Policy Matters Ohio

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With state bureau hobbled by cuts, cities should protect workers from wage theft

The bureau tasked with protecting working Ohioans' wages oversees the state's 5.5 million jobs with only six people to do it. This woefully inadequate oversight has given rise to a serious wage theft problem that goes unaddressed in Governor Mike DeWine's budget proposal. With the state largely absent, it will be up to Ohio's cities to protect working people, according to two reports released today by Policy Matters Ohio.

Since 2010, policymakers have allowed funding for the Bureau of Wage and Hour to erode by more than 24% in today's dollars, according to Policy Matters' "Budget Bite." Today, just five investigators and one supervisor oversee wage theft enforcement for Ohio's more than 5.5 million jobs. That means Ohio has one investigator for every 932,367 workers. Governor DeWine's budget proposal further cuts Bureau funding by $100,000. By 2021, Ohio will spend 36.7% less on wage enforcement than it did in 2010, adjusted for inflation.

"Unless state legislators do the right thing and increase funding for the Wage and Hour Bureau, Ohio will enter a new decade with fewer resources to ensure working people get paid what they earned," said Hannah Halbert, project director with Policy Matters Ohio. "Without proper funding the state's wage theft crisis will intensify."

Bureau enforcement relies on complaints. If an incident goes unreported, the state may never learn about it. A lack of funding coupled with a complaint-driven model limits the Bureau's enforcement ability and compounds the problem of underreporting. The state does not maintain an online or easily accessible source for data on wage and hour complaints. Modeling by the Economic Policy Institute ranked Ohio as the second of the 10 largest states for having the highest share of workers experiencing minimum wage violations. However, very few violations show up as formal complaints.

Cincinnati decided to fill the void left by the state and passed a local wage theft ordinance in 2016 that, among other protections, empowers the city to clawback tax incentives given to companies that commit wage violations. Columbus, a boom-town that relies heavily on tax incentives, would be well served by following suit, said Halbert.

In another study, Policy Matters found that 15 industries committed more than half of federal wage theft violations in Columbus. Full-service restaurants alone accounted for 11% of cases. Other key culprits included fast food, home health and child care, janitorial services and temp agencies. These industries also tend to pay very low wages, and seek special exemptions from the traditional employer-employee relationship designed to protect workers under the Fair Labor Standards Act.

"Employers commit wage theft because it is easy and they can get away with it," said Michael Shields, researcher with Policy Matters Ohio. "Cincinnati shows how cities can do more to protect working people and businesses that follow the law. Expanding reporting, enforcing clawback provisions, and improving contracting and procurement standards will help more workers receive all the pay they've earned."

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.