

**Testimony of Robert Curtis  
International Vice President of the  
Bakery, Confectionery & Tobacco Workers International Union  
for the  
Senate Finance Committee  
on the Financing Provisions  
of the Administration's Health Security Act**

**Submitted May 10, 1994**

**TICT 0010842**

**Testimony of Robert Curtis  
International Vice President of the  
Bakery, Confectionery & Tobacco Workers International Union  
for the  
Senate Finance Committee  
on the Financing Provisions  
of the Administration's Health Security Act**

My name is Robert Curtis and I am International Vice President and head of the tobacco sector of the Bakery, Confectionery and Tobacco Workers International Union (BC&T), which represents 125,000 hard-working men and women; I also serve as President of the Kentucky AFL-CIO. We offer this testimony because United States tobacco workers are deeply concerned about many aspects of the current health care system and the potential impact of health care reform on themselves, their families and their communities.

As a result of hard-fought collective bargaining agreements, BC&T has secured excellent health care benefits for our members. Generally, these agreements provide fully-paid physician and hospital coverage as well as coverage for dental, mental health care and other important services.

**BC&T AND HEALTH CARE REFORM**

We are proud of the health care protection provided to members of BC&T, particularly during a time of rising health care costs and efforts by employers to cut back on health care benefits. However, we also recognize that these benefits are not free and that the growing cost of health care has resulted in lower wage increases at the bargaining table.

For this reason, BC&T strongly supports President Clinton's plan to limit the rising cost of health care through statutory limitations on the annual increase in insurance premiums. This provision alone is likely to save our members and all consumers billions of dollars every year.

In addition, our union strongly endorses President Clinton's effort to provide universal health care protection for the 37 million Americans who do not now have health insurance. Far too many employers fail to offer health insurance to their employees. It is about time they are required to do so. For those employers who cannot afford to pay the entire cost of health insurance, the plan will make available subsidies to employers and employees.

Finally, we applaud the President for proposing a comprehensive health care benefit package that mirrors those offered by many of America's Fortune 500 corporations.

**TICT 0010843**

President Clinton's program offers the promise of universal access to a comprehensive health care program in an environment that effectively controls the unrestrained growth in health care costs.

The promise of such protection cannot be guaranteed without a stable and secure source of funding. In our view, the plan's heavy reliance on tobacco taxes to pay for part of the program gravely jeopardizes that promise. Experience at both the state and national level confirms the fact that as tobacco excise taxes increase, the amount of revenue derived from them invariably decreases. This means that the proposed 75 cent tax on tobacco would create a widening gap between the cost of the health care program and the revenues necessary to pay for it.

## **ECONOMIC IMPACT OF TOBACCO TAXES**

Tobacco Taxes Unfairly Target the South. President Clinton has said that health care reform will expand the American job base and make our nation more competitive. We disagree. According to a recent analysis of a Price-Waterhouse study on employment and compensation in the U.S. tobacco industry, a 75-cent-increase in the federal tobacco tax would cost more than 80,000 Americans their jobs. In general, these are high wage jobs in production, manufacturing and distribution of tobacco products.

Moreover, these jobs are primarily located in one region of the country -- the South. Our figures show that the South will lose close to 40,000 jobs or 3.5 times as many jobs as the rest of the country if a 75-cent federal tax increase on cigarettes is imposed. My state of Kentucky alone would suffer a projected job loss of more than 7,000, making Kentucky the second hardest-hit state in the nation, only behind North Carolina. Health care reform is a national program. One group of workers, one industry and one region of the country should not be forced to shoulder the burden.

Given the very high wage and benefit levels earned by tobacco industry workers, losing these jobs has a far greater impact on local and regional economies than the raw numbers might suggest. Because tobacco workers earn three and even four times the wages of workers in the retail and service sectors, losing 650 jobs in Durham, as an example, is really the equivalent of losing 1900 - 2400 lower paying jobs in retail or service.

With these job losses come a significant decrease in aggregate purchasing power and an undermining of community tax bases. The result is a decline in the standard of living within the region similar in nature to what has occurred in communities around the country which have been devastated by massive layoffs in industries such as steel, auto, machine tool, timber and aerospace. The irony, in the case of tobacco, is that it would be government policy and not legitimate market forces causing the destruction.

For the past 20 years, the South has put a premium on improving its manufacturing base. But the crippling of the domestic cigarette manufacturing industry, which is what would result from tripling the excise tax, would be a serious body blow to this effort.

Consumer Excise Taxes Are Regressive. As countless studies over the past decade have concluded, tobacco taxes are among the most regressive taxes raised by federal and state governments. According to studies by the Congressional Budget Office (CBO) and Citizens for Tax Justice (CTJ), the burden of tobacco taxes is more than five times greater on families earning \$30,000 per year than it is to families earning more than \$100,000 per year. For this reason, CTJ, the AFL-CIO and countless other progressive organizations in the United States have long opposed increases in consumer excise taxes as a means of financing government services and programs. It is simply an unfair tax on low- and middle-income Americans.

Retraining. Some say that retraining is the answer to the massive dislocation of tobacco workers anticipated as a result of such an extraordinary excise tax increase. We support retraining programs; they are a requisite element of any serious attempt to put displaced workers back into the economy.

But when we discuss retraining workers in the tobacco sector in the South, we must first acknowledge the inherent paradox -- retraining programs alone cannot ensure that tobacco workers secure comparable employment at a comparable skill level for comparable wages and benefits. Men and women working in tobacco manufacturing facilities in my own state of Kentucky and other tobacco-manufacturing states are the highest-paid manufacturing workers in the country.

We cannot delude ourselves into thinking that any program that retrains these people for jobs in the service-sector economy can be judged as adequate. Most displaced tobacco workers would find themselves lost in the want-ads, where they would find only minimum-wage or part-time employment opportunities.

Limited unemployment benefits would not be nearly enough to carry these workers and their families through the duration of an extended retraining program which can take up to two years. Yet, extended retraining is encouraged by the U.S. Labor Department because longer training programs have lead to higher-skill, higher-wage jobs.

These concerns lead us to the conclusion that retraining is not a panacea, and that the best recourse for tobacco workers and the communities who depend on tobacco income is to preserve employment, preserve their industry and oppose exorbitant increases in the cigarette excise tax.

## CONCLUSION

BC&T views health care reform as a critical priority for our members, for millions of uninsured Americans and for the nation. We support the President in this effort and recognize the challenges he faces in Congress. Ultimately, these challenges can be overcome as long as a majority of Americans believe the new health care system includes universal coverage, genuine cost-containment and equitable financing.

We believe that the President's plan addresses the first two goals. However, we remain extremely concerned that the program's reliance on tobacco taxes jeopardizes the critical principle of equitable financing. Therefore, we encourage the Senate Finance Committee to identify other funding sources that are more broad-based in scope, more progressive in design and which treat each region of the country in a fair and equitable manner.