

## ABSTRACT

### **“The Social and Economic Effects of Wage Violations: Estimates for California and New York.”**

Final Report to the U.S. Department of Labor, prepared under contract DOLUI39634375. Eastern Research Group: Lexington MA. July 2014.

**Purpose:** This report presents estimates of the social and economic effects of minimum wage violations in California and New York. The project reviewed different approaches and data that could be used, and then made estimates for the two states using two different sources of data: the U.S. Census Bureau’s Current Population Survey (CPS) and Survey of Income and Program Participation (SIPP) using data for the Federal Fiscal Year 2011. The study 1) estimated the extent of minimum wage violations in California and New York; and 2) estimated the amount of lost wages stemming from those violations.

**Key Findings:** The key findings from the analysis are that minimum wage violations are: 1) pervasive, and 2) result in significant impacts for workers experiencing these violations:

- About 3.5-6.8% of jobs covered by the Fair Labor Standards Act or state laws in California and New York were not paid the required minimum wage. And a higher percentage of low wage jobs (11-12%) were in violation. In each of these states, there are over 300,000 violations monthly. Ranges are presented because the estimates vary depending on which data source is used. The study defines low wage jobs as those paying less than 1.5 times the minimum wage
- Violations are most prevalent in the leisure and hospitality industry, followed by educational and health services, and wholesale and retail trade. Service occupations have higher estimated violations than other occupations.
- Minimum wage violations in these two states translate into \$20-\$29 million total in lost weekly income.
- Minimum wage violations in these two states represent a significant percentage of worker income for those affected—ranging from 37% of worker income to as much as 70% of income (estimates vary by the two data source used).
- Minimum wage violations contribute to poverty. 7,000 families in California and 8,000 in New York would be above the poverty line if there were not any minimum wage violations. Similarly, 31,000 families in California and 19,000 in New York experience wage violations that place them deeper in poverty.

**Recommendations:** Recommendations for future analysis include: 1) expand the scope of the analysis to other states; 2) refine the statistical and methodological techniques to estimate wage violations; and 3) consider how this type of analysis can be applied to inform Department of Labor program operations.