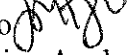


REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: June 16, 2015

TO: Honorable Members of the Rules, Elections, and
Intergovernmental Relations Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 14-0002-S45
Assignment No: 15-06-0437

SUBJECT: SB 588 – Wage Theft

CLA RECOMMENDATION: Approve Resolution (Buscaino-Blumenfield) to include in the City of Los Angeles 2015-2016 State Legislative Program SUPPORT for SB 588 (De Leon) which would empower the state to crack down on wage theft.

SUMMARY

Resolution (Koretz-Price) reports that wage theft is a significant problem in the City of Los Angeles, where employees lose nearly a quarter of a billion dollars annually due to employers who pay less than the applicable minimum wage. The Resolution indicates that loopholes in State law make it difficult to hold employers accountable to the law. SB 588 (De Leon) has been introduced to address this issue by allowing the State to issue citations to those businesses that break the law and allow the Labor Commissioner to file a lien on an employer's property. SB 588 would also require businesses to post a bond to compensate back wages as necessary. The Resolution states that protecting the wages of workers will improve our economy and, therefore, recommends that the City include in its 2015-2016 State Legislative Program SUPPORT for SB 588 (De Leon) which would empower the state to crack down on wage theft.

BACKGROUND

A 2010 report by the UCLA Institute for Research on Labor and Employment found that low-wage workers in Los Angeles County experience violations of basic laws that mandate a minimum wage and overtime pay and are frequently forced to work off the clock or during their breaks. Researchers documented cases of minimum wage violations, overtime violations, off-the-clock violations, meal and rest break violations, other pay violations, illegal employer retaliation, and workers' compensation violation. The violation rates in each of these categories is, for the most part, higher in Los Angeles than in New York and Chicago. Workers are losing approximately 12.5% of their wages due to wage theft violations, according to the report.

The report recommends strengthening government enforcement of existing employment and labor laws through enhanced staffing, strategies that target employers with the highest violation rates, as well as stronger penalties for violations. Proponents of tougher measures to address wage theft note that current wage theft collection rates are less than 20%, meaning a significant majority of scofflaw employers are not held accountable to paying lawful wages.


The California Department of Industrial Relations, Division of Labor Standards Enforcement, through the Labor Commissioner, was established to adjudicate wage claims, investigate discrimination and public works complaints, and enforce Labor Code statutes and Industrial Welfare Commission orders. California has established enforcement tools to seek compliance with wage laws, but legislation has been introduced to strengthen those enforcement tools.

SB 588 would allow the Labor Commissioner to file a lien on any property the employer owns in the State to recover wages and other compensation, penalties and interests owed to the employee, following a wage violation judgment that has been rendered and all appeal options have been exhausted. In addition to the lien provision, the Labor Commission can also levy upon an employer's bank accounts and accounts receivable; provide for third-party claims to property; authorize a stop order issue against the employer and prohibit the continuation of a business until the employer posts a bond of \$150,000. It would become a civil penalty for such a business to operate without a bond in place.

There is currently no opposition to SB 588 on record.

BILL HISTORY

02/26/2015	Feb. 26 Introduced. Read first time.
04/20/2015	Apr. 20 From committee with author's amendments. Read second time and amended.
04/22/2015	Apr. 22 Re-referred to Coms. on JUD. and L. & I.R.
04/29/2015	Apr. 29 From committee: Do pass as amended and re-refer to Com. on APPR. (Ayes 4. Noes 1. Page 820.) (April 29).
05/28/2015	May 28 From committee: Do pass. (Ayes 5. Noes 2. Page 1157.) (May 28). Read second time. Ordered to third reading.
06/01/2015	June 1 Read third time. Passed. (Ayes 26. Noes 13.) Ordered to the Assembly.
06/02/2015	June 2 In Assembly. Read first time. Held at Desk.



John Wickham
Analyst

Attachment: Resolution (Koretz-Price)

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, wage theft remains a significant problem in both Los Angeles and the State of California; and

WHEREAS, illegal wage theft costs California workers nearly a quarter of a billion dollars per year, and nearly 30% of low-wage workers in Los Angeles County are paid less than the applicable minimum wage; and

WHEREAS, loopholes in state law make it very difficult to hold employers who break the law accountable; and

WHEREAS, SB 588 (de León) will empower the state to crackdown on wage theft by allowing the state to issue citations directly to those businesses who break the law; and

WHEREAS, SB 588 (de León) will also require companies to post a \$150,000 bond toward employees' back wages if they fail to pay what the state orders; and

WHEREAS, this legislation will improve our economy by better protecting workers against wage theft and improve the enforcement of current laws.

NOW, THEREFORE BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2015-2016 State Legislative Program SUPPORT for SB 588 (de León) which will empower the state to crack down on wage theft.

PRESENTED BY:



PAUL KORETZ
Councilmember, 5th District

SECONDED BY:



MAY 5 2015