

Testimony in Support of HB 2205

Chair Power, Vice-Chair Wallan, and members of House Subcommittee on Civil Law:

My name is Janet Bauer, and I am a policy analyst with the Oregon Center for Public Policy (OCPP). I respectfully submit this testimony in support of House Bill 2205. Enacting HB 2205 will deter the chronic practice of wage theft that undermines the well-being of Oregonians, will reduce poverty, and will preserve public resources.

OCPP conducts public policy research and analysis to promote economic opportunity for low- and moderate-income Oregonians. We have investigated wage theft in Oregon for more than a decade and believe that the Just Enforcement Act is one of the most promising approaches to addressing the scourge of wage theft in our state.

Workers lose millions to wage theft

Our analysis of wage claims filed with the Oregon Bureau of Labor and Industries (BOLI) since 2006 finds that thousands of workers each year complain that a boss has not paid them the wages owed. These workers collectively file wage claims worth between \$3 million to \$6 million each year.

The claims filed with BOLI represent just the “tip of the iceberg” of wage theft in Oregon, since many victimized workers do not know they can complain to authorities or they fear retaliation. In a comprehensive 2009 survey conducted in three of the nation’s largest cities more than two-thirds of workers reported being the victims of wage theft in the previous week.

Workers paid low wages are more likely to suffer from wage theft

Workers paid low wages are the most likely to be cheated by their employer. Wage theft is more common in lower-wage industries such as agriculture, retail, and food service, and among day labor jobs in the construction industry. Many of these low-wage workers are now recognized as essential workers during the pandemic and are disproportionately Black and Latino. Some are undocumented immigrants. Employers may exploit workers in circumstances where workers do not know the law, lack access to legal help, or fear retaliation and loss of their job or being reported to immigration authorities.

Wage theft exacerbates poverty, increases reliance on public assistance, and costs the state revenue

While it is individual workers and their families who suffer the most due to wage theft, the reality is that the entire state pays the price when unscrupulous employers steal the wages of their workers. Specifically,

- **Wage theft causes poverty.** A 2014 study commissioned by the U.S Department of Labor examined the impact of wage theft in California and New York. The study found that wage theft significantly increased poverty – by 11 percent in California and by 32 percent in New York. It’s important to bear in mind that poverty has long-term consequences for children in terms of reduced life opportunities and reduced lifetime earnings.
- **Wage theft decreases state revenue.** When wages aren’t paid, the state can’t collect income taxes on those wages.
- **Wage theft increases use of public assistance.** When workers are not paid the wages they are owed by employers, workers and their families need to find a way to put food on the table and pay for other essentials. So, they rely on public assistance such as subsidized school breakfast and lunch programs, Supplemental Nutrition Assistance Program (SNAP), and Medicaid to make ends meet.

Underinvestment creates a climate ripe for abuse

BOLI, the state agency tasked with protecting the rights of Oregon workers, lacks the resources to adequately do the job. Over the last several decades, the capacity of BOLI’s Wage and Hour Division has been cut in half, when adjusting for Oregon’s population growth. Meanwhile, the number of laws it must enforce has expanded. With scarce resources, BOLI has prioritized recovering stolen wages over the costlier task of additionally imposing and collecting penalties from law-breakers. In recent years, Oregon employers have paid penalties in just 1 percent of wage claims BOLI found to be valid.

As a result, employers face no real downside to stealing the wages of their workers. With an understaffed state agency, they are unlikely to get caught stealing. And if they do get caught, they almost always pay no penalty for their wrongdoing. This is a setting ripe for worker abuse, despite the state having some of the strongest labor laws in the country.

The Just Enforcement Act is a pragmatic approach

The Just Enforcement Act – House Bill 2205 – is a practical response to a dire situation. By acting on behalf of the state, workers could defend themselves and their colleagues and at the same time would create a revenue stream for BOLI to expand enforcement activities. The Act mirrors a law that has been working effectively in California for several years.

Wage theft in Oregon is robbing many workers and their families the ability to support themselves. It is a scourge in our state that requires a strong response by the state legislature.

I respectfully urge you to approve House Bill 2205.