Fact Sheet
April 15, 2015

Restaurants, Bars and Business Services Lead in Minimum Wage Complaints

Minimum wage law violations increase poverty and costs to the public

Complaints that Oregon employers have violated minimum wage law arise more frequently among workers of restaurants, bars, office cleaning companies and staffing agencies than workers in other settings.

The failure of employers to pay the minimum wage harms families and the public. Minimum wage law violations increase poverty, reduce state tax revenue and increase the use of public assistance. Thus, minimum wage law violations create costs that are passed on to the public.

Oregon needs stronger laws, such as the provisions of SB 718 (2015), to protect workers and prevent violations of minimum wage law.

Nearly one in four wage claims is for violation of minimum wage law

Minimum wage violations are a form of "wage theft," a term that refers to the many ways in which some employers wrongly fail to pay employees the wages earned. Wage theft takes many forms, particularly among minimum wage workers. For example, employers violate minimum wage law when they pay an hourly rate below the minimum wage, pay on a commission or salary basis that does not equate to an hourly rate of at least the minimum or make unlawful deductions that push the effective earnings below the minimum wage.

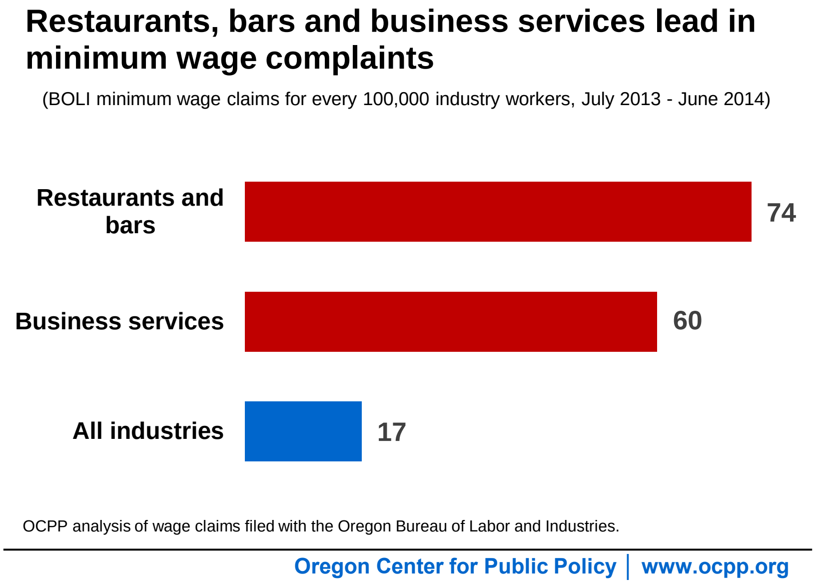
Wage claims filed with the Oregon Bureau of Labor and Industries (BOLI) show that there is no shortage of alleged minimum wage law violations. During the 12-month period ending June 2014, over 1,100 workers filed wage claims with the bureau. Nearly one in four of them — 24 percent — involved claims concerning the minimum wage.

The BOLI data should be considered the "tip of the iceberg" of alleged minimum wage violations in Oregon. That is because many workers who suffer wage violations do not complain for fear of losing their job. Moreover, even those who wish to complain may not know that the bureau can help, or may choose to pursue private enforcement.

Minimum wage complaints are more common among workers in restaurants and bars and companies providing business services

Complaints of minimum wage violations filed with BOLI arise more frequently among workers in restaurants and bars and the business services industry — mainly office cleaning and staffing agencies.[1]

Restaurants and bars topped all industries in the frequency of minimum wage complaints.



These establishments saw 74 minimum wage claims for every 100,000 workers in the industry during the period July 2013 to June 2014. To put that number in perspective, workers in all industries in Oregon filed just 17 minimum wage claims per 100,000 workers.

Thus, workers in restaurants and bars were four times more likely to file a claim for minimum wages than Oregon workers generally.

Business services — mainly office cleaning and staffing agencies — also had a poor track record, with 60 minimum wage claims per 100,000 workers in the industry.

Minimum wage violations are costly to families and the public

While the complaints to BOLI provide evidence of potential minimum wage violations in Oregon, a recent study commissioned by the U.S. Department of Labor (DOL) indicates the possible scale of the actual problem.[2] Examining U.S. Census data for California and New York, the study found that minimum wage violations were common, increased poverty, reduced state tax revenue and increased reliance on public assistance.

Violations are common and deprive workers of a significant share of income. By one measure, the DOL study found that in a typical week in 2011, 12 percent of low-wage workers in California subject to minimum wage law experienced minimum wage violations. Those violations amounted to 49 percent of the earnings they actually took home. The study also found that in New York, 11 percent of low-wage workers experienced minimum violations in a given week, amounting to 37 percent of their paid earnings.[3]

Violations cause poverty. According to the study, minimum wage violations increased poverty. DOL estimated that 16,000 Californians would not have been in poverty in 2011 except for the minimum wage violations they experienced, increasing poverty in the state by 11 percent. For New York, the number was 13,000 individuals, increasing those in poverty by 32 percent.[4]

States lose tax revenue. The DOL report estimated that California lost $14 million in income taxes as a result of minimum wage violations. For New York, the study estimated the loss at $8 million.[5]

Violations increase use of public assistance. The study found that employee losses due to minimum wage abuses increased use of certain public assistance. The study reported on programs where there was sufficient data to analyze. In California, the violations led to an estimated $5.5 million in additional school breakfast benefits, $10 million in school lunches and nearly $1 million in Supplemental Nutrition Assistance Program (SNAP) benefits. For New York, DOL estimated the costs at $3 million for school breakfasts, $5 million for school lunches and $3 million for SNAP.[6]

Conclusion

Minimum wage violations increase poverty, deprive the state of revenue and increase the use of public assistance. In Oregon, complaints of minimum wage violations arise more frequently among workers in the restaurant and bar industry and the business services industry.

Oregon needs stronger laws, such the provisions of bill SB 718 (2015), to protect workers and deter minimum wage violations.

Endnotes

[1] The North American Industry Classification Code System (NAICS) name for the "restaurant and bar" industry referred to in this fact sheet is Food Services and Drinking Places (code 722). The "business services" industry referred to in this fact sheet is Administrative and Support and Waste Management and Remediation Services (code 56), which includes office administration, hiring and placing of personnel, document preparation and similar clerical services, solicitation, collection, security and surveillance services, cleaning and waste disposal services. In the period July 2013 through June 2014, cleaning companies had 27 minimum wage claims (48 percent of such claims filed against the industry); staffing agencies had 16 claims (29 percent of minimum wage claims incurred by the industry).

[2] *The Social and Economic Effects of Wage Violations: Estimates for California and New York,* Eastern Research Group, Inc. (ERG) for the U.S. Department of Labor, December 2014.

[3] Ibid, pages 26 and 43. The DOL study analyzed data from both the Current Population Survey (CPS) and the 2011 Survey of Income and Program Participation (SIPP). On the topic of prevalence of minimum wage violations, this fact sheet cites the more conservative CPS figures.

[4] Ibid, page 49. For impacts on poverty, this fact sheet cites the DOL study's analysis of CPS data.

[5] Ibid, page 52. The DOL study analyzed CPS data only for impact on revenues, which are for tax year 2010.

[6] Ibid, page ES-6. The DOL study analysis of the impact of violations on the select public assistance programs shown in this fact sheet largely relies on SIPP data. The programs referenced in this fact sheet are ones predominantly funded with federal, not state, revenues.

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