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## **REPORT: WAGE THEFT, EMPLOYMENT LAW VIOLATIONS WIDESPREAD IN U.S. CITIES**

### ***Two-Thirds of Low-Wage Workers Denied Full Pay, Each Losing Over \$2,600 Annually***

**Groundbreaking Study of Over 4,300 Workers in NYC, Los Angeles, Chicago Provides First-Ever Data on Employment Law Violations – Affecting Millions of Restaurant & Retail Employees, Child Care & Home Health Care Workers, Garment Workers, Hotel Maids, Cashiers, Security Guards, Janitors, Car Wash Workers & Many Others**

Sept 2, 2009 – Today a team of national labor market experts released a groundbreaking study of the low-wage workforce in the nation's three largest cities, finding that core employment laws – like the minimum wage and overtime pay – are being aggressively and systematically violated in some of the economy's fastest-growing industries. Drawing on in-depth interviews with 4,387 workers in Los Angeles, Chicago and New York City, the report estimates that a staggering two-thirds of the workers surveyed experienced pay violations in a given week, and that the average worker lost over \$2,600 in annual income due to the violations, a full 15% of annual income. The report provides unprecedented, rigorous quantitative measurements of the scope and severity of workplace violations, and finds that they are penetrating industries that employ millions of workers in the United States.

"This report exposes a world of work in which the core protections that many Americans take for granted are failing significant numbers of workers. The sheer breadth of the problem suggests the country's work laws are simply not adequate for the 21<sup>st</sup> century, and that the laws we do have are not being adequately enforced. The result is profound economic hardship for millions of workers, their families and their communities," said Nik Theodore, Director of the Center for Urban Economic Development at the University of Illinois-Chicago and a co-author of the report.

The study follows multiple reports by the Government Accountability Office – [most recently after President Obama took office](#) – which found that the U.S. Department of Labor has not sufficiently protected workers or penalized employers in cases of minimum wage and other violations.

[Broken Laws, Unprotected Workers](#) calculates, for the first time, the prevalence of several employment and labor law violations, including:

- **Minimum wage:** 1 in 4 workers (26%) was paid below the minimum wage in a given work week;
- **Overtime pay:** 76% of those who worked overtime were not paid the required time and a half;
- **Meal breaks:** More than two-thirds (69%) did not get meal breaks they were entitled to;
- **Off-the-clock work:** 70% did not get any pay at all for work performed outside their regular shift;
- **Tipped pay:** Nearly 1/3 (30%) of tipped workers were not paid the tipped worker minimum wage;
- **Pay documentation:** 57% of workers did not receive mandatory pay stubs;
- **Employer retaliation:** 43% experienced illegal retaliation following complaints;
- **Workers' compensation:** Only 6% of injured workers received coverage for medical expenses;
- **Exempt workers:** 89% of "in-home" child care workers earned less than the minimum wage

The three city surveys were conducted throughout 2008 in eight languages by researchers at the National Employment Law Project, the University of California-Los Angeles, the University of Illinois-Chicago, Cornell University and Rutgers University. The study used a rigorous, innovative sampling methodology that allowed the authors to survey hard-to-reach populations, such as unauthorized workers or those paid in cash. The resulting sample spans workers in a wide range of urban industries, including retail, restaurants and grocery stores, car washes, building services and industrial laundries, home health care, child care, construction, warehousing, transportation and garment manufacturing.

Altogether, the authors estimate the sample represents about 1.64 million workers across the three cities alone, or 31% of non-managerial workers in Chicago, Los Angeles and New York combined.

“These problems are not limited to underground employers or a single group of vulnerable workers – rather, these violations are occurring at large and small businesses alike, in industries that are at the very core of urban U.S. economies. In fact, we found that it’s where you work, not who you are, that is the main determinant of these violations of employment laws,” said Annette Bernhardt, policy co-director at the National Employment Law Project, also a co-author.

Apparel and textile manufacturing, personal and repair services, and private households yielded the highest minimum wage violations – all exceeding 40%. Child care workers experienced the highest violations of any job, with 66% reporting not being paid minimum wage in a given week and 90% facing overtime violations.

Violation rates also were associated with certain employment practices: workers paid with a flat weekly rate or in cash faced more violations than those paid with an hourly rate or company check. Smaller businesses, with fewer than 100 employees, generated more violations than larger businesses – though one in six of the workers in the larger companies nevertheless reported not being paid the minimum wage in the prior week.

Workers were reluctant to contest violations, despite their prevalence: only a fraction complained, for fear of losing work or pay, and nearly half of those who did complain faced illegal retaliation. Respondents also reported frequent abuse or unreliability of the workers’ compensation system.

*Broken Laws, Unprotected Workers* also challenges the conventional wisdom that only immigrants encounter these problems. While foreign-born Latino workers had the highest minimum wage violation rates of any racial or ethnic group, all workers showed degrees of vulnerability: for example, women were significantly more likely than men to experience minimum wage violations, and among U.S.-born workers, African-American workers had three times the violation rates of their white counterparts.

The average worker with violations lost \$51 a week, out of average weekly earnings of \$339. Assuming a full-time, full-year work schedule, the report estimates that these workers lost an average of \$2,634 annually due to workplace violations, out of total earnings of \$17,616. That translates into wage theft of 15% of earnings.

“Systematic business strategies are in play when you see violations on this magnitude, which involve explicit decisions made by employers. Not all employers violate the law – we found a range of workplaces where abuses were relatively rare, where workers were also offered health insurance, paid vacation and sick days, and regular raises. But given that 8 of the 10 occupations projected to grow the most in the next decade are low-wage jobs – and that the recession is only compounding these trends – there is an urgent need to address these issues,” said co-author Ruth Milkman, a professor of Sociology at UCLA.

The report outlines three public policy recommendations to improve worker protections: 1) Strengthen government enforcement of employment and labor laws; 2) Update legal standards for the 21<sup>st</sup> century labor market by raising the minimum wage, updating health and safety standards, ending exclusions that deny workers

coverage, and strengthening the right of workers to organize through labor law reform; and 3) Establish equal status for immigrants in the workplace.

“We are encouraged that the new leadership at the Department of Labor and President Obama have committed to expanding staff and resources to better protect the millions of workers who grapple with these violations every day. By shedding new light on the state of the U.S. workplace, we hope this landmark study helps guide the country to stronger protections for workers and good jobs that will be an essential foundation for our 21<sup>st</sup> century economy,” Bernhardt concluded.

*Broken Laws, Unprotected Workers* was funded by the Ford Foundation, the John Randolph Haynes and Dora Haynes Foundation, the Joyce Foundation, and the Russell Sage Foundation. Additional authors include: Douglas Heckathorn, Mirabai Auer, James DeFilippis, Ana Luz Gonzalez, Victor Narro, Jason Perelshteyn, Diana Polson, and Michael Spiller. This report presents results for all three cities combined; subsequent publications (to be issued later in 2009) will report city-specific violation estimates. The full report is available at [www.unprotectedworkers.org/brokenlaws](http://www.unprotectedworkers.org/brokenlaws).

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