



Work and Wages

Testimony on Ordinance 1802-2020: Wage Theft Prevention and Enforcement before Columbus City Council

Hannah Halbert

Councilmember Dorans and Members of Council, thank you for putting forward this important piece of legislation and for the opportunity to testify. My name is Hannah Halbert. I'm the executive director of Policy Matters Ohio, a nonprofit, nonpartisan research institution that identifies ways public policy can make Ohio a more vibrant, inclusive and equitable state.

The quiet crisis of wage theft has real costs for working people, their families and our communities. In Ohio, an estimated 217,000 workers have wages stolen by employers each year through minimum wage violations alone.¹ Employers committing these violations are estimated to steal \$600 million per year from workers, an average loss of \$2,800 per affected worker.² For a person who works full time and is paid the minimum wage, they would lose about 22.4% of their earnings.

The U.S. Department of Labor confirmed 13,846 distinct cases of wage theft at 620 companies in the city of Columbus from 2007 through 2018.³ Full-service restaurants alone accounted for 11% of cases. Other key culprits included home health, nursing care and child care companies, janitorial services, mortgage and loan companies and temp agencies. Wage violations often go unreported, so these statistics represent a small fraction of the total violations occurring in Ohio, but they do show that wage theft happens across industries to workers at all education levels.

Wage theft also cuts across race and gender. However, the same people who are more likely to face workplace discrimination, specifically Black people, Latinx people, and women, are also more likely to be victimized by wage theft. When we looked at the data showing likely minimum wage violations in Ohio, Black workers were 70.1% more likely

¹ Cooper, David and Teresa Kroeger, "Employers steal billions from workers' paychecks every year," May 10, 2017, <https://bit.ly/2U4Wt3s>, annualized pooled data from CPS-ORG 2013-2015.

² Id.

³ Michael Shields, "Wage Theft: A quiet crisis in Ohio," Policy Matters Ohio, April 2019, https://www.policymattersohio.org/research-policy/fair-economy/work-wages/wage-theft-a-quiet-crisis-in-ohio#_ftn6.

than their white counterparts to be victims of minimum wage violations.⁴ Women were victims of wage theft 73.2% more often than men.

Wage theft persists in part because state policymakers have not properly funded enforcement. Just five state investigators and one supervisor oversee wage theft enforcement in a state that has 5 million jobs.⁵ Funding for state enforcement is down more than 24% on an inflation adjusted basis since 2010. This has consequences. The state completed just 542 investigations in 2018.⁶

There's simply not enough state staff to engage in strategic enforcement or to develop proactive policies for investigation and transparency. Wage theft victims are often afraid to come forward to assert their rights. Many workers fear employer retaliation or are especially vulnerable because they are not citizens. The complaint driven process used by the state, makes it less likely that an employer will get caught, creating a disincentive to get the payroll right. Workers have less to support their families. Law abiding business have to compete against employers who skirt the law for their own enrichment. Lax wage and hour enforcement serves only the unprincipled.

It's up to cities to lead. Cincinnati passed a wage enforcement ordinance in 2016. The Cincinnati Interfaith Worker Justice Center reported that since passage there is an "expanding culture of compliance that recognizes a workers right to full pay, fair pay."⁷ The Center reported cases opening and closing quickly with 75% ending with workers paid, in full, within 120 days.

The ordinance before you today gives Columbus an opportunity to expand on the good work started in Cincinnati. The city should support honest employers and discourage those who take illegal advantage of our workforce. This ordinance includes robust notice and reporting standards, which are among the best ways to address wage theft. Notably, the ordinance will make it hard for bad actors to hide in complicated contracts. It is a comprehensive approach.

Wage theft is too big a problem to ignore. It hurts some of the city's poorest residents, who are both most dependent on their earnings to survive, and least likely to be able to assert their rights. It costs cities and the state vital tax revenues. And it creates an

⁴ Michael Shields, "Some Ohio workers at higher risk of wage theft," Policy Matters Ohio, September 2019, <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/minimum-wage/some-ohio-workers-at-higher-risk-of-wage-theft>, accessed August 18, 2020.

⁵ Hannah Halbert, "Budget Bite: Wage theft ignored in proposed budget," Policy Matters Ohio, April 2019, <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/minimum-wage/budget-bite-wage-theft-ignored-in-proposed-budget>.

⁶ Department of Commerce, Redbook, available at <https://bit.ly/2WXWg3P>, accessed April 4, 2019.

⁷ Brennan Grayson, Director of the Cincinnati Interfaith Worker Justice Center, quote to author, April 2019, available at <https://www.policymattersohio.org/research-policy/fair-economy/work-wages/wage-theft-a-quiet-crisis-in-ohio>

underground economy that harms legitimate businesses that follow the law. Leadership must come from local officials and this ordinance provides just that.