

# Strengthening Families and the Hattiesburg Economy:

## The Impacts of Improved Pay for Federally Contracted Call Center Workers



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for Labor and the Working Poor*

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## EXECUTIVE SUMMARY

General Dynamics Information Technology (GDIT) is the largest private sector employer in the Hattiesburg region. At its annual peak, GDIT employs roughly 2,000 customer service professionals at its Hattiesburg call center, which responds to inquiries about Medicare and the federal Health Insurance Marketplace.



GDIT's Hattiesburg employees provide a vital service to the country, helping millions of Americans access health care. Federally-contracted jobs such as these should be good, family-sustaining jobs, yet most of GDIT's Hattiesburg employees—who are predominantly African American women—earn only \$10.35 an hour. Today, GDIT Hattiesburg employees are standing together and taking action to improve working conditions and increase wages, which would inject needed resources into the Hattiesburg community. Maximus, Inc. is scheduled to assume operation of the Hattiesburg call center in November 2018 and will have the opportunity to address employees' legitimate concerns.

Georgetown University's Kalmanovitz Initiative for Labor and the Working Poor (KI) interviewed over a dozen call center agents about their jobs at GDIT Hattiesburg for this report. KI also reviewed comments submitted to Congress by hundreds of GDIT Hattiesburg employees about their struggles to make ends meet on poverty wages. Lastly, KI conducted an economic analysis of the impact that higher pay at GDIT would have for individuals, families, and the Hattiesburg metropolitan area.

## KEY FINDINGS

- Many GDIT Hattiesburg call center employees struggle to cover the basic costs of living—such as transportation, housing, child care, health care, and food—with their current poverty-level wages of \$10.35 per hour. The low wages at GDIT compound existing racial and gender income disparities because the majority of employees are women and people of color.
- Most employees at GDIT Hattiesburg are misclassified as entry-level clerks under the federal Service Contract Act (SCA) and significantly underpaid, leading workers to file a complaint with the federal government asking to be reclassified under the appropriate title reflecting the complexity of their job duties.
- GDIT has sought to block efforts to raise wages by intimidating and harassing employees who are seeking to form a union, even though the costs of negotiated raises would not come out of GDIT's pocket because it is a federal contractor covered by the SCA.
- GDIT workers would see their income increase 37.2%, or \$7,531 per year for full-timers, by 2022 if they were properly reclassified under the SCA and formed a union to bargain for annual raises of 55 cents.
- Under this scenario, the higher pay at this call center would:
  - Spur growth in the Hattiesburg region by injecting an average of \$9.7 million into the local economy annually between 2019 and 2022, helping to create 189 new jobs in the region by 2022.
  - Reduce racial and gender income disparities in the region.
  - Help lift wages for non-call center employees in the Hattiesburg region.

## INTRODUCTION

This report examines the impact of poverty wages at a major call center currently operated by GDIT in Hattiesburg, Mississippi. GDIT operates the call center on behalf of the Centers for Medicare and Medicaid Services (CMS), and employs about 2,000 customer service professionals at its annual peak.<sup>1</sup> This report draws on interviews with more than a dozen GDIT Hattiesburg employees about the financial hardships they face struggling to make ends meet on poverty wages as low as \$10.35 per hour.

GDIT is the largest private sector employer in the Hattiesburg region and helps set the bar for wages throughout the community. An empirical analysis shows that achieving family-supporting wages at GDIT’s Hattiesburg call center would not only profoundly improve the livelihoods of GDIT workers and their families, but that these benefits would ripple through the regional economy, injecting desperately needed resources into the community that would support local businesses and help create new jobs.

In October 2018, Maximus, Inc.— a provider of contracted professional services to federal, state, and local governments — announced its purchase of GDIT’s call center business.<sup>2</sup> When the deal is completed, Maximus will take over operations at the Hattiesburg call center.

## HATTIESBURG IN MISSISSIPPI

The City of Hattiesburg is the fourth largest municipality in Mississippi and a significant center of regional employment, with a total population of 46,846. Hattiesburg has a lower income level and higher rate of poverty compared to both the national average and the Metropolitan Statistical Area (MSA) of which it is part, reflecting the need for good jobs that pay family-supporting wages.

While the median household income in the larger MSA stood at \$43,572 in 2016, earnings in the City itself are considerably less, at \$30,748. Both are far below the national average of \$57,671 (See Figure 1). These regional challenges are also reflected in poverty rates. Whereas poverty rates in Mississippi are 77% higher than the United States as a whole, the city of Hattiesburg rate is a shocking 260% above the national average (see Figure 2).

**FIG 1. Median Household Income**

City of Hattiesburg	\$30,748
Hattiesburg MSA	\$43,572
State of Mississippi	\$41,754 <sup>3</sup>
United States	\$57,617 <sup>4</sup>

**FIG. 2 Poverty Rate**

City of Hattiesburg	36.8%
Hattiesburg MSA	22.1%
State of Mississippi	20.8%
United States	14.0% <sup>5</sup>

**FIG. 3 Population and Household Demographics**

	CITY OF HATTIESBURG	HATTIESBURG MSA*
<b>POPULATION</b>	46,846	148,071
<b>HOUSEHOLDS</b>	17,933	54,253
<b>DEMOGRAPHICS</b>	53.3% BLACK 41% WHITE 2.8% HISPANIC	66.1% WHITE 28.6% BLACK 2.7% HISPANIC
<b>HOME OWNERSHIP RATE</b>	38%	61.7%

\*Forrest, Lamar and Perry Counties

The Hattiesburg area also faces a significant wage gap by gender and race. While men in the Hattiesburg MSA earned an average of \$55,429 for full-time jobs, women averaged only 68.6% of that figure in 2016, or \$38,032. There is a similar racial wage gap, with white workers in the Hattiesburg MSA earning an average of \$44,581 per year, while African Americans took home \$32,419, or 72.7% of that sum. Income disparity is compounded for black women, whose median income in Mississippi is 56% that of white men.<sup>6</sup>

These disparities are reinforced by the low wages at the GDIT call center, where an estimated 85% of the workforce is African American and 90% is female.<sup>7</sup> Annual income for a full-time employee earning \$10.35 per hour is approximately \$21,500.

## PROVIDING AMERICANS ESSENTIAL MEDICARE AND ACA SERVICES

Over 57 million Americans, or about 18% of the US population, rely upon Medicare for their health

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security.<sup>14</sup> Another 11.8 million are enrolled in ACA health insurance.<sup>15</sup> The customer service professionals at GDIT Hattiesburg make an essential contribution to the provision of these services. Call center agents help Americans nationwide enroll in health coverage, and help resolve problems and respond to inquiries related to claims, eligibility, taxes and deductibles, plan options, prescription drug coverage, and much more.

Becoming an effective call center agent in this environment requires weeks of training, technical acuity, subject-matter knowledge, and a mastery of

## A CALL CENTER IN HATTIESBURG

In 2013, CMS awarded a contract now valued at \$5.5 billion to GDIT to provide customer service to the beneficiaries of Medicare and the Affordable Care Act.<sup>8</sup> In May 2013, GDIT — a division of General Dynamics, a Fortune 100 company and the third largest federal contractor<sup>9</sup> — announced plans to locate one of its CMS call centers in Hattiesburg.<sup>10,1</sup> GDIT received a \$1 million grant from the Mississippi Development Authority’s ACE Fund to entice the company to commit to Hattiesburg, and to create 800 jobs.<sup>11</sup>

GDIT established its presence in the Cloverleaf Center, a shopping mall built in the 1970s that, by 2013, was mostly vacant. The company’s arrival at Cloverleaf seemed to promise a boost for the region as a whole. Governor Phil Bryant heralded the

news, saying, “The decision by General Dynamics to locate these operations here and create so many jobs for the area’s residents is great news not only for the Hattiesburg region but for the entire state, and it will certainly have a positive impact on the local community.” Marcus Collier, a senior vice-president at GDIT said at the time, “[W]e look forward to becoming a true part of the Hattiesburg community.”<sup>12</sup>

Today, GDIT employs an average of 1,390 workers in Hattiesburg, with the number fluctuating between roughly 800 and 2,000 at different times of the year.<sup>13</sup> With the pending sale of GDIT’s call center operations to Maximus in October 2018, Maximus is poised to begin operating this call center as soon as mid-November.

<sup>1</sup> In addition to Hattiesburg, GDIT operates CMS call centers in: Phoenix, AZ; Lynn Haven and Riverview, FL; Lawrence, KS; London and Winchester, KY; Bogalusa, LA; Sandy, UT; and Chester, VA.

a wide variety of procedures to handle all manner of inquiries. While interacting with each caller, agents must ask probing questions and identify the issues at hand to determine how to navigate hundreds of scripts in real time using their knowledge of specialized terminology and the complexities of Medicare and the ACA Marketplace. Many agents are also specialists in designated topics, such as Medicare Parts A and B, Medicare claims, or durable medical equipment.

In its contract with GDIT, CMS requires that agents have “excellent verbal and vocal skills, exceptional listening, questioning, and call control techniques, the ability to accurately and efficiently process information and tasks, [and] the ability to handle challenging telephone call situations and computer and telephone system application skills.”<sup>16</sup> Furthermore, GDIT requires entry level agents to “maintain up-to-date knowledge of CMS regulations and policies,” which change regularly. As Marketplace agent Sherry Collier explains, “On a weekly basis, you have to be updated and tested regarding new material to share with the consumer,” and “you have [new] scripting that you must be aware of.”

Agents are responsible for resolving critical problems for Americans. Lakondria Rogers, a Medicare Tier 2 agent, explains that she is called on “to be a life saver” for people who face serious medical issues. “I might have a beneficiary on the line [who is running low on oxygen]. Now I have to contact a supplier in that area that can assist them to see if they can give them oxygen. If I can’t find a supplier I need to tell them to call 911 and get to the hospital real quick.” These types of situations are not rare. Sometimes agents are required to initiate a three-way call with the beneficiary and their oxygen supplier to troubleshoot the issue.

Agents are also responsible for resolving any number of complex issues that require judgement, expertise,

and skill. For example, callers are sometimes unable to enroll in health plans due to data matching or document matching problems. In these cases, agents report that they must research document submissions, question the customer, and determine the source of the problem and the appropriate resolution. This is done without the aid of a script. Every day, Americans rely on the highly-trained agents at GDIT Hattiesburg to help ensure their access to health care.

## **SURVIVING ON POVERTY WAGES AT GDIT HATTIESBURG**

GDIT agents find it nearly impossible to afford the costs of living in Hattiesburg and the surrounding area on their current poverty wages. The vast majority of GDIT agents now make \$10.35 per hour, a lower wage than GDIT pays agents performing the same work in seven other states. Until August 2018, when the company announced an unscheduled raise following workers’ protests, most Hattiesburg agents made only \$9.64 an hour.

GDIT Hattiesburg employees describe difficult financial decisions their low wages force them to make, and the ways this diminishes their quality of life. “It is so hard to pull yourself up out of the situation that you’re in,” says Tracy Wolverton, a trainer at the call center. “You have some single parents, male and female. They are struggling, black and white. The poverty here does not know a color.”

“I’ve had to decide which bills had to be past due because I need to buy food and gas to get to work, but I also need to pay my phone bill,” says Don Freeman. “Which of these is going to let slide until next month?” Many rely on friends or family to make ends meet. “If it wasn’t for my son working we would probably be in the dark,” says Myla Robinson. “I’m in

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“

***It is so hard to pull yourself up out of the situation that you're in. You have some single parents, male and female. They are struggling, black and white. The poverty here does not know a color.” — Tracy Wolverton***



trouble if he [moves]. It's sad to say that but it's the truth," she says. Robinson explains that worrying about bills is the norm for a workforce that lives paycheck to paycheck: "If you don't get paid enough you can't relax. You have a tendency to be worried about if I miss a day, am I going to end up on the street?"

Workers talked about how GDIT's poverty wages cause hardship in many aspects of their daily lives and ability to support their families:

### **Transportation**

The hardship of low wages often starts with the journey to and from the Cloverleaf Center every workday. "I can't afford to pay my bills and have gas to

drive to work every day," says Medicare agent Johnice Williams. Delilah Evans is struggling to make her car payments, and says "I have to figure out if I'm going to go into my retirement to drag out some money." Others cannot afford a car. "I have to sit at work for hours, early or late, just to catch a ride," says LaTanya Oatis. Many live far away and spend substantial time and money getting to and from work. James Finnemore lives with his parents in Gulfport because he cannot afford a place of his own and drives seventy miles each way to work.

### **Housing**

Housing costs are also a severe strain. The typical cost of rent and utilities for a one-bedroom apartment in the Hattiesburg area is around \$8,600 per year. For two-bedrooms the average is closer to \$10,500, or \$875 per month, and for a larger family with three bedrooms the costs reach \$14,000.<sup>17</sup> On a full-time wage of \$10.35 per hour, workers would pay 49% of their income for a two-bedroom apartment that costs \$875 per month and would be classified as rent-burdened.

"A lot of it went up after Katrina," says Tonya Jackson. "Before Katrina a real nice house to rent was \$650 to \$700. And you were paying to the top. Now that's more like a mediocre house in a not-so-good neighborhood. If you want everyone to be safe you're

## **THE SERVICE CONTRACT ACT: A PATH TO FAIR WAGES**

Congress first enacted the Service Contract Act (SCA) in 1966 to set labor standards for federal service contractors like GDIT. The SCA establishes minimum prevailing wages based on the location and job duties of the work performed. This Act was designed to stop companies from lowering wages below market rates to win federal service contracts. However, these minimum rates can remain unchanged for years when workers do not have a pay scale negotiated under a union contract.

Under the SCA, when employees of federal service contractors form a union and negotiate for better

pay and benefits, these rates become the new SCA prevailing wages for employees at that worksite. Importantly, federal contractors can forward the costs of these improved rates to the federal agency with which it contracts, meaning that negotiated raises do not come out of the company's bottom line. The SCA offers a pathway for GDIT customer service professionals to improve their wages and benefits to levels that would enable them to better support their families without costing the company.

paying anywhere from \$800 to \$1,200.” Markell Cannon, is an Internal Support Group specialist and earns somewhat more than most agents, yet had to move in with his fiancé’s mother because he could not afford to keep his home. “Do you know how hard it feels for your kids to ask you ‘Daddy, why we got to stay with Granny?’ ‘Daddy, when we going home?’” he recalls. “I was humiliated and felt like I didn’t deserve my family because I couldn’t provide for them.”

## Health Insurance

Health insurance is a common concern. Full-time GDIT call center agents are entitled to individual health insurance, but with prohibitive \$2,000 deductibles, workers are often fearful of the financial repercussions of getting sick. “We’re actually selling insurance to consumers that’s better than the insurance that we have,” observes Myla Robinson. Furthermore, family coverage through GDIT’s insurance plan is unaffordable, forcing employees to rely on Medicaid, CHIP, or ACA coverage, especially for their children. “I ended up having to get my son coverage through the Marketplace because I can’t afford to add him [to my plan],” Robinson explains.

## Child Care

Parents at GDIT also struggle to cover child care costs. Anna Flemmings works weekend shifts, often in the evenings, times when childcare is particularly expensive. “On average it’s anywhere from \$125 a week... You want to be able to put your child in a safe place because you’re at a job where you cannot have a phone on you. It has to be in a locker or in your car. So you have to have the

peace of mind that your child is going to be okay while you are there. It works on you mentally.”

## UNFAIR AND UNSANITARY WORKING CONDITIONS AT GDIT

Normally, additional training and promotion represent a clear path to increased compensation. Yet at GDIT, workers feel misled by an opaque and unfair system of hiring and promotion. As Medicare agent Zina Varnado says, “it’s not what you know but who you know.” This refrain is heard from many agents. Even workers who have staffed multiple lines of business and mentored new hires have been refused an interview for a supervisory position without explanation.

Compounding the agents’ sense of disrespect from their employer is the deteriorating condition of the Cloverleaf Center. Workers report a variety of safety and health hazards that include disintegrating chairs, leaking ceilings, and insect infestations. “They’ve got termites, bed bugs, fleas, spiders, roaches,” Hayley Jefcoat says. “I’ll come home and have random bug bites on my arms,” she adds. “One day when we were sitting there a bat flew down,” recalls LaKeena Tisdale. She has also seen birds in the workplace. Before joining GDIT two years ago, Regenia Keys worked as a CNA for 27 years in nursing homes and hospitals and was accustomed to sanitary conditions. “It’s filthy in there. You sit down and you’re itching,” she says. “When I get home the first thing I do is hit the shower. Every day.”

**“We get paid less than Wal-Mart workers do, even though it’s a position that requires trying to determine what the best direction for a person is. There are very high stakes involved, we have people’s lives on the line.”**  
— James Finnemore



## GDIT'S STRATEGY TO KEEP WAGES LOW: SCA MISCLASSIFICATION AND ANTI-UNION CONDUCT

The causes of poverty wages at GDIT Hattiesburg are twofold. First, evidence demonstrates that the company misclassifies its employees under the Service Contract Act. Second, GDIT has launched an intense anti-union campaign to discourage employees from achieving a voice on the job and better pay through collective bargaining.

### SCA Misclassification

GDIT Hattiesburg employees have come forward with evidence that GDIT systemically underpays its workers under the SCA by misclassifying them in lower-paid job titles than their duties merit. GDIT classifies approximately 90% of its Hattiesburg employees as Customer Service Representatives (CSR) I.<sup>18</sup> This title carries the lowest pay rate of any in the CSR job series, or the more appropriate General Clerk series.<sup>11</sup> According to the Department of Labor (DOL), an employee classified as CSR I “receives, comprehends, provides, and responds to routine informational inquiries and service requests through the use of various communication technologies.”

The description of the General Clerk II (GC II) more accurately captures the actual job duties of GDIT agents. A GC II “selects appropriate methods from a wide variety of procedures or makes simple adaptations and interpretations of a limited number of substantive guides and manuals. The clerical steps often vary in type or sequence, depending on the task.”<sup>19</sup>

As the earlier descriptions of job responsibilities and reports from GDIT agents show, this work is anything but routine, and their job duties clearly exceed the scope of CSR I. They use their training, experience, and knowledge to select from hundreds of scripts and procedures, adapt these materials

to suit caller needs, and tactfully comfort sick and distressed clients through every manner of medical crisis. Furthermore, many agents provide training and assistance to less-experienced peers without the higher pay such job responsibilities merit under the SCA. Others have received additional trainings and taken on greater responsibilities, yet still are paid the same as entry level agents.

James Finnemore speaks about this misclassification: “We get paid less than Wal-Mart workers do, even though it’s a position that requires trying to determine what the best direction for a person is. There are very high stakes involved. We have people’s lives on the line.”

The Communications Workers of America (CWA), a union that represents customer service professionals, partnered with Hattiesburg agents to file a complaint with the Wage and Hour Division (WHD) of DOL in January 2018 calling for an investigation of systemic SCA misclassification at GDIT Hattiesburg.<sup>20</sup> CWA’s complaint argues that the job duties and skills of GDIT agents fit the description of a General Clerk II at a minimum, a position with base pay of \$11.77



<sup>11</sup> From 2013 to 2017, GDIT paid its Tier 1 agents in Hattiesburg \$9.05 an hour, which corresponded to the General Clerk I rate at that time. After DOL introduced a new, standard CSR series in its Hattiesburg area wage determinations, this new CSR I prevailing wage of \$9.64 went into effect at the GDIT Hattiesburg site in June 2017. Tier 1 wages would have increased to \$9.96 an hour on this date if GDIT had continued paying them the General Clerk I rate.



an hour, 13.7% more than current pay.<sup>21</sup> CWA estimates that GDIT could owe \$12 million in back wages to employees dating back to the opening of the Hattiesburg call center in 2013.

GDIT has a history of SCA wage theft at its call centers. WHD has required GDIT to pay \$3.4 million in back wages to employees resulting from 4,510 SCA violations, including misclassification.<sup>22</sup> The incoming employer, Maximus, has had similar wage theft problems—even as a subcontractor operating two call centers for GDIT on the CMS contract. In 2017, Maximus settled overtime claims brought by its CMS call center trainers and supervisors for a total of \$1.9 million.<sup>23</sup> Furthermore, according to documents obtained through the Freedom of Information Act, Maximus followed GDIT’s lead in how it classified its CMS agents. This suggests that Maximus may also be misclassifying its call center employees.

### **GDIT’s Anti-Union Campaign**

Growing numbers of GDIT Hattiesburg agents have been coming together to improve their working

conditions. Hundreds of GDIT Hattiesburg employees have sent messages to Congress members about their struggles to survive on poverty wages, signed petitions, and requested that management respect their right to form a union.

GDIT has responded by misinforming, threatening, interrogating, and retaliating against union activists. GDIT management has violated the rights of employees by telling them, falsely, that it requires “an act of Congress” to increase their pay; telling them not to discuss wages with their co-workers; threatening them with loss of benefits if they formed a union; threatening them on social media; targeting them with increased scrutiny; and inundating them with emails discouraging them from coming together in a union. The Director of Region 15 of the National Labor Relations Board recently issued a complaint against GDIT regarding many of these allegations of workers’ rights abuses in Hattiesburg.<sup>24</sup>

Under pressure from employees’ demands for improved working conditions, the company has recently begun to change its tune. In August, GDIT announced a seventy-one cent raise for agents. “It’s like a bad relationship,” says Tonya Jackson of GDIT’s attempts to stifle its employees’ activities. “Someone else comes along and you say, ‘oh let’s try to make it work,’ but you never tried to make it work before.” GDIT also recently started providing lunch vouchers to employees. “They see the union making progress and they’re trying to stray people away by giving us food vouchers,” Quanterris Newby observes. “You feeding me a meal at work is not doing what I need to support my family,” adds Anna Flemmings. “They fight so hard to do the wrong thing. Wouldn’t it be easier just to do right?” asks Myla Robinson.

## **MOVING FROM POVERTY WAGES TO FAMILY-SUPPORTING WAGES**

Supporting a family with GDIT’s current poverty wages is exceedingly difficult. Call center professionals deserve a family-supporting wage that is adequate to cover typical expenses, including housing, food, medical care, child care, and transportation. As demonstrated in the testimonials from GDIT

Hattiesburg employees above, it is a constant struggle to make ends meet on \$10.35 an hour for workers across any family configuration.

Figure 4 shows the typical costs of living in Hattiesburg for a range of family sizes. The bottom row shows the hourly pay rate that would be required to reach the baseline family-supporting wage for each family size.<sup>25</sup> Current GDIT wages fall far short of family-supporting wages for parents raising children and also create significant hardship for single people. According to a Massachusetts Institute of Technology analysis, in a home with two adults working full-time and two children, a family-supporting wage in Hattiesburg is \$13.50 per hour, \$3.15 or 30% above the wage of a typical GDIT employee. Even a single person would need a 9% raise to meet basic needs.

The difference between poverty wages and a family-supporting wage is summed up by Demetrice Timmes, a Marketplace agent. “If I made a decent wage,” says Timmes, “I’d be able to pay my bills on time, not have to keep my bank account in overdraft, live out of my car [and] eat one meal a day.”

## IMPACT OF HIGHER PAY ON INDIVIDUALS, FAMILIES AND THE HATTIESBURG COMMUNITY

The call center agents at GDIT Hattiesburg—who will soon be employed by Maximus—provide a vital service to the American public and deserve family-

**FIG. 4** Typical expenses and earnings required to achieve a family-supporting wage in Hattiesburg, Mississippi, 2018<sup>26</sup>

ANNUAL EXPENSES	1 ADULT	1 ADULT 1 CHILD	1 ADULT 2 CHILDREN	2 WORKING ADULTS 2 CHILDREN
FOOD	\$2,986	\$4,394	\$6,613	\$8,786
CHILD CARE	\$0	\$2,851	\$3,759	\$3,759
MEDICAL	\$2,411	\$7,421	\$7,140	\$7,198
HOUSING	\$7,512	\$10,524	\$10,524	\$10,524
TRANSPORTATION	\$4,236	\$8,754	\$9,189	\$11,032
OTHER	\$2,656	\$4,294	\$4,736	\$6,059
<b>REQUIRED ANNUAL INCOME AFTER TAXES</b>	\$19,801	\$38,238	\$41,962	\$47,357
<b>ANNUAL TAXES</b>	\$3,568	\$7,052	\$7,759	\$8,785
<b>REQUIRED ANNUAL INCOME BEFORE TAXES</b>	\$23,369	\$45,290	\$49,721	\$56,142
<b>FAMILY-SUPPORTING WAGE</b>	<b>\$11.23</b>	<b>\$21.77</b>	<b>\$23.90</b>	<b>\$13.50</b>

**FIG. 5 Increases in Wages and Annual Income for Full-Time Tier 1 Agents from SCA Reclassification and Unionization<sup>27</sup>**

YEAR	HOURLY PAY			ANNUAL INCOME			INCREASE IN ANNUAL INCOME		
	CURRENT	WITH SCA RECLASS	WITH UNION & RECLASS*	CURRENT	WITH SCA RECLASS	WITH UNION & RECLASS*	SCA RECLASS DIFFERENCE	UNION DIFFERENCE*	UNION & RECLASS DIFFERENCE*
2019	\$10.35	\$12.00**	\$12.55	\$21,528	\$24,761	\$25,428	\$3,233	\$667	\$3,900
2020	\$10.35	\$12.00	\$13.10	\$21,528	\$24,960	\$26,771	\$3,432	\$1,811	\$5,243
2021	\$10.35	\$12.00	\$13.65	\$21,528	\$24,960	\$27,915	\$3,432	\$2,955	\$6,387
2022	\$10.35	\$12.00	\$14.20	\$21,528	\$24,960	\$29,059	\$3,432	\$4,099	\$7,531

\* Assumes collectively bargained raises occur on June 1 each year

\*\* The SCA prevailing wage rate for General Clerk II is \$11.77 until June 1, 2019, when it is scheduled to increase to \$12.00.

supporting wages. This section analyzes the family and community impacts that would result from higher pay at this call center if workers were properly reclassified to General Clerk II and formed a union to bargain for annual wage increases of \$0.55 for each of the four years from 2019 and 2022.

### Individual and Family Incomes

An improvement in income would profoundly improve the lives of workers at GDIT, elevating them from poverty-level earnings to a family-supporting wage. Figure 5 illustrates how this could be achieved by reclassifying agents from CSR I to General Clerk II, and achieving modest annual raises of 55 cents through collective bargaining. Together, these initiatives would increase hourly wages from \$10.35 today to \$14.20 in 2022—a 37.2% increase. Annual incomes for full-time agents would increase to \$29,059 by 2022, compared to \$21,528 currently.

What would reclassification and union pay raises mean for agents at this call center? Workers repeatedly said that higher wages would reduce the constant stress that comes with living paycheck to paycheck and worrying about whether they will be able to cover this month’s bills or put food on the table tomorrow. Agents also identified specific needs and hopes that could become real with decent wages:

- Lauren Pride said she would “move into a larger house or apartment for my expanding family and we would be able to afford more healthy food for ourselves.”
- Kyshawn Henderson said his family went through a period when they “had to eat ramen [noodles] nearly every night.” With better pay, Kyshawn’s family wouldn’t have to go without food for some meals.

**FIG. 6 Increase in Regional Economic Activity Due to Higher Earnings at Call Center, 2019-2022<sup>28</sup>**

	HIGHER EARNINGS AT CALL CENTER	MULTIPLIER EFFECT*	TOTAL
SCA RECLASSIFICATION	\$14,664,103	\$7,945,011	\$22,609,114
COLLECTIVELY BARGAINED RAISES	\$10,639,279	\$5,764,361	\$16,403,640
<b>TOTAL</b>	<b>\$25,303,382</b>	<b>\$13,709,372</b>	<b>\$39,012,754</b>

\*Calculated using BEA's RIMS-II multipliers for employment in Business Support Services (industry code 561400).

- Diamond Lewis says, “I would get rid of my second job and actually enjoy the opportunity of getting off at 3:30pm.”
- Latrice Carson said she might be able to afford dance classes for her daughter.
- Catherine Trigg says she would like to “be able to go on mini-vacations or even a full vacation.”
- James Finnemore would be able to afford moving from his parents’ home in Gulfport to his own place in Hattiesburg, which would save him 140 miles of commuting every day. “I could go and eat at one of the downtown restaurants,” he says. “I could do activities. I could go to the college football games.”

### Increase in Regional Economic Activity

Improved wages at the call center would not only benefit agents themselves, but would be a boon to the

entire region and help spur growth. Increased wages for call center agents would inject new spending into the local Hattiesburg economy. Through reclassification and collectively bargained raises, they would bring home \$25.3 million more in wages between 2019 and 2022 (see Figure 6). These new dollars would be spent at local businesses and then spent again, creating new chains of economic activity, what is known as a ‘multiplier effect.’

When the multiplier effect is applied in this case, the increased annual earnings at the call center would spur an average of \$3.4 million in new economic activity annually, according to data from the Bureau of Economic Analysis (BEA) (see Figure 6). Over four years, the multiplier effect would result in a total of \$13.7 million of added spending in the Hattiesburg region.

This boost in income and spending at local businesses would help create and support new jobs at other employers in the region. Based on an analysis

**FIG. 7 New Jobs Created in Hattiesburg Region and Mississippi by Higher Call Center Earnings\***

YEAR	RECLASSIFICATION	UNION	TOTAL
2019	81	19	100
2020	85	47	132
2021	85	75	161
2022	85	104	189

\*Calculated using BEA's RIMS-II multipliers for employment in Mississippi in Business Support Services (industry code 561400).

using data published by BEA, higher wages at the Hattiesburg call center would create an additional 189 new jobs in the region by 2022 (see Figure 7). Of these new positions, the collectively bargained annual raises would be responsible for creating 104 new jobs, while the improved pay resulting from SCA reclassification would create 85 new jobs.

Beyond the multiplier effect, higher pay at GDIT could help lift wages for other employees in the area. As the largest private sector employer in the region, GDIT exercises—and Maximus will soon exercise—considerable market power in the local labor market. The average monthly payroll of 1,390 employees at the call center is equivalent to about 2% of the entire Hattiesburg MSA workforce, and 6.7% of the City's workforce. If new owner Maximus becomes a better-paying, high-road employer, it would encourage other businesses to raise the bar as well. Federal, state, and municipal authorities would also benefit, with fewer agents relying on public assistance programs. Workers would also contribute more to the tax base, creating

additional funding for schools, law enforcement, and other public services.

Lastly, customers and the employer would also benefit from better working conditions at the Hattiesburg call center. With its current low wages, the turnover rate at this call center is notoriously high; but with a more stable workforce, the employer would spend less time and money recruiting and training new hires and could anticipate greater productivity from a workforce that is not constantly in flux. Americans would be able to rely on a consistently well-trained and experienced workforce to assist them.



## CONCLUSION

As one of the largest employers in Hattiesburg, the Cloverleaf call center plays a major role in the regional economy. Employment practices at the call center affect the entire labor market and economic health of the community. Though the current low wages there have reinforced existing income disparities by race and gender, when Maximus assumes control it has the potential to provide an economic stimulus to Hattiesburg while reducing those disparities moving forward.<sup>29</sup>

GDIT was welcomed to Hattiesburg but has not lived up to its end of the bargain. The company has sought to prevent its employees from achieving family-supporting wages, and in so doing has obstructed access to resources that would benefit the larger community. As Maximus prepares to take over operations, it has an opportunity to improve conditions at the call center and benefit Hattiesburg as a whole. The company should start by listening to and respecting the voices and rights of experienced call center agents, who continue to work diligently to better the lives of their families as they provide a valuable government service.

## ENDNOTES

1. Staffing estimates are based on a combination of media reports and interviews with current and former employees at the site.
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3. Census Bureau, “Household Income; 2016,” September 2017. <https://www.census.gov/content/dam/Census/library/publications/2017/acs/acsbr16-02.pdf>
4. Ibid.
5. DataUSA, “Mississippi.” <https://datausa.io/profile/geo/mississippi/>
6. National Partnership for Women and Families, “Black Women and the Wage Gap,” April 2018. <http://www.nationalpartnership.org/research-library/workplace-fairness/fair-pay/african-american-women-wage-gap.pdf>
7. Estimates based on reports from GDIT Hattiesburg employees.
8. U.S. Office of Management and Budget. <https://www.usaspending.gov/>
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11. Mississippi Development Authority, “FY2013 Mississippi Incentives Report.” <https://merlin.state.ms.us/reports/FY2013%20Mississippi%20Incentives%20Report.pdf>
12. Mississippi Development Authority, “General Dynamics Information Technology Opens in Hattiesburg,” February 20, 2018. <https://www.mississippi.org/news-room/general-dynamics-2-20-2013/>
13. This average is based on a combination of media reports and interviews with GDIT employees.
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17. Amy K. Glasmeier, Massachusetts Institute of Technology, Living Wage Calculator, “Living Wage Calculation for Hattiesburg, MS,” 2018. <http://livingwage.mit.edu/metros/25620>
18. Estimate based on reports from employees.
19. U.S. Department of Labor Wage and Hour Division, “SCA Directory of Occupations, Fifth Edition.” <https://www.dol.gov/whd/regs/compliance/wage/SCADirV5/SCADirectVers5.pdf>
20. Jim Tankersley, *The New York Times*, “Complaint Accuses Contractor of Underpayment at Medicare Call Centers,” Jan. 30, 2018. <https://www.nytimes.com/2018/01/30/us/politics/medicare-call-centers-wages.html>
21. CWA has filed similar complaints with the WHD calling for investigations of SCA misclassification at other call centers that GDIT operates on behalf of CMS. Danielle Paquette, *The Washington Post*, “Huge Federal Contractor ‘Failed’ to Pay Workers \$100 Million in Wages, Union Says,” April 23, 2018. <https://www.washingtonpost.com/news/wonk/wp/2018/04/23/huge-federal-contractor-failed-to-pay-workers-100-million-in-wages-union-says>
22. General Dynamics entered the federal-contract call center business with its acquisition of Vangent in 2011. These Vangent call centers continued under the General Dynamics banner without significant changes to its workforce, contracts, or operations. These WHD investigations occurred before, during, and after the 2011 acquisition. See U.S. Department of Labor Wage and Hour Divisions Case IDs: 1530479 1569508 1676237, and 1731624.

23. *Norton v. Maximus, Inc.*, No. 1:14-cv-00030 (D. Idaho 2014).
24. Chris Opfer, *Bloomberg Law*, “General Dynamics Accused of Threatening Workers,” Sept. 4, 2018. <https://www.bna.com/general-dynamics-accused-n73014482204/>
25. This figure is calculated on the basis of 2080 hours worked per year.
26. Glasmeier, MIT Living Wage Calculator, 2018. <http://livingwage.mit.edu/metros/25620>
27. This table uses the latest SCA area wage determination (AWD) for Forrest County published by DOL on [www.wdol.gov](http://www.wdol.gov). The figures are calculated on the basis that the CSR I prevailing wage remains at or below \$10.35 an hour through 2022, and that GC II prevailing wage at this worksite becomes \$12.00 hour on June 1, 2019, and remains at this rate through 2022. The figures for Annual Income and Increase in Annual Income are calculated on the basis of 2080 worked per year.
28. The figures for Total Higher Earnings were calculated on the basis of weighted monthly staffing levels of between 800 and 2,000 employees, depending on the time of the year. Based on knowledge of the workforce, it is assumed that 75% are full-time employees working 40 hours per week, and 25% are part-time employees working 25 hours per week. The aggregate hours worked per month are weighted to reflect that new employees, particularly seasonal employees hired during peak staffing periods, are less likely to work a full month in their first and last month of employment. The calculation also assumes that all agents are currently classified as a CSR I, but should be properly reclassified to GC II. It also holds the same assumptions concerning the SCA AWDs and the effective dates of collectively bargained raises as in Figure 5.
29. Christian E. Weller and David Madland highlight the impact of unions in providing access to better-paying, more stable jobs with improved benefits for families of color. Weller and Madland, Center for American Progress, “Union Membership Narrows the Racial Wealth Gap for Families of Color,” Sept. 4, 2018. <https://www.americanprogress.org/issues/economy/reports/2018/09/04/454781/union-membership-narrows-racial-wealth-gap-families-color/>





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