



**Testimony in Support of H7505
House Labor Committee
Submitted by Douglas Hall, Ph.D.
February 25, 2016**

My name is Douglas Hall, and I'm the Director of Economic and Fiscal Policy at the Economic Progress Institute.

Chairman Shekarchi, Vice-Chair Palangio, and Members of the House Committee on Labor, thank you for considering H7505, **An Act Relating to Labor and Labor Relations—Payment of Wages**, a bill that the Economic Progress Institute supports.

This bill 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, fines or by imposing penalties for tardiness, misconduct, or quitting by an employee without notice.

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



Figure 1

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>

As seen in Figure 1, low wages (wages at the 20th percentile) have been in decline – 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 law will not by itself solve the problem of wage theft in Rhode Island, nor will it reverse the steady decline of low wages in the Ocean State, but it is an important piece of the puzzle, and for that reason we urge you to pass it out of committee.