



5/5/15

The Honorable Curren D. Price, Jr.
Chair, Economic Development Committee

The Honorable Paul Krekorian
Chair, Budget and Finance Committee

c/o Office of the City Clerk
200 N. Spring St., Room 395
Los Angeles, CA 90012

RE: Council File 14-1371-S1, Citywide Minimum Wage Ordinance/Include Language Addressing Wage Theft

Dear Chairman Price and Chairman Krekorian,

As your committees consider raising the citywide minimum wage and adopting the FY16 budget, we urge you to ensure that workers realize the benefits of an increased wage by creating a general-fund-supported Office of Labor Standards Enforcement (OLSE).

Adequately enforcing labor standards is a critical equity issue for communities of color. Even beyond direct employment discrimination, workers of color are uniquely vulnerable to wage theft and other labor violations. Currently, 50 percent of Black workers in LA earn less than \$12 an hour, meaning that wage theft and other minimum wage violations hit them especially hard. Because unscrupulous employers may take advantage of workers with limited English proficiency or who are undocumented, Latino and API workers are particularly vulnerable as well.

An increased minimum wage holds the promise of making it easier for low-income workers of color to earn their way to the middle class. But without strong enforcement, these hopes will not be realized. Local boots on the ground are the best way of making the higher wage a lived reality, rather than an empty promise. Further, the investigators who are doing the work of enforcing the minimum wage will be ideally suited to also enforce other labor standards, such as antidiscrimination laws.

In partnership with the UCLA Labor Center, we developed cost and benefit estimates for the establishment of an OLSE, finding that staffing the Office with 25 investigators and allocating \$1.5 million in community group contracts would cost the City an estimated \$5.5 million.

Against these costs, the Office could help reduce the \$1.3 billion in wage theft violations LA County sees each year, which have a significant impact on communities of color. These violations also annually cause the loss of \$1.3 million in income tax, between \$40 and \$90 million in sales tax revenue, and other state payroll tax deductions totaling about \$60 million.

These already-significant figures would be increased even further by the adoption of a higher minimum wage. Further, the Office could recoup some of the cost of its operations by assessing fines and penalties – which would also serve to increase compliance with the law.

The economic case for LA to create of an Office of Labor Standards Enforcement is clear – the modest investment will help reduce the many-times-larger problem of wage theft. And by empowering the Office to enforce antidiscrimination laws as well as wage laws, the City can take a strong step for racial equity.

Sincerely,

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