



# Legislative UPDATE

A weekly report from the Washington State Labor Council, AFL-CIO



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## Stop subsidizing union-busters

In 2003, we bought and swallowed a Big Gulp. And now, working families are getting a little indigestion.

To ensure that our state was chosen by Boeing for its 787 Dreamliner assembly work, then-Gov. Gary Locke warned legislators he would propose tax incentives big enough to make them "gulp." That he did, and the Legislature -- read: taxpayers -- swallowed all \$3.2-billion-over-20-years of them.

It was an unprecedented public subsidy, not just for Washington state, but for any state -- so big that it became part of an international trade dispute with Airbus and a case study in an Ernst & Young corporate-consulting presentation, "How to Turn Your Government Relations Department from a Money Pit to a Cash Cow." (We're not making that up.) That enormous package of tax breaks was touted as an opportunity to create not just 800 to 1,200 jobs assembling the 787, but to attract and retain other family-wage aerospace jobs among Boeing suppliers.

It's impossible to know just how big a factor the Big Gulp played in the company's decision, but Washington won the 787. Plus, Boeing has rebounded spectacularly from the industry's post-9/11 slump and now has a record backlog of jet orders, not just for 787s, but for its other commercial airplanes.

But now comes some indigestion. The International Association of Machinists District 751, which represents Boeing's hourly workers and was instrumental in supporting the passage of the 787 incentives back in 2003, has watched as its members' jobs have been outsourced to nonunion Boeing contractors, companies that benefit from the Big Gulp aerospace tax breaks. This was not the Legislature's intent, to subsidize Boeing suppliers that pay lower wages and offer fewer benefits so that the company could replace its good family-wage jobs.

Adding salt to that wound is the fact that some of these companies have aggressively fought to stop their employees from choosing for themselves whether they want to organize a union. For example, metal distributor and cutter TMX Aerospace in Auburn had 20 federal unfair labor practice charges brought against it for its conduct in opposing its employees' campaign to join the Machinists union.

So this year, with strong support from the Washington State Labor Council, the Machinists are supporting SB 5700 and HB 1828, the Aerospace Incentives Accountability bills. They would require recipients of the aerospace tax breaks to remain neutral and allow their employees to choose for themselves whether they want to organize a union. Any company that

actively discourages or encourages unionization would be disqualified from receiving the state subsidy.

Ultimately, federal labor law reform is necessary to restore the freedom to choose unionization; our state is not allowed to pass better laws to protect union rights. But our state can decide not to grant special subsidies to companies that choose to interfere with worker rights. We can implement a policy that tells these aerospace firms that when they choose not to be neutral, they are also choosing to sacrifice the special incentives that taxpayers have bestowed on them.

The WSLC applauds and thanks SB 5700 sponsor Sen. Margarita Prentice and co-sponsoring Sens. Kohl-Welles, Franklin, Keiser, Murray, Hatfield, Weinstein, Rasmussen, Hargrove, Tom and Kline; plus HB 1828 sponsor Rep. Mike Sells and co-sponsoring Reps. Campbell, Conway, Cody, Green, Seaquist, McCoy, Chase, Dunshee, Wood, Moeller, Kenney, P. Sullivan, B. Sullivan, Kirby, Roberts, Appleton, Blake, Hasegawa, Hunt, Miloscia, Lovick, Morrell, Williams, Rolfes, Hurst, Simpson and Ormsby. A hearing on HB 1828 is scheduled for Tuesday, Feb. 20 at 1:30 p.m. in House Commerce and Labor and that same day at a time TBA in Senate Labor and Commerce.

The unprecedented aerospace tax incentives the Legislature approved in 2003 are a good investment only if they produce family-wage jobs where workers' rights are respected. If this investment is succeeding in producing the good jobs as intended, then employers—with their happy workers—have nothing to fear from union neutrality.

## Action, not rhetoric needed on payday loans

Webster's defines "usury" as the act of lending money at an exorbitant rate of interest. It has been condemned by some of history's most important teachers of morality and ethics: Moses, Jesus, Mohammed, Aristotle... Oprah. In the *Divine Comedy*, Dante even places usurers in the seventh circle of hell.

Well, Dante wasn't a legislator. That kind of rhetoric may sell literary masterpieces, but it doesn't solve problems. And here at *WSLC Legislative Update*, we're all about solving problems.

One of the biggest problems Washington state legislators are finding with proposals to rein in the payday loan industry is

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that "exorbitant" interest is in the eye of the beholder. Is 391% an exorbitant annual interest rate for a short-term payday loan? Should our state, as one *Seattle Times* business columnist recently put it, "treat adults as adults" and let people make their own decisions about how much they'll pay for quick cash? Or should we protect desperate mostly low-income consumers from what many consider to be "predatory" lending?

Passions run high on both sides of the issue, not just in Olympia but across the nation as the industry has grown at an accelerated pace in the past decade. Industry lobbyists point out that they are filling a need for emergency/short-term borrowing, evidenced by more than 3.5 million payday loans taken out in Washington state last year. But advocates for poor and middle-income workers point to examples of people falling into a cycle of debt from which it can take years to extricate themselves.

The Washington State Labor Council is part of a coalition seeking to regulate practices in the industry that will enable borrowers to convert emergency debt into what it really is for many borrowers, short- to medium-term debt. Being able to consolidate all payday debt and to restructure it over a period of several months will help most borrowers from falling into a cycle of two-week borrowing from multiple shops, which traps them into an extended period of medium- to long-term debt at exorbitant interest rates. Loan consolidation and restructuring up front will significantly reduce annualized interest rates. Even this will not be enough for some borrowers so long as "ability to repay" loans are not factored into the borrowing equation.

Answers have been found elsewhere. Since 2001 the North Carolina State Employees Credit Union has been offering an alternate product by having borrowers open a checking account and linking it to line of credit at a 12% APR. It would be worth having them come out to our state and describe how this works.

Unfortunately, frustration levels have risen so high in our state that productive discussion seems to have shut down. Everyone needs to take a deep breath, step back for a second and scale down their rhetoric, particularly rhetoric that hits at a personal level. It is OK for us to disagree on the issues -- even at times to vehemently disagree -- but it is not OK to cast aspersions upon the character and intentions of legislators on either side of the issue or upon the coalition trying to be heard. We're pretty sure that Oprah & Co. would agree with that, too.

The WSLC has some disagreement with Rep. Steve Kirby (D-Tacoma), who leads the House Insurance, Financial Services and Consumer Protection Committee, in both the substance and the timing of changes he is proposing to address the problem. We think more should be done, and more should be done now. However, we have always found him to be an honorable man and one who cares about working people and working families. We hope to continue working with him on this issue and others.

What we would like to see happen is a meeting between Rep. Kirby, coalition members and Rep. Sherry Appleton (D-Poulsbo) to begin a substantive discussion on the issue and to see what other ideas we can come up with to protect consumers.

## WSLC-supported bills target socialized U.I. costs

SB 5373 and HB 1406, sponsored by Sen. Jeanne Kohl-Welles and Rep. Steve Conway, resolve some unfinished business from the 2003 changes to the Unemployment Insurance system. Quite a bit of unnecessary socialized cost gets created in the system due to corporate behavior and the fact that the Employment Security Department (ESD) does not have the necessary tools to deal with the problems.

These bills correct the problems of corporate officers drawing benefits while the business is still operating and they are still working, and of corporate officers opting for coverage just before the business goes down and collecting far more benefits than taxes paid. They also give ESD the ability to go after corporate officers for back taxes when there is a willful evasion of taxes -- both the Labor & Industries and the Revenue departments have this ability.

Another critical part of the bills is treating businesses that enter into relationships with Professional Employee Organizations the same way as all other employers. The bill requires businesses to keep their own individual experience ratings just like they do at L&I. Doing anything else creates socialized costs in the system that other employers must bear. The whole purpose of experience rating is to create incentives for businesses to control their employment practices and for those who lay more people off to bear a larger portion of the system's costs.

The bill as a whole significantly reduces socialized costs, creates uniformity of treatment across employers, gives ESD the tools necessary to deal with employer fraud, and creates consistency among agencies. That's why the Washington State Labor Council strongly supports it.

## Some hearings next week

MONDAY, Feb. 5 @ 10 a.m.: Senate Labor and Commerce will hear two Unemployment Insurance bills, SB 5534 and SB 5702.

TUESDAY, Feb. 6 @ 10 a.m.: House State Government hears several significant election bills. TUESDAY @ 1:30 p.m.: House Commerce and Labor hears HB 1658 on Family Leave Insurance, HB 1118 providing living wages on public contracts, and HB 1399 an important collective bargaining bill for certain higher education employees who don't now have the right to collective bargaining. TUESDAY @ 1:30 p.m. in Senate Labor and Commerce hears SB 5622 its version of the higher ed collective bargaining bill and SB 5678 a bad workers' compensation pension study bill, plus other workers' comp bills.

WEDNESDAY, Feb. 7 @ 8 a.m.: Joint House and Senate Health Care hearing on HB 1825 and SB 5729, which provide significant funding for our public health infrastructure.

THURSDAY, Feb. 8 @ 8 a.m.: House Commerce and Labor hears some good workers' compensation bills and one bad one.