



April 20, 2016

Honorable Members of the City Council Budget and Finance Committee
c/o Holly L. Wolcott, City Clerk
200 N. Spring Street, Room 395
Los Angeles, CA 90012

Re: Council File 14-1371-S1, "Citywide Minimum Wage Ordinance/Include Language Addressing Wage Theft;" Ordinance No. 183613

Dear Honorable Members,

We are disappointed to see the Mayor's proposed budget for the City's new Wage Enforcement Division of the Bureau of Contract Administration, which lacks sufficient funding to make \$15 a reality for Los Angeles. We respectfully request your approval of \$4.2 million for fiscal year 2016-2017, as requested by the BCA in its October 13, 2015 revised implementation plan to this body. That's enough to cover:

- 22 positions, including 17 investigators at the new Office of Wage Standards and 5 City Attorney staff;
- \$1 million in community groups for outreach and education in hard-to-reach communities;
- \$200,000 for public education, like radio bus ads and a website; and
- An immediate \$250,000 budget allocation for outreach during the crucial final few months leading up to the implementation of the new wage on July 1st, 2016.

Members of the Los Angeles Coalition Against Wage Theft are non-profits who help workers recover their unpaid wages every day, and we know that *this investment matches the scale of the problem*. At \$26.2 million per *week*, L.A. is the wage theft capitol of the country. Rates of wage theft here are 20 percent higher than the nationwide average. In any given week, 1 in 3 low-wage workers in L.A. makes less than the minimum wage. We can do better. San Francisco's Office of Labor Standards Enforcement recovered 90.5 percent of wages and interest owed to workers between 2003 and 2013, compared to 48% recovered by the state agency and average wait time of nearly two years.¹ Real local enforcement is key to turning this trend around.

Investing in enforcement also *levels the playing field for honest employers*. Many L.A. businesses play by the rules, but it's impossible to compete when bad apples gain a competitive advantage by breaking the law. Ninety percent of carwash owners, for example, view unregistered,

¹ San Francisco Office of Labor Standards Enforcement. 2013. "Minimum Wage Ordinance Annual Report, 2013-2013." Eunice Cho, Tia Koonse, Anothy Mischel. 2014. "Hollow Victories: The Crisis in Collecting Unpaid Wages for California's Workers." National Employment Law Project and UCLA Labor Center. <http://www.labor.ucla.edu/publication/hollow-victories-the-crisis-in-collecting-unpaid-wages-for-californias-workers/>.



low-road carwashes as negatively affecting their business.² Fair investigation, strong protection against retaliation, and strict penalties bring employers and workers together for speedy settlement.

Finally, we believe investing in enforcement pays for itself by recovering lost tax revenue and fueling the local economy. Wage theft in L.A. costs local and state governments \$103,300,000 - \$153,000,000 annually in lost tax revenue, including:

- \$1.3 million in lost income tax;
- \$42 million - \$92 million in lost sales tax revenue to the state, including \$11.7million - \$25.5 million lost from L.A. City and County; and
- \$60million lost to California's Unemployment Insurance (UI) fund, Employment Training Tax (EET), and State Disability Insurance (SDI).³

Contracts with community organizations ensure successful investigations. Enforcing labor rights is impossible in a climate of ignorance and fear. Immigrants, women, and workers of color are disproportionately impacted by low wages, wage theft, and discrimination. For example, immigrants are more than twice as likely as their U.S.-born counterparts to make less than minimum wage, and Black workers are more than twice as likely as their white counterparts.⁴ In San Francisco, 85% of the \$4.5 million in recovered back wages in 2015 alone came through cases from community organizations. Finally, administrative penalties help offset the cost of enforcement. San Francisco recovered nearly \$375,000 in penalties between 2010 and 2015—10% of total operating costs, for example.⁵

For all these reasons, the LA Coalition Against Wage Theft supports the BCA's budget augmentation request. Thank you for your consideration.

Sincerely,

LA Coalition Against Wage Theft

² Emily Erickson, Victor Narro, Janna Shadduck Hernandez, and Abel Valenzuela, Jr. 2015. "Conveying Carwash Owners' Stories." UCLA Labor Center. <http://www.labor.ucla.edu/publication/carwash-owners/>.

³ Tia Koonse, Juan Torres, Aaron Noffke, Kerry Sakimoto, Katherine Herrera, and Michael Russo. 2015. "More than Minimum Wage: Recommendations for Comprehensive Labor Protections in the City of Los Angeles." Advancement Project and UCLA Labor Center.

⁴ Milkman, Ruth, Ana Luz Gonzalez and Victor Narro. 2010. "Wage Theft and Workplace Violations in Los Angeles: The Failure of Employment and Labor Law for Low-Wage Workers." UCLA Institute for Research on Labor and Employment. <http://www.labor.ucla.edu/publication/wage-theft-and-workplace-violations-in-los-angeles/>.

⁵ Donna Levitt, Director, San Francisco Office of Labor Standards Enforcement. "Minimum Wage Enforcement." October 23, 2015 presentation at Workplace Justice Summit Conference, Los Angeles, CA.