



Testimony in Support of:

Senate Bill 0350: AN ACT RELATING TO LABOR AND LABOR RELATIONS -- PAYMENT OF WAGES

Senate Labor Committee
Submitted by Douglas Hall, Ph.D.
March 1, 2017

Chairman Fogarty, Members of the Senate Committee on Labor, thank you for considering this important **wage theft** bill. Wage theft undermines the well-being of workers throughout the United States, including here in Rhode Island.

Senate Bill 0350 expands Rhode Island's current protections against wage theft, by prohibiting employers from subjecting their employees to wage theft by deducting from wages for spoilage, breakage, cash shortages, or fines, or by imposing penalties for tardiness, misconduct, or quitting by an employee without notice.

Wage theft encompasses a range of actions that deprive workers of their earned and 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 **S0350** erode wages for workers, particularly those at lower income levels.

Fighting wage theft makes sense at several levels, as explained by the National Employment Law Project²:

“The case for fighting wage theft is first and foremost about **fairness and justice**— but it is also about **economics**. There is the significant **cost to workers and their families**....There is the **cost to taxpayers in lost revenues** when employers fail to pay payroll taxes. There is the **cost to our local economies**, with fewer dollars

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>

circulating to local businesses, stunting economic recovery. And there is the **cost to growth and opportunity** as generations of workers are trapped in sub-minimum wage jobs.”

New research from Dan Galvin at Northwestern University shows that nationally, on average 16 percent of low wage workers are paid less than their state’s minimum wages as a result of wage theft, with those workers cheated out of nearly a quarter – 23 percent – of their earned wages (Galvin’s model shows that **in Rhode Island, about 14.5 percent of low wage workers experience wage theft**). This amount is lower than the national average due to Rhode Island’s relatively strong labor laws, including the treble damages provision passed in 2012 that allows for civil penalties up to two times the amount of underpayment, in addition to requiring payment for wages owed.

Moreover, we know that those concentrated disproportionately in lower-wage jobs—women, immigrants, and people of color—are particularly hard hit by wage theft. Galvin notes that the consequences of wage theft are particularly dire for low wage workers. “For these workers, when low-wage workers are underpaid by even a small percentage of their income, it can mean major hardships like being unable to pay rent, child care, or put food on the table.”³

In recent years, the federal government has redoubled its efforts to enforce its labor standards laws that protect workers, recovering \$1.6 billion in wages for American workers since 2009. In 2015 alone, the Wage and Hour Division (WHD) recovered an average of \$700,000 a day.⁴

Given the demonstrated effectiveness of state level wage theft laws at reducing the incidence of violations, and the high likelihood that the current federal government will be rolling back its efforts of recent years, Rhode Island should continue to vigorously protect its workers, while signaling to its employers that it expects (and will enforce) compliance with state labor standards. This bill represents a positive step in that direction, and so we urge you to pass it out of committee.

“When low-wage workers are underpaid by even a small percentage of their income, it can mean major hardships like being unable to pay rent, child care, or put food on the table.”

Dan Galvin, 2016

³ Daniel Galvin, “Deterring Wage Theft: Alt-Labor, State Politics, and the Policy Determinants of Minimum Wage Compliance”, *Perspectives on Politics*. <http://faculty.wcas.northwestern.edu/~djg249/galvin-wage-theft.pdf>.

⁴ Daniel Galvin, “Combating Wage Theft Under Donald Trump”, *The American Prospect*, December 22, 2016. (<http://prospect.org/article/combating-wage-theft-under-donald-trump>).