

Wages and Healthcare Benefits of Workers at Agua Caliente Casino

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Eric Nilsson, Ph.D.
Professor of Economics
California State University San Bernardino

Good morning. My name is Eric Nilsson. I am Professor of Economics at the California State University San Bernardino.

Today I will summarize the results presented in a report I coauthored with Angela Jamison, of UCLA, and David Farris, of UC Riverside. The full report, *Wages and Healthcare Benefits of Workers at Agua Caliente Casino*, has been submitted to the committee and is available to others

The information in our report is for employees classified as “eligible employees” by the Tribal Labor Relations Ordinance. You will hear this term “eligible employee” many times during my testimony. These employees are workers at a tribal casino who—if they chose—can vote to join a union. Our report does not consider the situation of higher paid supervisors and managers.

Agua Caliente Casino

Our study focused on the eligible employees at Agua Caliente Casino. This casino is located outside Rancho Mirage, a few miles from Palm Springs in Southern California. The casino opened in April 2001. The center of the casino is its more than 1,100 slots and video poker machines. The casino has been financially successful.

Significant Findings

Among the significant findings of our report are the following:

1. The wages paid by Agua Caliente Casino generally fail to provide employees with a modest standard of living. Indeed, it appears that the pay for many casino occupations falls below the California average wage for that occupation.
2. The casino provides free healthcare coverage for its employees and does *offer* healthcare coverage for the spouses and children of its employees.
3. The casino, however, induces its employees to *turn down* the casino’s offer of health insurance for dependents. In particular, the casino induces its employees to enroll their children in government healthcare plans instead of in the casino’s plan.
4. Agua Caliente Casino boosts its profits by as much as \$1,000,000 per year by inducing their employees to turn to government healthcare for their children. This is because every time an employee gets healthcare insurance through Healthy Families or Medi-Cal, Agua Caliente Casino does not pay the employer share of the premium for health insurance.

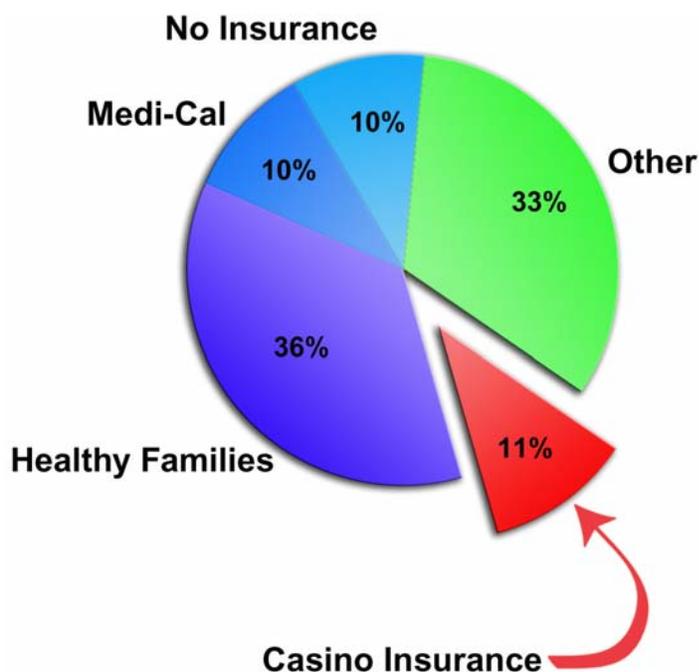
Healthcare Insurance Details

Let me turn now to some of the details about healthcare insurance for casino employees found in the larger report.

Figure 1 presents data on the healthcare coverage of the *children* of Agua Caliente Casino employees,

- One-third of these children have other sources of coverage or do not need healthcare insurance through a parent.
- Only 11% of the children of casino employees rely on casino-provided coverage.
- More than one-half (that is, 56%) of the children rely on government healthcare plans or are uninsured.
 - 36% of children are enrolled in Healthy Families.
 - Another 10% are enrolled in Medi-Cal.
 - And 10% have no healthcare insurance at all.

Figure 1
Children's Healthcare Insurance Coverage



The State of California and the federal government are paying for the healthcare insurance of half the children of these casino workers.

Is this heavy use of government healthcare insurance, instead of employer-provided insurance, typical? No. Our longer report provides support for this claim.

Why do Employees Enroll their Children in Government Healthcare Plans?

Why do casino employees choose overwhelmingly *not* to buy casino healthcare insurance for their children? As I've already said, Agua Caliente Casino induces its employees to enroll their children in Healthy Families and Medi-Cal.

First, the casino offers very expensive healthcare plans to its employees. The Kaiser Family Foundation survey of California employers indicates that the average annual employee's premium for family coverage was \$1,806 in 2002. The casino, however, requires workers to pay \$2,880 each year for family coverage. That is, the casino's plan costs \$1,000 more each year than the average plan in California.

Second, having priced their plan so high, the casino then gives its employees information about how cheap the Healthy Families program is. Figure 2 provides excerpts of casino documents given to employees.

Figure 2
Information Provided by Agua Caliente Casino to Employees

a significant increase in the cost of health coverage for the new plan year. Although ACBCI will absorb the increased cost for your basic coverage as an Team Members, those Team Members wishing to buy-up additional coverage will notice a significant increase in premiums. Keep in mind, you may be able to save money by enrolling children in programs such as Healthy Families or purchasing individual policies for dependents through carriers such as Blue Cross. For example, a single Team Member with on child could enroll in the free coverage provided by ACBCI and buy an individual policy for their child through and outside carrier. This would possibly be less expensive than enrolling in the "Team Member + Children" category of the company plan. You should explore these and other options prior to the upcoming enrollment.

Healthy Families Cost Savings Comparison

Current Premiums	Emp + Child	Family
Medical	\$40	\$120
Dental	20	45
Vision	0	0
	<u>\$60</u>	<u>\$165</u>
Current Premiums utilizing Healthy Families¹		
Medical Premium	\$0	\$80
Healthy Families Prem	4.5	4.5
Dental	0	0
Vision	0	0
	<u>\$5</u>	<u>\$85</u>
Bi-Weekly Savings	\$56	\$81
Annualized Savings	\$1,443	\$2,093

1. Denotes the maximum monthly cost of \$9 for one child
(Maximum of \$81/Yr if premiums prepaid)

Finally, the casino pays wages to its eligible employees that are too low to permit most of them to purchase casino-provided dependent healthcare insurance, or for that matter, to attain a modest standard of living.

Wages at ACC

A March 28, 2003 press release issued by the California Nations Indian Gaming Association states: “Employees at California tribal government gaming operations earn substantially higher wages and benefits than workers at other tribal casinos in the United States, a 2002 survey by the University of Nevada, Las Vegas shows.” That very well might be true.

But the press release goes on to imply that it can therefore be concluded that California casinos have created “quality jobs that provide workers with excellent pay....” This is definitely *not* true for the workers investigated in our study.

Two points must be made. Perhaps the UNLV study supports the claim that California casinos pay better than, say, tribal casinos in New Mexico. But such a fact does not permit us to say that California casino wages were “excellent.” Although California casino wages might exceed those in tribal casinos in other states, California casino wages might still fall short of other—more relevant—standards of the adequacy of employee pay.

Second, in any case the UNLV survey is unreliable. The CNIGA news release indicates that the UNLV survey is based on information provided only by casinos that volunteered to be part of the survey. This makes it an unscientific survey and, so, the survey generates unreliable data. Not only does the UNLV study fail to support the claim that California tribal casinos pay excellent wages, it possibly doesn’t even support the claim that California casinos pay better than tribal casinos in other states.

On the other hand, we have collected data that stands up to close scrutiny. It was collected following standard statistical methodology. We have scrupulously avoided any source of bias. And, as important, our study can be easily replicated by any outsider who desires to do so.

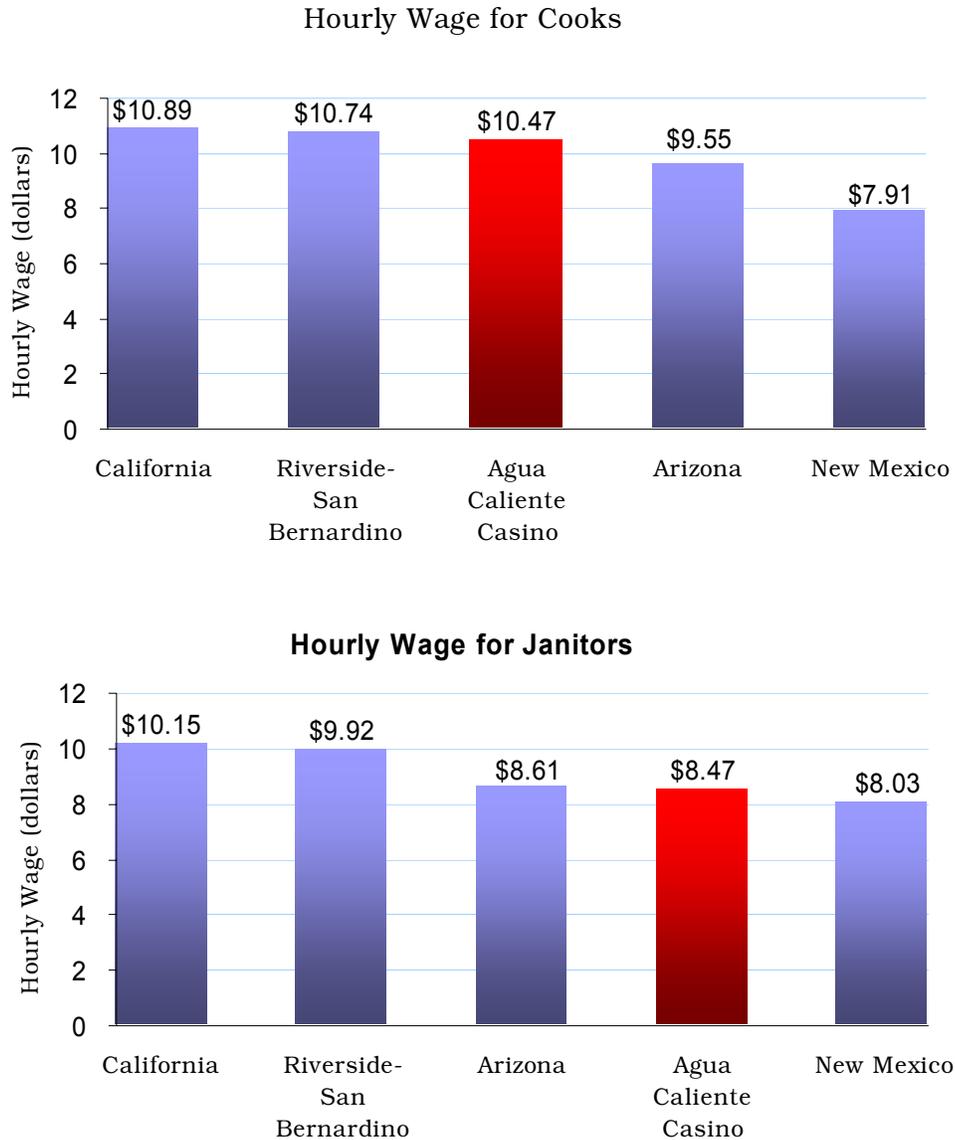
We found that the casino pays an average of \$8.93 per hour to its eligible workers. Tipped workers average somewhat less than this while non-tipped workers earn somewhat more. A majority of eligible employees at the casino do *not* receive regular tips.

Does Agua Caliente Casino pay too much, too little, or just about right? Are casino wages “excellent”?

One standard is the wages paid by other firms in California. On average, California firms paid \$18.14 per hour in 2001, far above the average casino wage of \$8.93. But this is an unfair and inappropriate comparison: this California average includes both managerial positions and manufacturing occupations. This is a poor standard for judging the average wage paid to non-managerial workers in a service industry.

Luckily the Bureau of Labor Statistics (BLS) collects scientific data on the earnings of workers by occupation in different states and selected counties. Figure 3 (on the following page) presents average wage data for two occupations found among the eligible employees at Agua Caliente Casino for which the BLS collects data. The data for this figure came from our survey and from the BLS (<http://www.bls.gov/oes/home.htm>). The BLS data is for 2001 while the casino averages are for 2002, which works to the benefit of Agua Caliente Casino).

Figure 3
Comparison of Wages Paid to Cooks and to Janitors



As can be seen, the wages paid by Agua Caliente Casino for workers in these two occupations fall below the averages in California and Riverside-San Bernardino County. In one of these two cases the casino wage falls below even that paid in the poorly paid Arizona labor market.

For the other casino occupations for which the BLS collects data, roughly similar results are found.

A second standard used to judge pay is whether the pay permits employees to achieve a modest standard of living. Such comparisons are often made. We used the data and methodology of the California Budget Project for our determination of what was needed for a modest standard of living.

Our report shows that Agua Caliente Casino pays only 44% of its employees who are single adults with no children enough for these people to achieve a modest standard of living. (This percentage applies only to non-tipped workers.)

Our report also shows that it is hard—if not impossible—to obtain a modest standard of living for casino wages if you have children. For example, we estimate that 18%—at most—of married employees with two children are paid enough by the casino to achieve a modest standard of living.

Agua Caliente Casino does not pay excellent wages to its eligible workers: it pays wages that might be characterized as below average and that do not permit a modest standard of living to be achieved by its employees.

It is reasonable to assume that this low pay is one reason that Agua Caliente Casino workers often turn to government healthcare for their children. Their low wages put the casino-provided family insurance far beyond their financial reach.

Thank you for giving me the opportunity to speak here today.