Communications Workers of America
Chris Shelton | *President*

Legislative Department
Shane Larson | *Director*

The Honorable Mike Crapo
Chairman
U.S. Senate Committee on Banking, Housing, & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Sherrod Brown
Ranking Member
U.S. Senate Committee on Banking, Housing, & Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

April 24, 2017

Dear Chairman Crapo and Ranking Member Brown:

I am writing in response to your request for proposals to foster economic growth. The Communications Workers of America, on whose behalf I am writing, is a 700,000 member union representing workers in sectors including telecommunications, manufacturing, aviation, news media, health care, law enforcement, education and other public service roles, meaning that we view the creation of more good-paying jobs as a crucial priority.

Given the ongoing increase in income and wealth disparities, the most effective way to stimulate growth is to ensure that quality jobs are available and that working people, in turn, gain income that can be reinvested in the economy.

Minimum Wage
The most direct way to increase wages and disposable income would be to raise the federal minimum wage, which has now been stuck at $7.25 per hour for nearly eight years. During that time, increasing costs have eroded the value of that already inadequate wage. Low-income workers are extremely likely to utilize increased wages to reinvest directly in the economy. The federal minimum wage should be increased to $15.00 per hour, and subsequently indexed to increases in wages throughout the economy, as included in H.R. 3164/S. 1832, the Pay Workers A Living Wage Act of the 114th Congress.

It is important to note that, while the financial sector is often thought of as being a high-wage sector, many bank workers are paid extremely low wages and would benefit directly from this increase. In fact, bank worker wages are so low that nearly one-third of bank tellers are forced to rely on public assistance, due to their low wages. At Santander Bank, for example, which has grown dramatically over the last decade, many workers earn as little as $10 per hour.

501 Third Street, NW | Washington, DC 20001 | 202-434-1315 | 202-434-1318 (fax)
www.cwa-union.org

Overtime
As you know, workers often receive inadequate take-home pay due to being denied additional pay for working overtime. This problem manifests itself in two ways--first, many workers have long been wrongly exempt from overtime pay requirements, and, second, many businesses fail to pay appropriately for overtime work as required by law.

The Department of Labor's 2015 rule extending automatic eligibility for overtime pay to all workers earning less than $47,500 would directly benefit over four million workers and indirectly benefit millions more. Again, many workers in the financial sector would be among the beneficiaries due to the persistent low pay for front-line bank workers.

Meanwhile, many of the businesses whose employees are already automatically eligible for overtime pay still do not receive it, in violation of federal law. One prominent example of this dynamic is Wells Fargo, which has long been home to myriad management failures. In addition to the infamous "fake accounts" that were often created to help reach aggressive sales quotas, one reported downside of the "pressure-cooker" management structure at Wells Fargo was that workers were often told to work additional hours, sometimes with no pay whatsoever, simply to meet those quotas. Myriad lawsuits to this effect have been filed against the bank since 2008. This particularly high-profile case is not unique in the banking sector, where workers in nearly every major retail bank work "off-the-clock" conducting customer outreach to meet aggressive sales goals, not just to obtain financial incentives but to avoid discipline and termination.

No additional legislation would necessarily be needed to achieve these benefits. Instead, the legislative and executive branches should work together to ensure that the 2015 rule is implemented as soon as possible. Furthermore, the Department of Labor should diligently enforce the Fair Labor Standards Act, including requirements for overtime pay.

Collective Bargaining
One more general fix that would help create jobs and grow wages is strengthening the right to bargain collectively. The wage stagnation that the United States has seen over the last three decades is highly correlated with millions of workers having lost the benefits of being covered by collective bargaining agreements.

Workers who bargain collectively have repeatedly been shown to have increased wages and improved benefits, along with a more general improvement in quality of life. Unfortunately, federal protections for collective bargaining under the National Labor Relations Act are clearly inadequate and, rather than strengthening collective bargaining rights, policymakers at both the state and federal levels have undermined collective bargaining protections for many years.

In addition to the immediate benefits of better wages and benefits (which, as mentioned above, can be used to reinvest in the economy), collective bargaining agreements are crucial to prevent the offshoring of jobs. For example, when Verizon threatened to offshore significant amounts of call center work last year, a strong, united position adopted in bargaining by CWA ensured that Verizon instead agreed to bring some work back.

Financial institutions in the United States are one of the least unionized sectors in the American economy. It is, then, no surprise that bank workers have such low pay, despite the massive profits and executive pay packages in the sector. Indeed, banks such as Wells Fargo and Santander have repeatedly refused to listen to workers' views, which has not only hurt the quality of work at those banks on a day-to-day basis, but has also resulted in substantial consumer harm. Workers at both Santander and Wells Fargo have attempted to warn bank executives about the dangers of high sales quotas and harmful lending and collections practices, only to see those complaints fall on deaf ears. The inattention to worker concerns resulted directly in the abuses in false overdraft protection marketing and fake accounts, respectively, at those banks.

The American financial sector stands in stark contrast to much of the rest of the developed world, where bank worker unions are strong, at the same time that those countries have thriving financial sectors.

To better protect collective bargaining rights, Congress should pass H.R. 3690/S. 2142, the Workplace Democracy Act from the 114th Congress, and H.R. 3514/S. 2042, the WAGE Act from the 114th Congress.

Eliminating Rents in the Financial Sector

Wasteful and predatory activity in the financial sector, meanwhile, also should be addressed as part of a package of spurring economic growth. One 2015 estimate found that somewhere between $277 and $403 billion of financial sector rents could be eliminated through a variety of policy changes. Redirecting these funds into productive activities, such as infrastructure investment, could stimulate significant economic activity.

One major source of rents in the financial sector is the implicit subsidy received by too-big-to-fail banks (which also creates secondary consumer harm by disadvantaging small lenders, thus reducing competition). Breaking up too-big-to-fail banks, by separating activities through S. 881, the 21st Century Glass-Steagall Act, and imposing a hard limit on the size of banks, would stimulate competition and reduce rents. It is worth observing that, were there more consumer choice in the banking market, it is less likely that consumers would fall victim to predatory activities such as Wells Fargo's fake accounts or Santander's abusive overdraft protection marketing.

Another way of reducing rents in the financial sector to reinvest money in the real economy is by imposing a Wall Street sales tax that ensures that speculative traders have to pay sales taxes on purchases, just like everyone else. The Joint Committee on Taxation estimates that a tax of this sort would raise over $700 billion, which could be reinvested in rebuilding our infrastructure and making college affordable, while, at the same time, it would help prevent market chaos like the 2010 "Flash Crash."

Finally, vulture private equity and hedge funds continue to receive both tax treatment and favorable Securities and Exchange Commission rules that enable them to profit by buying companies, stripping them of assets, loading them with debt, firing workers and walking away with significant financial gains. It makes no sense that our current legal structure encourages predatory Wall Street traders to destroy productive manufacturing jobs to make a quick profit. Congress should consider a wide range of policies that eliminate this distortion.

Thank you in advance for your consideration of these ideas. I hope to work with you on a productive agenda that increases wages and creates jobs.

Sincerely,

Shane Larson
Legislative Director
Communications Workers of America (CWA)