NORTHWEST WORKERS' JUSTICE PROJECT
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THE WAGE THEFT CRISIS

Wage theft is the illegal underpayment or non-payment of workers' wages.

- Workers' wages are stolen when some employers pay workers less than the minimum wage, don't pay time and a half for overtime hours, cheat on the hours worked, require employees to work off the clock, steal tips, or don't pay workers at all, to name a few strategies.

Wage theft is widespread in low-wage workplaces and violations are severe.

A recent landmark survey of low-wage workers found that, in the previous work week: [1]

- **More than two-thirds** of workers (68%) had suffered at least one pay-related violation. The average worker had lost **$51** to wage theft in **one week** – a **15%** loss in pay! The study extrapolates that workers in three major U.S. cities lose an average of **$56.4 million per week**.
- MINIMUM WAGE VIOLATIONS: **Over a quarter** of workers (26%) had been paid less than the minimum wage. 60% of these workers were underpaid by **more than $1 per hour**.
- OVERTIME VIOLATIONS: **Three-quarters** of those who earned overtime pay (76%) were not paid the legally required overtime rate. The average worker with a violation had put in **11 hours of overtime** – hours that were either underpaid or not paid at all.
- "OFF-THE-CLOCK" VIOLATIONS: Of workers asked to report early or stay late, **70%** received no pay at all for the work they performed outside of their regular shift.
- PAY STUB VIOLATIONS: **Over half** of all workers (57%) did not receive the legally required statement of their earnings and deductions.
- ILLEGAL DEDUCTIONS: **41%** of workers who reported deductions from their pay were subjected to illegal deductions for damage or loss, work-related tools, materials or transportation, or uniforms.

Right here in Oregon, a survey of nearly 200 Marion County farm workers paid by "piece-rate" (eg, by the pound) in the 2009 berry harvests found pervasive violations of Oregon's minimum wage law: [2]

- **90%** of workers reported that their "piece-rate" earnings were consistently less than minimum wage.
- Average daily underpayment was about **$25.00**. Average hourly wage was about **$5.30 – 37% *below*** the hourly minimum wage.
- Extrapolating from these findings, the report estimates that the aggregate underpayments in the 2009 strawberry, raspberry, and blackberry harvests could **exceed $9,000,000**.

To join the **Oregon Coalition to Stop Wage Theft** or for more information about our efforts, please contact Michael Dale of the Northwest Workers' Justice Project at michael@nwjp.org or 503-525-8454, or visit www.nwjp.org.

Day laborers are one group of workers that are particularly vulnerable to wage theft and related worker abuses.

A survey of day laborers at hiring sites nationwide found that, in the previous two months: [3]

- Wage theft was the most common abuse. **Nearly half** of all day laborers (49%) had been completely denied payment by an employer for work they completed. Similarly, **nearly half** (48%) had been underpaid by employers during the time period.
- **27%** were abandoned at the worksite by the employer.
- **44%** were denied food and water or breaks while on the job.
- **32%** worked more hours than agreed to with the employer.
- **28%** were insulted or threatened by the employer, and **18%** were subjected to violence.

Wage theft robs state and federal governments of billions in revenues annually.

When workers don't receive the wages they've earned or get paid off-the-books, states don't receive the taxes that would otherwise be paid on that income. Furthermore, employers are increasingly misclassifying their employees as independent contractors, resulting in huge losses to state workers' compensation, unemployment insurance, and income tax revenue. [4]

- According to a 2009 report by the Treasury Inspector General for Tax Administration, the IRS's most recent estimates of the cost of misclassification are a **$54 billion** underreporting of employment tax, and losses of **$15 billion** in unpaid FICA taxes and UI taxes.
- State-level studies suggest that **10 to 30%** of employers (or more) misclassify workers, **several million** workers may be misclassified, and states lose out on **many millions of dollars yearly**.
- For example, a 2009 state-level report by the Ohio Attorney General estimated that between **54,000 and 459,000** workers were misclassified each year, and found that the state lost between **$12 million and $100 million** in unemployment compensation payments, between **$60 million and $510 million** in workers compensation premiums, and between **$21 million and $248 million** in unpaid state income tax revenues.
- A number of state-level studies suggest that misclassification rates are **disproportionately high in the construction industry** as compared to the workforce as a whole.

SOURCES:

[1] A 2008 landmark survey of 4,387 workers in low-wage industries in the three largest U.S. cities - Chicago, Los Angeles, and New York City. See, Annette Bernhardt et al, *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities* (Chicago: Center for Urban Economic Development, 2009). Available at: http://www.unprotectedworkers.org/ index.php/broken_laws/index.

[2] See, Northwest Tree Planters and Farmworkers United (PCUN), *Report of Wage Survey of Willamette Valley Farmworkers Engaged in Piece-Rate Harvest of Selected Agricultural Products during 2009* (Oregon: PCUN, 2010). Available by request from PCUN.

[3] A 2004 survey of 2,660 day laborers from 264 day labor sites across the U.S. See, Abel Valenzuela Jr., Nik Theodore, Edwin Melendez, and Ana Luz Gonzales, *On the Corner: Day Labor in the United States* (Los Angeles: UCLA Center for the Study of Urban Poverty, 2006). Available at: http://www.urbaneconomy.org/node/44.

[4] See, Leberstein, Sarah, *Independent Contractor Misclassification Imposes Huge Costs on Workers and Federal and State Treasuries* (National Employment Law Project, June 2010). Available at: http://www.nelp.org/page/-/Justice/2010/ IndependentContractorCosts.pdf?nocdn=1.