

130,000 Michigan workers have had wages stolen by employers

mlpp.org/130000-michigan-workers-have-had-wages-stolen-by-employers

People across the political spectrum may differ in their ideas about how high the minimum wage should be and how often it should be increased, but there is a general consensus that **if a minimum wage is put into law, it should be honored**. Many people may be surprised, however, at the frequency with which such laws are flouted and workers are paid less than minimum wage.

A recent report from the Economic Policy Institute (EPI) finds that in Michigan and other states, minimum wage theft often occurs. From 2013 to 2015, approximately **130,000 Michigan workers experienced a minimum wage violation, with an average underpayment of \$2.05 per hour (or \$3,300 if for a full year)**. According to the report, minimum wage theft can take one or more of the following forms:

- **Overt minimum wage violations:** Paying workers less than the legal minimum wage;
- **Overtime violations:** Failing to pay nonexempt employees time-and-a-half for hours worked in excess of 40 hours per week;
- **Off-the-clock violations:** Asking employees to work off-the-clock before or after their shifts;
- **Meal break violations:** Denying workers their legal meal breaks;
- **Pay stub and illegal deductions:** Taking illegal deductions from workers' wages or not distributing employee pay stubs;
- **Tipped minimum wage violations:** Confiscating tips from workers or failing to pay tipped workers the difference between their tips and the legal minimum wage (the tipped wage is also too low in general); or
- **Employee misclassification violations:** Misclassifying employees as independent contractors to pay a wage lower than the legal minimum.

More than **61% of Michigan’s workers experiencing minimum wage theft are women. Black and Hispanic workers are more likely to be victims than White workers or workers of other races**, and Hispanic workers experience the most severe wage theft (\$2.47 average hourly underpayment, compared with \$2.11 for White workers and \$1.72 for Black workers). **Workers in the “food or drink service” industry are the most likely to be exploited**, with 21.3% of such workers having experienced at least one minimum wage violation and workers in that industry making up 38.2% of the total number of Michigan workers experiencing violations. Nine out of 10 workers experiencing minimum wage theft are U.S.-born citizens.

What is Wage Theft?

- Overt minimum wage violations;
- Overtime violations;
- Off-the-clock violations;
- Meal break violations;
- Pay stub and illegal deductions;
- Tipped minimum wage violations; or
- Employee misclassification violations.



The report estimates that **nationally, unscrupulous employers are stealing around \$15 billion annually from employees in minimum wage violations**—an amount that exceeds the value of property crimes (robberies, burglaries, larceny and motor vehicle theft) committed in the United States each year, which in 2015 was \$12.7 billion. One can surmise that in Michigan most cases of wage theft are not reported; the Michigan Department of Licensing and Regulatory Affairs says that each year it receives over 5,000 claims and collects more than \$2.0 million in wages and fringe benefits owed to Michigan workers—clearly far below EPI’s estimate of the frequency and magnitude of wage theft occurrence.

Wage theft is costly to society. Federal and state income taxes, along with payroll taxes that support Social Security and Medicare, are not fully deducted at the levels they should be. Moreover, when lower-paid workers are not paid the entire earnings that they are due, they likely spend less at local businesses and pay less in state sales taxes than they otherwise would. **The hardship caused to workers should itself be a reason for alarm and outrage** at wage theft, but **the costs that are passed on to businesses, entitlement programs and state budgets provide an additional reason to take this crime seriously.**

The League’s Making Ends Meet report shows that it’s nearly impossible to get by on minimum wage in Michigan, and **we support raising the minimum wage and instituting other policies to protect wages and support workers.** If you believe that you have been the victim of a wage theft violation, you can file a complaint with the State of Michigan. More information on how to do that is available [here](#).

— Peter Ruark