

Testimony in Support of H7628
House Labor Committee
Submitted by Douglas Hall, Ph.D.
April 14, 2016

Chairman Shekarchi, Vice-Chair Palangio, and Members of the House Committee on Labor, thank you for considering H7628, ***An Act Relating to Labor and Labor Relations—Minimum Wages***, a bill that the Economic Progress Institute supports.

This bill grants employees several additional avenues to help them collect their wages from nonpaying employers, sets forth penalties for nonpayment of wages by an employer, and implements a new procedure for filing of claims.

Wage theft is a huge but not well understood set of actions that result in depriving employees of rightfully owed wages.

Wage theft results from several practices by employers, including most commonly minimum wage violations, over-time violations, and independent contractor violations. Minimum wage violations alone cost American workers between \$8.6 Billion and \$13.0 Billion a year, according to Ross Eisenbrey, the Vice President of the DC based Economic Policy Institute.¹ The practices prohibited by this legislation, while comparatively small in their economic impact, erode wages for workers, particularly those at lower income levels. As noted in a seminal report on wage theft released by the National Employment Law Project, “women, immigrants, and people of color are particularly hard hit.”²

An Economic Policy Institute graphic puts wage theft in context, comparing only the costs of wages successfully recovered nationally -- \$933 million in 2012 – with the total cost of goods lost in actual robberies, including bank robberies, residential robberies, convenience store and gas station robberies, and street robberies.



In trying to build an economy that works for all Rhode Islanders and to reverse the trend from higher wage to lower wage jobs that has characterized the period since the Great Recession, we must attract higher skill jobs that pay well, ensure that existing jobs in Rhode Island are family-supporting, while providing the Rhode Island workforce with the education and training necessary to fully engage in the economy.

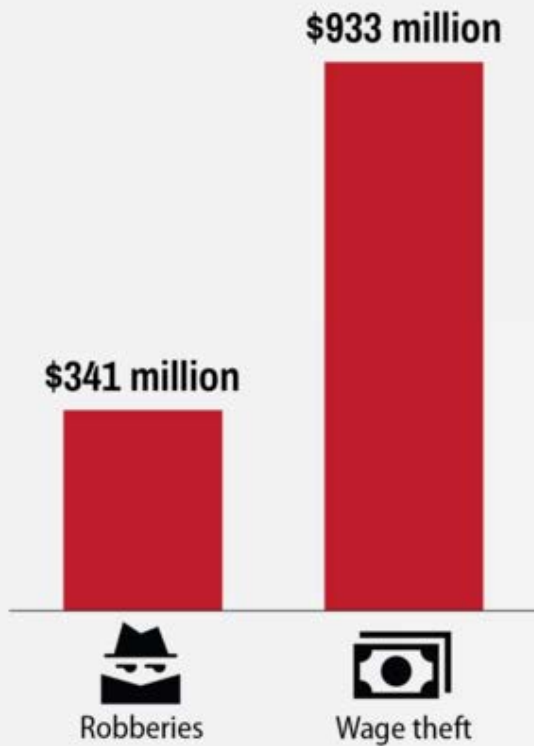
Economic Progress Institute, State of Working Rhode Island: Workers of Color, 2015

¹ Ross Eisenbrey, Economic Policy Institute, 2015 “Wage Theft by Employers is Costing U.S. Workers Billions of Dollars a Year”, <http://www.epi.org/blog/wage-theft-by-employers-is-costing-u-s-workers-billions-of-dollars-a-year/>

² National Employment Law Project, 2011. *Winning Wage Justice: An Advocates Guide to State and City Policies to Fight Wage Theft*. <http://www.nelp.org/content/uploads/2015/03/WinningWageJustice2011.pdf>

Wage theft is a much bigger problem than robbery

Value of wages earned but not received, compared with value of property stolen in robberies, 2012



Source: Analysis by Brady Meixell and Ross Eisenbrey in *An Epidemic of Wage Theft is Costing Workers Hundreds of Millions of Dollars a Year* (EPI 2014), using FBI crime data and data on wage-and-hour violation settlements (dollars recovered for workers) from federal and state departments of labor, attorneys general, and NERA Economic Consulting.

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Low wages (wages at the 20th percentile) have been in decline in Rhode Island – down more than a dollar an hour in real terms since 2000. Wage theft is one factor that has contributed to this erosion.

Here in Rhode Island we have recently created within DLT's Workforce Regulation and Safety Division, the Workplace Fraud Unit (using existing funds) to address workplace fraud, including wage theft. Further expanding staffing of that unit would put more teeth into the enforcement of Rhode Island's laws protecting workers from wage theft. As this body considers this bill today, we urge you to also work with your legislative colleagues to provide the Department of Labor and Training the resources necessary to ensure full enforcement of all of Rhode Island's laws protecting against wage theft (The Governor's proposed funding for the Workforce Regulation and Safety Division for 2017 falls short of 2014 spending by nearly \$70,000).

Enacting this bill will give some teeth to Rhode Island's current protections against wage theft. Paired with adequate resources for enforcement, it will result in a significant reduction of wage theft in Rhode Island.