



Work and Wages

Testimony on HB 137 before the Senate Transportation, Commerce and Workforce Committee

Michael Shields

Good morning, Chair McColley, Vice Chair Johnson, Ranking Member Antonio and members of the committee. My name is Michael Shields and I am a researcher at Policy Matters Ohio, a nonprofit, nonpartisan research organization with the mission of creating a more prosperous, equitable, sustainable and inclusive Ohio. Thank you for the opportunity to testify.

House Bill 137 would help workers to make sure their paychecks comprise the full wages that they earn in each pay period, and account for all the hours they work. Keeping an accurate record of hours and pay, shared with employees, ensures that any errors can be spotted and corrected. More than half of U.S. workers have found an error in their paystub at some time in their careers. Providing a pay stub is a good faith way of tracking and sharing information on pay so that both workers and employers operate with a shared understanding of the relationship and the same information.

Yet unfortunately, not all employers act in good faith where workers' pay is concerned. For workers employed by such companies, a paystub is even more important. The Economic Policy Institute estimated that every year employers steal an average of \$2,800 from each of 217,000 Ohio workers through minimum wage violations alone. This is just one form of wage theft. Others include paying less than the agreed wage; failing to pay overtime as required; not paying for all hours worked; and misclassifying workers as salaried staff or independent contractors to evade paying overtime or payroll taxes. All of these practices become more difficult for workers or investigators to catch when the worker is not given a pay stub.

I have reported on this in the attached policy brief, "Pay Statements a Vital Protection for Workers." I ask that you enter that report into the record.

Ohio has under-invested in protecting workers against theft by their employers. Today just five wage and hour investigators and a supervisor oversee employment relationships for more than 5.5 million Ohio workers. That's one staffer for every 932,367 workers. Too often it falls to workers themselves to know and assert their rights at work, but without a paystub, employees are deprived of critical information that they need. When a paycheck is smaller than expected, the worker may not understand why, or may believe that the balance will come in the next check. A paystub puts everyone on the same page, every earnings cycle.

If employers engage in wage theft, workers can use paystubs to document their cases and seek restitution. Ohio provides workers with a private right-of-action in wage theft cases, meaning they can hire a lawyer and sue their employer for unpaid wages. The system places on workers the burden of retaining and paying a lawyer; excludes workers whose pay is too low to afford an attorney; and lacks punitive authority. Yet, without sufficient wage and hour enforcement the private right-of-action is a vital tool for some workers to recover stolen wages. To do so, a paystub is a vital tool.

Employers who don't provide paystubs cut their employees off from participation in basic aspects of economic life. When a worker lacks proof of income, securing everything from a car loan to an apartment may be off the table. Meanwhile, safety net programs exclude workers who can't prove they are working.

Workers need paystubs:

- To rent an apartment or qualify for a mortgage.

- To qualify for credit, such as an auto loan.
- To verify eligibility for safety net programs.
- To determine whether they will owe a tax bill at filing time and whether their employer is paying payroll taxes at all.
- To confirm that they are classified as an employee, not misclassified as a contractor.
- To know the identity of their employer.

Workers need a paystub to ensure that their employers have not shorted their wages, by accident or intent. Pay statements enable workers to spot earnings discrepancies and correct any mistakes; protect themselves from employers who would steal from them; verify eligibility for public work supports; and qualify for everything from a bank account to an apartment. Withholding paystubs from workers relegates them to unofficial employment status and closes off access to participation in basic facets of economic life.

Most Ohio businesses owners abide by the law and want to cultivate strong partnerships with their workforce. Providing an accurate and regular pay record establishes good faith between the company and workers, and may boost workplace morale and productivity.

Without a paycheck, workers face more uncertainty in verifying whether they have been paid all they are due, and already overextended investigators face more difficulty in investigating claims. Requiring a pay stub is a simple, common-sense way to put everyone on the same page.

I urge you to advance HB 137 out of committee and to pass it in a full vote of the legislature.

I submit my attached policy brief for entry on the record and consideration by the Committee. I will be pleased to take any questions. Thank you.