

We would appreciate your giving this report consideration before reaching a decision on AB457.

Cordially,

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The consumer bankruptcy problem, which in California accounts for about 90% of all bankruptcy, is believed by most students to be closely related to wage attachment law and employer personnel practices.¹ While neither the law nor employer practices are held to cause the problems leading to bankruptcy, Robert O. Herrmann concludes that—

“The use of bankruptcy to avoid wage garnishments, for example, could be reduced if the financially distressed had less reason to fear wage garnishment. This fear, at present is probably due more to threats of firing by unsympathetic employers than to concern over a temporarily reduced paycheck.”²

Likewise, a California Assembly Interim Committee Report cites as an argument for increased debtor’s exemptions that “attachment (of wages) frequently leads to discharge of employment.”³

The study here reported was directed toward this specific question: Do wage attachments in fact lead to discipline and discharge? Thus our survey solicited both the established or informal practices of employers who must ultimately withhold the attached wages. Union practices were also studied since presumably a union has an interest in the member who may be the target of attachments or who may be disciplined or discharged by the employer because of wage attachments.

Findings

The employer survey was a random sample of those employers, private and public, listed in the San Diego Chamber of Commerce publication *Manufacturers and Major Employers of San Diego County, 1965*. The analysis is made according to public and private employer, size of firms, and industry. Appendix A gives additional information on the nature of the sample, the number of returns, and the industrial coding.

Table 1 presents private employer practices relating to wage attachments.

TABLE 1.—PRIVATE EMPLOYER PRACTICES FOR REGULAR EMPLOYEES WHOSE WAGES ARE ATTACHED
[W—warning; D—disciplinary action; F—fired]

Standard industry code	Number reporting a policy	Attachment												No disciplinary action	
		1st			2d			3d			4th		5th		
		W	D	F	W	D	F	W	D	F	Fired	Fired			
Contract construction.....	2	2	--	--	1	--	1	--	--	1	--	--	--	3	
Manufacturing.....	21	21	--	--	19	1	1	8	--	12	4	1	1		
Transportation and communication.....	5	5	--	--	4	--	1	2	--	2	--	--	1		
Wholesale and retail.....	15	15	--	--	11	1	3	4	--	8	1	--	3		
Finance, insurance, and real estate.....	12	11	--	1	7	--	4	4	--	3	2	--	2		
Services.....	17	17	--	--	15	--	2	6	--	9	3	--	3		
Total.....	72	71	--	1	57	2	12	24	--	35	10	1	13		

Seventy-one of the 72 firms with a policy, or 98.6% of firms reporting on this question, gave a *warning* on the first wage attachment. On the second attachment, those willing to rely on a warning dropped to 80.3%, and twelve firms or about 17% fired the employee. For a third attachment, thirty-five additional firms reported they would fire the employee, which means that cumulative % of employees would fire an employee with as many as three wage attachments. In