



OPENING STATEMENT

House Committee on Education and Labor

Chairman Robert C. "Bobby" Scott

Opening Statement of Chair Adams (NC-12)

Subcommittee on Workforce Protections

Standing Up for Workers: Preventing Wage Theft and Recovering Stolen Wages

Hybrid Hearing

Wednesday, May 11, 2022 | 10:15 a.m.

Today, we are meeting to discuss the pervasive and serious consequences of wage theft and examine a legislative solution to protect workers' wages and hold unscrupulous employers accountable.

Too often, dishonest employers cheat their employees out of the wages that they are legally entitled to receive.

This can take many forms—whether by paying workers less than the minimum wage, withholding overtime pay, or forcing them to work off-the-clock.

Regardless of the form, it allows those employers who skirt the law to get richer and pushes the most vulnerable workers deeper into poverty.

This is a multi-*billion*-dollar problem. Each year, dishonest employers steal *at least* \$15 billion from workers' paychecks in minimum wage violations alone, with all forms of wage theft possibly exceeding \$50 billion annually in stolen compensation.

This has serious consequences for workers across the nation and disproportionately hurts women and people of color—who are more likely to work low-wage jobs.

According to a 2017 study conducted by the Economic Policy Institute, hourly workers lost *25 percent* of their annual earnings, that's more than \$3,000 in stolen wages—money that could not be used for essential expenses like rent, groceries, or child care.

Ultimately, wage theft prevents workers from taking meaningful steps to enter the middle class.

In fact, workers who suffer a minimum wage violation are more than three times as likely to be in poverty. Moreover, about 1-in-3 workers who are victims of a wage theft violation receive some form of public assistance.

Although wage theft practices are already illegal under the *Fair Labor Standards Act of 1938*, or the F-L-S-A, the law's trivial penalties and damages provisions have not prevented wage theft. Furthermore, employers use a variety of legal loopholes to evade accountability.

Today, F-L-S-A civil monetary penalties are just \$1,100 for wage and hour violations, and the Department of Labor's maximum penalty for repeated or willful violators is \$2,203.

So, let me repeat that—on average, workers who were victims of wage theft lost more than \$3,000 per year in stolen earnings.

Therefore, it certainly looks like it is cheaper to willingly violate the F-L-S-A than it is to pay employees what they are entitled to receive. This is not only bad for workers, but it puts honest businesses that abide by the law at a competitive disadvantage.

The F-L-S-A also does not require detailed pay stubs or recordkeeping, which are critical for workers to confirm pay accuracy and, if necessary, establish a legal claim for stolen wages.

When workers do have the evidence to mount a case, their claims are often stymied by employer-imposed class action waivers and arbitration clauses.

Simply put, current law favors dishonest employers over hard-working Americans.

So, if we want to raise people out of poverty; if we want to ensure Americans can enter the middle class; and, if we believe that workers deserve a decent wage for an honest day's work, then we must enact a meaningful deterrent to wage theft and help workers seek justice.

The *Wage Theft Prevention and Wage Recovery Act*—which I am proud to cosponsor—is a responsible solution to deliver on that goal.

This legislation increases civil monetary penalties and liquidated damages to meaningfully deter any business considering stealing their workers' wages. This also will help level the playing field for those businesses already playing by the rules.

Further, the bill requires detailed pay stubs be delivered to employees regularly and adequate recordkeeping to provide employees information necessary to hold employers accountable in court for violating the law.

Finally, it prevents employers from exploiting mandatory arbitration and collective action waivers and protects an employee's ability to pursue remedies for stolen wages under the law.

I am also pleased that President Biden's Fiscal Year 2023 budget proposes the necessary resources to help restore the Department of Labor's ability to enforce the F-L-S-A after four years of staff cuts made under the Trump Administration.

However, more money cannot fix the deficiencies in the F-L-S-A.

If we as a congress know better, we should do better!

Therefore, I am committed to working with my colleagues to pass the *Wage Theft Prevention and Wage Recovery Act of 2022* to ensure workers receive the wages that they earn.