²⁵

Unfortunately, expanding overtime to every salaried employee making less than \$50,000 a year will force their employers to rigorously monitor employee hours to track overtime liability. This would effectively prohibit the flexible work arrangements that many employees—and especially working mothers—value. As a working mother, I negotiated to work from home one or more days per week. I know of many other working mothers who also enjoy the ability of working from home; not only does it save time and money commuting, but the lack of office distractions creates a highly productive environment.

But firms cannot track the hours of employees who work from home. As a result, companies would be less likely to allow employees to telework if they are required to pay them overtime. This was precisely the case with Pitney Bowes, a large manufacturer. This company wanted to allow certain employees to work from home, but that they could not because the employees qualified for overtime and the firm could not track their hours outside the office.²⁶

Instead of issuing top-down regulations on businesses' employment practices, the government should instead encourage employers to empower employees with individual choices, flexibility, input, and opportunity. Employers can only provide these things when they are allowed to pay employees based on their individual performance.

Examples of Entrepreneurs and Workplace Empowerment: Etsy, Uber, and Food Trucks

²³Zachary A. Goldfarb and Josh Hicks, "Obama's Expected Change to Overtime Rules Would Make More Eligible for Extra Pay," *The Washington Post*, March 12, 2014, http://www.washingtonpost.com/politics/obama-to-order-expansion-of-overtime-pay/2014/03/12/3262d334-a9f2-11e3-8599-cc7295b6851c_story.html (accessed June 13, 2014).

²⁴Ross Eisenbrey and Jared Bernstein, "New Inflation-Adjusted Salary Test Would Bring Needed Clarity to FLSA Overtime Rules," Economic Policy Institute, March 13, 2014, <http://www.epi.org/publication/inflation-adjusted-salary-test-bring-needed/> (accessed June 16, 2014).

²⁵James Sherk, "Goodbye, Flexible Work Arrangements," Heritage Foundation *Commentary*, March 20, 2014, <http://www.heritage.org/research/commentary/2014/3/goodbye-flexible-work-arrangements> (accessed June 13, 2014).

²⁶*Ibid.*

Etsy is an online marketplace where people sell and buy unique, often handmade goods. It was founded in 2005 and did not become profitable until four years later, in 2009. Today, it has 500 employees, more than 1 million active shops/sellers, more than 40 million members, and \$1.35 billion in 2013 sales revenues.²⁷

Setting up a marketplace to sell one's goods—either online or in an actual building—typically requires a great deal of time, money, paperwork, and commitment. Etsy provides a marketplace for individuals to sell their goods and services with minimal cost, administration, and bureaucracy. It is a place where individuals can test the waters, work as much or as little as they like, earn pocket money or significant incomes, and act as their own bosses. Etsy is a place where individuals do not have to jump through a bunch of hoops, invest a significant amount of money, or commit to a regular work schedule.

The availability of work options such as Etsy allows individuals who many not otherwise participate in the labor force to do so. Of Etsy's more than 1 million sellers: 88 percent are women; 74 percent consider their Etsy shops as businesses; and 94 percent desire to increase their future sales. This suggests that nearly all Etsy sellers are willing to work more. I suspect that a significantly smaller portion of all workers in the U.S. would say they want to spend more time in their jobs. When workers have input into their jobs and control over their schedules, they are far more likely to feel empowered and to work more.

Two other examples of entrepreneurship and workplace empowerment exist just outside the steps of Congress: Uber and food trucks. Uber is a software company that contracts with individual drivers who use Uber's technology in exchange for a cut of the fares they receive. Uber's unique technology allows individuals searching for transportation services to "request, ride, and pay via [their] mobile phone." Customers can choose their driver based on proximity, view their driver's impending arrival, and enjoy cash-less transactions (tips are included in the base fair) through a mobile device app. Uber drivers act as their own bosses, working as much or as little as they like. While individual drivers are not employees of Uber, Uber nonetheless prides itself on employee empowerment. According to its website:

"Every role matters because anything and everything our employees work on affects the daily lives of people around the world."

"At Uber, the best idea always wins. We empower our teams to find creative solutions to difficult problems."²⁸

Food trucks are another example of entrepreneurship and empowerment flourishing under fewer government constraints. Because food trucks operate without a brick-and-mortar storefront, they enjoy lower start-up and operational costs, and require arguably fewer regulations.

²⁷Etsy, "At a Glance," https://www.etsy.com/press?ref=ft_press (accessed June 13, 2014).

²⁸Uber: Employment, <https://www.uber.com/jobs> (accessed June 13, 2014).

Both Uber and the food truck industry offer superior customer service, as evidenced by their success, yet these innovative business structures are being threatened by demands—from their competitors—to impose hefty new regulations and costs that will depress their growth and profitability.

Congress, along with state and local policymakers, should refrain from imposing unnecessary and costly regulations on new, innovative companies and should instead look to the success of these businesses as ways to promote greater entrepreneurship and empowerment. When the entrance of new businesses or markets reveals a comparative advantage, policymakers should seek to lift the disadvantaged up to the level of the advantaged by reducing their costs and regulations, as opposed to driving down those with a current advantage through new costs and regulations.

Conclusion

In summary, the first step toward workplace empowerment is for individuals to have a workplace in which they can become empowered. Policymakers should consider cost-benefit analysis of existing regulations and red tape, create greater certainty for businesses through fiscal discipline, and reform programs that discourage work among able-bodied individuals. Second, labor laws should be brought up to date, giving employees an individual voice on the job and the opportunity to be paid according to their work. Third, high marginal tax rates should be reduced and programs that impose disincentives for work should be reformed. Fourth, states should ease restrictions and requirements on licensure laws where evidence shows such laws to be unnecessary and harmful. Fifth, employers should consider allowing employees to choose between employer-provided benefits such as health insurance and cash or other benefits. Sixth, policymakers should look to the successes of less regulated businesses and entrepreneurs as ways to empower existing employers and employees, and should avoid micromanaging employers in ways that will reduce employee empowerment.

**Statement Prepared for a Hearing
of the Joint Economic Committee of the United States Congress on
“Empowerment in the Workplace”**

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June 18, 2014

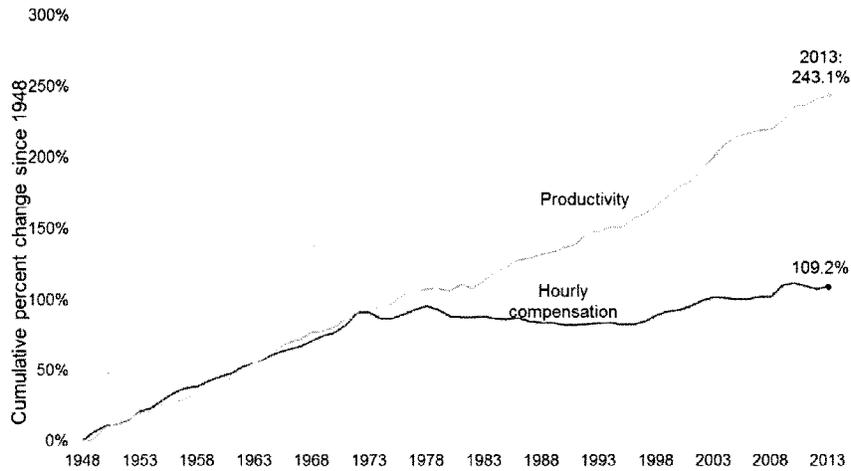
Good afternoon Chairman Brady, Vice Chair Klobuchar, and other distinguished members of the committee. My name is Heidi Shierholz, and I am a labor market economist at the Economic Policy Institute in Washington, D.C. I appreciate the opportunity to appear before you today to discuss the topic of empowerment in the workplace.

It is perhaps useful to start by defining what is meant by an “empowered workforce.” Under any reasonable definition, an empowered workforce is one that shares fairly in the fruits of its labor. This means that the mark of empowerment can be seen in the data on productivity—how much economic output workers produce on average in an hour of work—and compensation. In particular, a minimal definition of an empowered workforce is a workforce where, as productivity grows, most workers share in those gains and see compensation growth. By contrast, an economy where productivity grows but the fruits of that growth accrue to just a small sliver of workers is an economy where that small share is empowered, but where the workforce overall is broadly disempowered.

From the late 1940s to the mid-1970s, the U.S. had an empowered workforce by this definition. **Figure A** shows productivity growth along with growth in hourly compensation for private-sector production and nonsupervisory workers, who comprise slightly more than 80 percent of private-sector payroll employment. From the late 1940s to the mid-1970s, as productivity grew, compensation grew with it in lock step. Since the 1970s, however, the U.S. has not met that minimal definition of an empowered workforce. Productivity continued to rise consistently, but the typical worker’s compensation began lagging further and further behind.

Rising wage inequality is at the core of the disconnect between productivity growth and compensation growth for most workers since the 1970s. As **Figure B** shows, between 1979 and 2012, wages grew by 35 percent on average. But that average growth masked enormous variation by wage level. The top 1 percent saw their wages grow by more than 150 percent over this period. The bottom 90 percent of the wage distribution, on the other hand, saw growth of 17 percent—about half of the overall average growth rate. In other words, the top captured so much of the growth over this period that *the entire bottom 90 percent* saw wage growth that was lower than average. Workers were more productive, but the fruits of that productivity growth were not going to most workers; they were instead accruing to a small share of high-wage earners. The fact that the entire bottom 90 percent of the wage distribution saw below-average wage growth over the last 35 years means that a discussion about workplace empowerment—or, for the last 35 years, the lack thereof—boils down in a very real sense to a discussion of rising wage inequality.

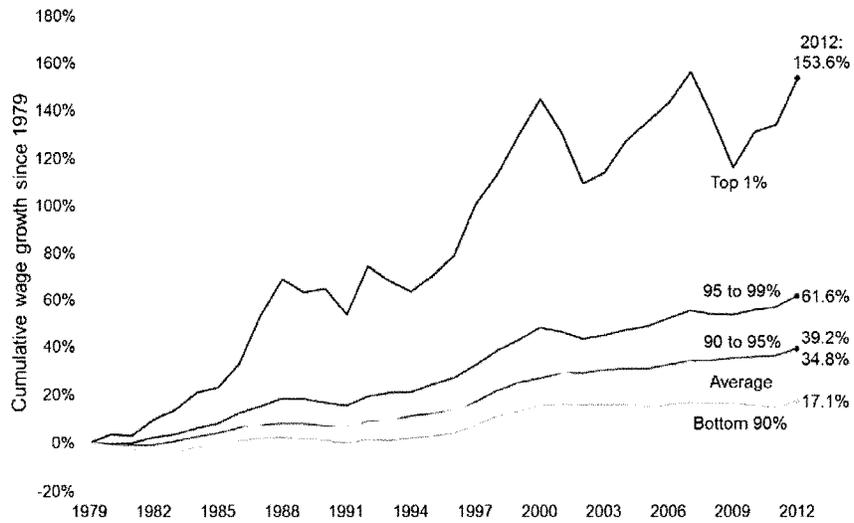
Figure A: Productivity and typical worker's compensation, 1948–2013



Note: Data are for compensation of production/nonsupervisory workers in the private sector and net productivity of the total economy. "Net productivity" is the growth of output of goods and services less depreciation per hour worked.

Source: Authors' analysis of data from BLS Labor Productivity and Costs program, Bureau of Labor Statistics *Current Employment Statistics* public data series and *Employer Costs for Employee Compensation*, and Bureau of Economic Analysis *National Income and Product Accounts* (Tables 2.3.4, 6.2, 6.3, 6.9, 6.10 and 6.11)

Figure B: Cumulative change in real annual wages, by wage group, 1979–2012



Source: Authors' analysis of Kopczuk, Saez, and Song (2010) and Social Security Administration wage statistics

Knowing what is behind rising wage inequality and the disempowerment of the workforce is crucial to knowing what steps policymakers can take to reverse it. I am very pleased that the committee is focusing this hearing on labor market practices and policies, which are a key—but often overlooked—part of this dynamic. I will briefly mention several policies in this area that could help ensure fair pay and stronger benefits for workers:

- **A higher minimum wage.** In inflation-adjusted terms, the minimum wage is now more than 25 percent below its peak in 1968, despite a low-wage workforce that is much older and more educated. In the 1950s and 1960s, a period of a broadly empowered workforce, the minimum wage grew in tandem with productivity growth. If the minimum wage had grown at just *one-fourth* the speed of productivity growth since then, it would now be over \$12.00. The Harkin-Miller proposal to raise the minimum wage to \$10.10 by 2016 would provide a crucial boost to this eroded labor standard.
- **A higher overtime salary threshold.** The real value of the salary threshold under which all salaried workers, regardless of their work duties, are covered by overtime provisions has been allowed to erode dramatically. Simply adjusting the threshold for inflation since 1975 would raise it to \$984 per week, from its current level of \$455, guaranteeing additional millions of workers time-and-a-half pay when they work more than 40 hours in a week.
- **Combat “just-in-time” schedules.** Low-wage service workers are increasingly subject to employers’ “just-in-time” scheduling practices, an enormously disempowering practice where employers give workers little advance notice of their schedules, call workers into work during nonscheduled times to meet unexpected customer demand, and send workers home early when business is slow. Policymakers should pass laws that require minimum guaranteed hours per pay period and require compensation for a minimum number of hours when workers are called into or sent home from work unexpectedly.
- **Update labor law.** Labor law has not kept pace with dramatically increased employer aggressiveness in fighting unions, which has resulted in a growing wedge between workers’ desire to organize and bargain collectively and their ability to do so. Research shows that deunionization can explain about a third of the entire growth of wage inequality among men from 1973 to 2007 and around a fifth of the growth among women (Mishel 2012). The section of the National Labor Relations Act that authorized “right-to-work” laws should be repealed, significant penalties should be legislated for unfair labor practice violations, and the National Labor Relations Board should make its election process more efficient by eliminating wasteful waiting periods (Eisenbrey 2014).
- **Crack down on “wage theft.”** Wage theft is when employers do not pay workers for the work they have done, a practice rampant in the low-wage labor market. Employers steal billions of dollars from their employees each year by working them off the clock, failing to pay the minimum wage, and by not paying the overtime pay they have a right to receive. Survey research shows that well over two-thirds of low-wage workers have been the victims of wage theft, but the government resources to help them recover their lost wages are scant and largely ineffective (Bernhardt et al. 2009).
- **Crack down on misclassification.** Misclassification is when employers treat employees as independent contractors, which allows them to avoid paying workers compensation,

unemployment insurance, the minimum wage, or offering overtime, which in turn means workers are denied access to these benefits and protections (Eisenbrey 2014).

- **Mandatory paid leave policies.** Congress should enact a right to paid sick days. Two out of five private-sector workers are so disempowered that they lack the right to even a single day of paid sick leave (BLS 2013).
- **Equal pay for equal work/pay transparency.** Congress should pass the Paycheck Fairness Act, which would institute worker-empowering changes to the Equal Pay Act of 1963, including prohibiting retaliation against workers who inquire about their employers' wage practices or disclose their own wages.

Again I'd like to thank the committee for highlighting how labor market policies have affected worker empowerment. There is a strong public narrative that dismisses rising wage inequality and worker disempowerment as simply a natural and unstoppable consequence of a modern economy. But as I've shown, there are government policies at the root of rising wage inequality and worker disempowerment. That's actually good news, because it means that the dramatic rise in inequality that has impeded worker empowerment for a generation does not have to continue—it has been driven by many policy choices that can be changed. We need to enforce the labor standards we have, update the ones that need it, and empower workers to bargain for better working conditions for themselves and their families. For more information on this, please see a recent paper I coauthored, *Raising America's Pay: Why It's Our Central Economic Policy Challenge* (Bivens et al. 2014).

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