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Brief

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WAGE THEFT: Undermining the Value of Work

KEY FINDINGS:

- Documented wage theft cost North Carolina workers and their communities an estimated \$4.7 million in fiscal year 2011.
- National survey data and state-level data on industry incidence of wage theft find that workers in low-wage occupations are more likely to experience wage violations than higher-wage workers or workers in higher-wage industries.
- Further research is needed to understand the full scope and impact of wage theft in North Carolina.

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Unpaid Work Harms Both Families and the State's Economy

In the modern economy, workers engage in the labor market to earn a living. Yet, in one of the worst economic downturns of the modern era, research has found that a significant number of workers across the country and in North Carolina face the prospect of working without pay.

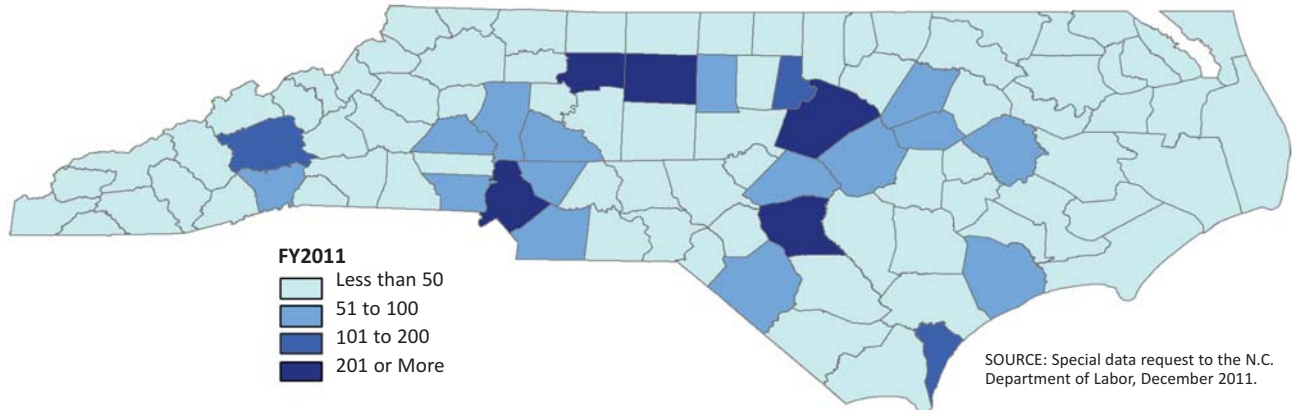
Wage theft occurs when an employer does not pay a worker for the work he has performed. The results are devastating for families struggling to make ends meet and equally so for their communities, as the decline in workers' spending power means less demand for local businesses' goods and services. In combination with the loss of wages, this decline in spending leads to a decline in tax revenue for local and state governments and, in turn, fewer resources available to invest in economic recovery.

The Tip of the Iceberg in North Carolina: Documented Wage Theft Cost Workers and Their Communities almost \$4.7 million in FY2011

The full scope of wage theft is difficult to measure. The federal Department of Labor ensures that employers comply with the federal minimum-wage law and has a separate process of monitoring wage and hour violations specific to federal law in all states, including North Carolina.¹ The most readily accessible data on wage theft, however, is from the NC Department of Labor's Wage and Hour Bureau, which administers the North Carolina Wage and Hour Act.

In fiscal year 2011, the state Wage and Hour Bureau received 74,816 calls.² The Bureau investigated approximately 3,136 employers, cited 1,651 of this total number, and found that almost \$4.7 million was due to workers.³ These figures represent an increase in the dollar value of claims by approximately \$1 million but a decline in the number of employers investigated from FY2010. Only \$1.8 million of the \$4.7 million was collected in full, and the Bureau noted that over \$1.5 million was uncollectable due to

FIGURE 1: Wage Theft Investigations in FY2011 Were Concentrated in Urban Areas



employer bankruptcies.⁴ Investigations are based on employee complaints, this data likely underestimates the occurrence of wage theft in the state.⁵

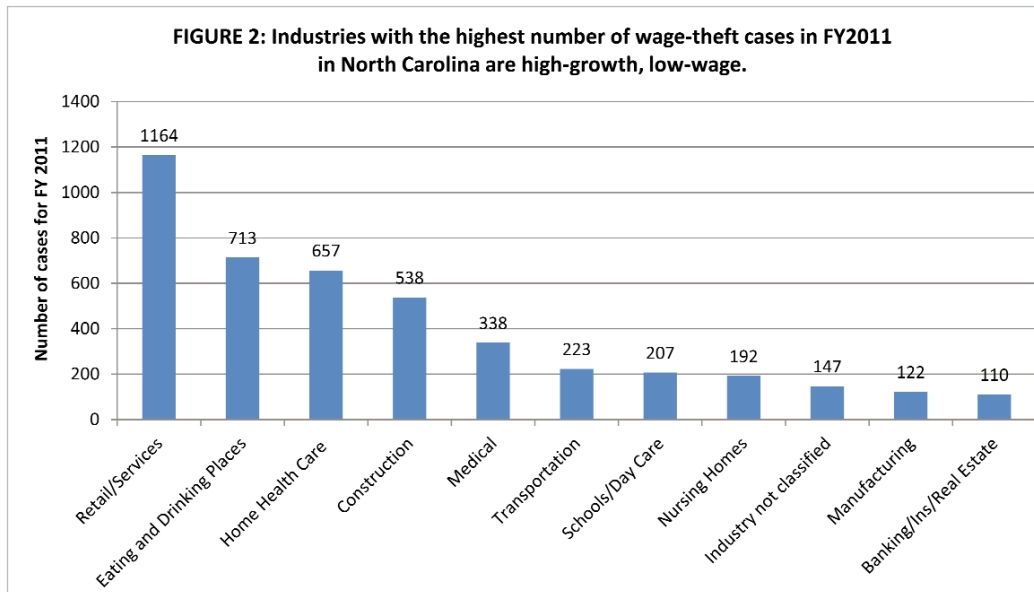
A mapping of all cases brought to the Wage and Hour Bureau demonstrates the significant concentration of cases in urban areas.⁶

The concentration of wage-theft complaints by industry in North Carolina aligns with national trends. Wage theft complaints are more likely to occur in low-wage industries.⁷ Importantly, those industries

with the highest incidence of wage theft – retail and home health-care services – are also among the industries with the strongest job growth in North Carolina.

As North Carolina’s economic recovery and projected job growth remain concentrated in industries and occupations where the most complaints of wage violations are made, the need for monitoring and enforcement of wage and hour laws will grow.

FIGURE 2: Industries with the highest number of wage-theft cases in FY2011 in North Carolina are high-growth, low-wage.



SOURCE: Special data request to the N.C. Department of Labor, December 2011.

National Survey Data Provides More Details on Wage Theft

The National Employment Law Project undertook a landmark survey into employment law violations in low-wage industries in 2008. The results provide unique information about the scope of wage theft: 26 percent of workers were paid below the minimum wage in the week prior to the survey; of those who worked overtime, 76 percent were not paid the legally required overtime rate; and 70 percent of workers who came in early or stayed late were not paid for the work outside of their regular shifts.⁸

Minimum-wage violations represented a significant loss to workers. Sixty percent of workers who

reported wage violations were underpaid by more than \$1 per hour. For overtime violations, there was a similarly high cost to workers. The average worker had put in 11 hours annually that were either unpaid or underpaid.

Among survey participants, wage theft was more likely to occur in certain industries. Minimum-wage violations were highest in the apparel and textile manufacturing and personal and repair services industries. Overtime violations were highest in the childcare industry and among cashiers.⁹

More Data, More Attention Needed

If North Carolina's economic recovery is to be sustained, it is critical that workers have well-paying jobs and are paid for their work. Wage theft represents a significant challenge to families but also impacts the broader economy. Businesses that illegally withhold wages have an unfair competitive advantage over responsible employers, and they deprive the state's public structures of the tax dollars needed to support a strong economy.

Ultimately, more data and analysis are needed to document the scope of this issue in North Carolina's communities and its impact on workers, their communities, and the state's fragile economic recovery.

1 Data is not available as to the breakdown of calls, but some calls are referred to other state agencies.

2 Communication with the NC Department of Labor, Wage and Hour Division, December 2011.

3 Ibid.

4 Ibid.

5 The "Broken Laws" survey (see note 7), for instance, found that 43 percent of workers who made a complaint to their employers experienced at least one form of illegal retaliation. Another 20 percent reported that they did not make an official complaint due to fear of losing a job, having hours or wages cut, or because they did not think a complaint would make a difference.

6 Special Data Request to NC Department of Labor, Wage and Hour Division.

7 Bernhardt et al. 2009. "Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities", National Employment Law Project. The survey of 4,387 workers was conducted in Chicago, Los Angeles, and New York City.

8 Ibid.

9 Ibid.