

Enforcement of a \$15 Minimum Wage in Minneapolis Requires Strategic Community Partnerships

Approximately 42 percent of workers in America earn under \$15 per hour.¹ In Minneapolis, about 71,000 people stand to benefit from the city's new \$15 minimum wage law.² For Minneapolis' new minimum wage law to create real and meaningful change in the lives of low-wage workers, however, enforcement of the new wage law must be a priority. Effective enforcement of local minimum wage laws requires the creation of a strong, well-resourced enforcement agency that operates with a clear commitment to community partnerships and engagement at every level. This fact sheet provides an overview of the problem of wage theft, discussion of the importance of creating enforcement agencies that carry out their work through strong community partnerships and engagement, and a look at how other local wage enforcement agencies have funded and staffed their work.

Wage Theft Is Rampant across the Country and in Minneapolis

Workers who would benefit from a \$15 minimum wage include nursing assistants, home care workers, janitors, waiters and waitresses, cashiers, truck drivers, auto workers, and many others who keep businesses going, grow the economy, and sustain families.³ Wage theft, however, is widespread across the country and across industries, costing workers and local economies billions of dollars each year.

A seminal 2009 study by NELP and other academic partners surveyed over 4,000 workers and found that 26 percent were paid less than the required minimum wage in the previous work week, and nearly two-thirds experienced at least one pay-related violation in the previous week, such as failure to pay overtime, not being paid for all hours worked, and stolen tips.⁴ The report estimates that workers surveyed lost an average of 15 percent, or \$2,634, of their annual wages due to workplace violations.⁵ Moreover, the report highlighted that those who experience wage theft are disproportionately women, people of color, and immigrants.⁶ Women were significantly more likely than men to experience wage theft at a rate of 30 percent versus 20 percent for men.⁷ Foreign-born workers experienced wage theft at almost twice the rate of their U.S.-born counterparts.⁸

A recent study on wage theft by the Economic Policy Institute looked at data from the ten most populous states and concluded that in those ten states, “2.4 million workers lose \$8 billion annually (an average of \$3,300 per year for year-round workers) to minimum wage violations—nearly a quarter of their earned wages.”⁹

In Minneapolis and the Twin Cities, wage theft is connected to large racial and economic disparities. Forty-six percent of African Americans and 28 percent of Latinos in the city live in poverty, compared with 14 percent of white residents.¹⁰ Median household income in the past 12 months was \$20,270 for African Americans, \$36,194 for Latinos, and \$62,434 for whites.¹¹ At the state level, a 2015 study found that the financial gap between whites and minorities is the biggest in the nation,¹² and the Minnesota Department of Health has made tackling inequality in the state more urgent than ever in finding that the wealthiest Minnesotans live on average 8 years longer than the poorest Minnesotans.¹³

A \$15 minimum wage could help address inequality in the city. A disproportionate number of the 71,000 workers in Minneapolis who stand to benefit from a \$15 minimum wage are people of color.¹⁴ The city's report evaluating a minimum wage policy this year highlighted how African Americans are "more likely to work in the healthcare segment than in any other industry cluster," and health care and professional services sectors "employ the greatest number of employees." In addition, Latino workers are "concentrated in Accommodation & Food Services, Admin & Waste Services—two of the top industry segments [] identified as paying low wages," and foreign-born immigrant workers, representing about 13 percent of the region's workforce, are "disproportionately represented in these same occupational categories."¹⁵

Data separately confirms that low-wage Minneapolis workers face high rates of wage theft. Between 2005 and 2014, the U.S. Department of Labor found over 5,550 violations of the Fair Labor Standards Act in Minneapolis, totaling over \$2.7 million in unpaid wages.¹⁶ Given the many barriers to filing complaints, the U.S. Department of Labor findings represent just the tip of the iceberg. Seven industries accounted for about 60 percent of unpaid wages and violations: construction; restaurants; retail; security; hospitals; banks; and janitorial.¹⁷ Not surprisingly, these industries are overwhelmingly associated with low-wage jobs. Moreover, a survey of low-wage workers conducted by Minneapolis-based Centro de Trabajadores Unidos en la Lucha (CTUL) found that half (49 percent) reported that they had experienced wage theft while working in the Twin Cities.¹⁸

Given Minneapolis' racial and economic inequality, and the reflection and exacerbation of that inequality in workers' experience of wage theft, any effort by the city to address these disparities must be accompanied by a strong commitment to vigorously enforce the city's \$15 minimum wage.

Effective Enforcement of Minneapolis' \$15 Minimum Wage Law Must Incorporate Strategic Community Partnerships

An effective enforcement scheme must protect workers¹⁹ who come forward to raise complaints, because that is how the vast majority of workplace violations are identified and remedied within our complaint-driven system of enforcement.²⁰ But this approach, alone, is simply not sufficient to reach and protect workers with wage violations for a variety of reasons. For example, many workers do not know their rights and many fear retaliation by employers if they file a complaint. NELP's 2009 survey of workers found that 43 percent of workers who complained to their employer about their wages or working conditions

experienced retaliation.²¹ Moreover, 20 percent of workers surveyed never made a complaint because they feared retaliation or thought it would not make a difference.²²

This fact sheet focuses on the singular importance of strategic partnerships with community groups as one way to address the barriers workers face in coming forward to enforce their wage rights and to advance effective and smart enforcement. Cities like San Francisco, Seattle, and Los Angeles have established strategic partnerships with community-based organizations as a way to better leverage existing resources and expertise, and the integration of such partnerships into enforcement agencies' work has resulted in successful collection of unpaid wages. Minneapolis should join these cities in leading the way to ensure that the city's new \$15 minimum wage law *does* raise workers' pay.

Community-based organizations have ties to workers in specific industries and sectors, as well as roots in certain racial or ethnic communities. Such ties can significantly improve the success and impact of conducting outreach and education; detection and reporting of violations; filing of complaints; and identification of high-violation industries and employers for proactive investigations. Some specific ways for enforcement agencies to engage community groups include:²³

- Regular engagement with community advocates, state enforcement agencies, and other stakeholders to learn of issues faced by workers;
- Convening task forces on specific problem areas or industries, inviting workers' advocates and stakeholders to share information and participate in other appropriate ways;
- Allocation of resources to community groups to conduct education and outreach to workers about their rights and identify workers and workplaces with wage violations.

As one of the longest-running local wage enforcement agencies, San Francisco's Office of Labor Standards Enforcement (OLSE) offers compelling evidence that strong community partnerships are tied to an enforcement agency's success. The agency created the Workers' Rights Community Collaborative (WRCC), comprised of six worker centers and community-based organizations and focused on education and outreach concerning San Francisco's local labor law. In FY 2014–2015, OLSE secured \$4,527,758 in back wages and interest for workers. Eighty-five percent of the complaints filed with OLSE came from WRCC partners.²⁴

More recently-established local enforcement agencies have followed OLSE's lead. Seattle's office, established in 2015, aims to utilize \$1.5 million in 2017 and an additional \$1.5 million in 2018 to fund its Community Outreach and Education Fund.²⁵ The agency's collaborative relationships with community-based organizations will seek to:²⁶

- "Increase workers' knowledge and understanding of the rights provided by Seattle's labor standards through methods that are community centered, culturally relevant and accessible, and language specific;"
- "Expand worker's access to resources to enforce, or otherwise resolve, labor standards violations;"
- "Build capacity among community organizations and service providers to provide labor standards services and information to a diverse range of workers, including low-wage earners, people of color and immigrants and refugees;"

- “Foster increased collaboration between the Office of Labor Standards and community organizations serving Seattle’s workers, including through strategic enforcement strategies.”
- “Leverage the work of other City of Seattle departments, including but not limited to the Department of Neighborhoods, Office of Immigrant and Refugee Affairs, and Human Services Department, to promote labor standards outreach and education.”

The City of Los Angeles enacted a \$15 minimum wage law that went into effect in 2016. Data on actual, approved funding and partnerships with community organizations is not clearly available. However, the city’s Bureau of Contract Administration, charged with enforcing the local minimum wage law through an Office of Labor Standards, published a memorandum in June 2015 in anticipation of the law’s implementation that sheds light on the city’s approach to enforcement.²⁷ The city recognized that a successful strategy must include engagement with community-based organizations. The Bureau expressly noted, for example, how “[t]he cities of San Francisco and Seattle, and the State DLSE [Division of Labor Standards Enforcement], all recognize the necessity of utilizing existing grassroots networks available through CBOs [Community-Based Organizations], particularly to reach low-income and immigrant populations who may be otherwise [sic] fearful and reluctant to come forward with wage complaints.”²⁸ The Bureau highlighted how, at the time, San Francisco allocated \$482,125 and Seattle allocated \$500,000 per year for contracts with community-based organizations to develop close partnerships capable of leveraging those organizations’ expertise.²⁹ Consequently, the Bureau requested \$700,000 each year from 2016 through 2019 for a community outreach budget.³⁰

Together, San Francisco, Seattle, and Los Angeles demonstrate that the prevailing model for effective local wage enforcement calls for carefully considering the role of community-based organizations and developing a relationship with community organizations that will strategically leverage the resources and expertise of government and experienced advocates.

Overview of Funding and Staffing for Local Enforcement Agencies

Cities that enact local labor standards, such as a minimum wage, must ensure that the local agencies tasked with enforcement of those standards have sufficient resources and staff. Effective partnerships and engagement with community organizations cannot happen without robust funding and staffing.

As noted above, San Francisco’s OLSE has been in operation since the city enacted its first minimum wage in 2003. Seattle and Los Angeles have relied upon San Francisco’s experience to establish and develop their own agencies, and all three emphasize the need for adequate funding and resources to deeply engage with community-based organizations.

Minneapolis should ensure that its local enforcement agency has the resources it needs to properly carry out its responsibilities. The following table provides a glimpse of how other cities are funding and staffing their own labor enforcement agencies. It can offer a baseline for Minneapolis as it considers how to best structure and fund its own labor enforcement agency.

Table 1. Budget and Staff for San Francisco, Seattle, and Los Angeles Wage Enforcement Agencies

City	Total Budget	Full-Time Staff
San Francisco	2017-2018: \$1.5 million ³¹	2016: 23 ³²
Seattle	2017: \$5.27 million ³³	2017: 22 ³⁴
Los Angeles	2016–2017 Proposed Budget (actual, approved budget unclear): \$3.4 million ³⁵	2016–2017 Proposed (actual, approved staffing unclear): 22 ³⁶

Endnotes

- ¹ Irene Tung et al., *The Growing Movement for \$15* (Nov. 2015) at 1, available at <http://nelp.org/content/uploads/Growing-Movement-for-15-Dollars.pdf>.
- ² The Associated Press, “Minneapolis council approves \$15 an hour minimum wage,” *abc News*, June 30, 2017, available at <http://abcnews.go.com/amp/US/wireStory/minneapolis-council-approves-15-hour-minimum-wage-48379586>.
- ³ *Supra* note 1 at 6–8.
- ⁴ Annette Bernhardt et al., *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America’s Cities* (2009) at 2, available at <http://www.nelp.org/content/uploads/2015/03/BrokenLawsReport2009.pdf?nocdn=1>.
- ⁵ *Id.* at 5.
- ⁶ *Id.* at 9.
- ⁷ *Id.* at 42.
- ⁸ *Id.* at 5.
- ⁹ David Cooper & Teresa Kroeger, Economic Policy Institute, *Employers Steal Billions from Workers’ Paychecks Each Year* (May 2017), available at <http://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year-survey-data-show-millions-of-workers-are-paid-less-than-the-minimum-wage-at-significant-cost-to-taxpayers-and-state-economies/>.
- ¹⁰ U.S. Census Bureau, *2011–2015 American Community Survey 5-Year Estimates for Minneapolis city, Minnesota*.
- ¹¹ *Id.*
- ¹² Ben Johnson, “Minnesota Has the Worst Financial Racial Inequality in America, According to Study,” *City Pages*, Feb. 4, 2015, available at <http://www.citypages.com/news/minnesota-has-the-worst-financial-racial-inequality-in-america-according-to-study-6565353>.
- ¹³ Minnesota Department of Health, *White Paper on Income and Health* (2014) at 9, available at <http://www.health.state.mn.us/divs/opa/2014incomeandhealth.pdf>.
- ¹⁴ City of Minneapolis, *Staff Report on a Minimum Wage Policy* (May 2017) at 10, available at <http://www.ci.minneapolis.mn.us/www/groups/public/@clerk/documents/webcontent/wcmstp-199132.pdf>.
- ¹⁵ *Id.*
- ¹⁶ Analysis of U.S. Department of Labor data by CTUL (Centro de Trabajadores Unidos en la Lucha).
- ¹⁷ *Id.*
- ¹⁸ Centro de Trabajadores Unidos en la Lucha, *Confronting Exploitation: The Face of Low-Wage Work in the Twin Cities* (2015) at 4, available at <http://ctul.net/about-us/ctul-wage-theft-recommendations/>.
- ¹⁹ As President Trump’s Administration takes aim at immigrants through draconian and extreme immigration enforcement tactics that have made immigrants across the country fear that they may become subject to immigration enforcement at any point, labor enforcement agencies must also consider policies to protect immigrant workers who seek to assert their basic labor and employment rights. One policy to consider is the State of California Division of Labor Standards Enforcement’s protocol for responding to federal immigration agents who attempt to enter Labor Commissioner offices. The State’s Labor Commissioner has

provided staff with guidelines intended to protect “the integrity and vitality of [their] enforcement efforts, as well as protecting [their] staff,” knowing that “the presence of federal immigration agents in [their] offices would have a substantial chilling effect on the willingness of workers to report labor law violations and to participate in [] enforcement activities.” Memorandum from Julie A. Sue, Labor Commissioner, Christina N. Chung, Special Counsel, Julia Figueira-McDonough, IRC IV, to ALL STAFF (July 7, 2017) (on file with author).

²⁰ An effective scheme must also include strong public and private enforcement tools to better guarantee compliance and help ensure collection of owed wages. To achieve these goals, NELP recommends, at a minimum, including the following tools in any enforcement regime: 1) community partnerships; 2) a private right of action; 3) dedicated resources for investigation and enforcement; 4) strong remedies and penalties and 5) anti-retaliation protection. More information on these tools can be found in NELP’s 2015 publication, *The Top 5 Enforcement Tools for Local Minimum Wage Laws*. National Employment Law Project, *The Top 5 Enforcement Tools for Local Minimum Wage Laws* (Dec. 2015), available at <http://www.nelp.org/publication/the-top-5-enforcement-tools-for-local-minimum-wage-laws/>.

²¹ *Supra* note 4 at 25.

²² *Id.* at 24.

²³ National Employment Law Project, *Winning Wage Justice: An Advocate’s Guide to State and City Policies to Fight Wage Theft* (Jan. 2011) at 39, available at <http://www.nelp.org/content/uploads/2015/03/WinningWageJustice2011.pdf>.

²⁴ On file with author.

²⁵ Seattle Office of Labor Standards, Community Outreach and Education Fund, 2017–2019 Guidelines, available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKEwiv57Trp_rVAhUJdyYKHZG0AcIQFggoMAA&url=https%3A%2F%2Fwww.seattle.gov%2FDocuments%2FDepartments%2FLaborStandards%2FOLS%2520RFP_2016-2018_1103201616.doc&usg=AFQjCNFN2Alv0nnkEo9y-9GpMmVds8Rdog.

²⁶ *Id.*

²⁷ Letter from John L. Reamer, Jr., Bureau of Contract Administration, to Honorable Members of the City Council (June 19, 2015), available at http://clkrep.lacity.org/onlinedocs/2014/14-1371-S1_rpt_BCA_06-24-2015.pdf.

²⁸ *Id.* at 3.

²⁹ *Id.* at 3–4.

³⁰ *Id.* at 10.

³¹ City & County of San Francisco, SFOpenBook, http://openbook.sfgov.org/openbooks/cgi-bin/cognosisapi.dll?b_action=cognosViewer&ui.action=run&ui.object=/content/folder%5B%40name%3D%27Reports%27%5D/report%5B%40name%3D%27Budget%27%5D&ui.name=20Budget&run.outputFormat=&run.prompt=false# (last viewed Aug. 28, 2017). (Search for FY 2017–2018, Report Type: Spending, Time Span: 1 Year, OCA-Labor Standards Enforcement).

³² Seattle City Council Central Staff Memorandum from Patricia Lee, Calvin Chow, and Tony Kilduff to Civil Rights, Utilities, Economic Development & Arts Committee (Apr. 1, 2016) (on file with author).

³³ Seattle.gov, City Budget Office: Online Budget, Office of Labor Standards, <https://www.seattle.gov/city-budget/2017-18-proposed-budget/office-of-labor-standards> (last viewed Aug. 28, 2017).

³⁴ *Id.*

³⁵ City of Los Angeles, 2017–18 Budget: Supplement to the Proposed Budget at 518, available at <http://cao.lacity.org/budget17-18/2017-18BlueBookVol2.pdf>.

³⁶ *Id.*

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