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Estimating the Impacts of Wage Theft in Illinois

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Abstract

We evaluate wage theft as an economic concern that negatively impacts local economies at the same time as it harms the workers and their households who constitute its victims. We analyze the spatial distribution of wage theft in Illinois based upon wage theft occurrences that are reported to the Illinois Department of Labor, finding that reported wage theft in Illinois is heavily concentrated in Chicago and the surrounding metropolitan area. We then assess the broader economic impacts of wage theft as the effects percolate through business transactions and consumption purchases within local economies. As of 2014, we estimate that each \$1 million of wage theft eradicates an additional \$371,000 in labor income across Illinois (a multiplier of 1.37) and sacrifices 8.6 jobs. Although the absolute figures we obtain undoubtedly reflect the incompleteness of the data source, the multipliers and relative impacts provide a valuable tool for understanding the economic impact of wage and hour violations in Illinois as well as elsewhere.

Introduction

The deregulation of the labor market has had significant consequences for low-wage workers. Low-wage workers often suffer under conditions of “degraded work” (Doussard, 2014) that enable a frequency of labor law violations, including wage theft. Wage theft is a collective action frame that stands for a variety of violations of wage and hour laws, including undercounting hours worked, paying below legal minimum or overtime rates, misclassifying employees to assert exemption from labor regulations, instituting workplace fees that are deducted from workers’ take-home pay, and simply not issuing payments owed, along with many other mechanisms for illegitimately reducing worker pay. Such workplace violations reduce the ability of low-wage workers to achieve stable income and to improve the welfare of their households through work, thus undermining the justification of much of American’s current social welfare system, contesting dominant labor market regulatory regimes, and contradicting ideological expectations about work, the labor market, and poverty alleviation.

Most discussions of wage theft as a societal issue frame it either as a moral problem (Bobo, 2010) or as a regulatory and legal problem (Weil, 2014). (A notable exception (Minkler, Salvatore Chang, Gaydos, Liu, Lee, Tom, Bhatia, Krause, 2014) adopts a public health perspective, with some preliminary data from focus groups that support a public health framing of wage theft (Pew Charitable Trusts, 2014)). We assert that wage theft ought to be considered as an economic problem as well. Wage and hour violations are widespread among many sectors of the economy (Bernhardt, Milkman, Theodore, Heckathorn, Auer, DeFilippis, González, Narro, Perelshteyn, Polson & Spiller, 2010, Galvin, 2016), and therefore have implications that are substantial for the operation of local economies and their function in distributing resources

among residents. The purpose of this study is to estimate the impact of wage theft on local economies in Illinois.

What is known to date about the incidence and occurrence of wage theft comes almost entirely from surveys and interviews, as opposed to administrative records and information. In contrast, our data source for wage theft in Illinois is the set of violations reported to the Illinois Department of Labor's Wage and Hour Division, obtained through a Freedom of Information Act request. We tally these claims and describe their spatial distribution. Furthermore, we evaluate the extent to which the deleterious economic impacts of wage theft spread through the local economy, assessing the total economic impact in terms of overall local spending and tax revenues. We believe this to be the first scholarly effort to estimate both the primary and secondary economic impacts of wage theft.

Background and Theoretical Framing

Violations of wage and hour standards, generally termed “wage theft”, inhibit the ability of low-wage workers to establish consistent sources of income and to gradually increase their income through labor market participation. Although wage theft occurs throughout the labor market (e.g., Scheiber 2016, Scott 2016), research to date shows that wage theft is prevalent, even endemic, in many low-wage sectors of the labor market (see below). Yet the hardships imposed by wage theft perpetrated on low-wage workers are not limited to the income (and self-respect) taken from workers themselves. Wage theft extends substantial economic and fiscal burdens to the surrounding community in multiple ways, including by hindering the economic mobility of residents and taxpayers, lengthening the time spent in poverty, hampering small business

development (Robles, 2007), and increasing usage of and reliance on public and non-profit programs and services.

Additional negative impacts affect the general local economy as well. Business that act scrupulously toward their workers face a short-term competitive disadvantage with regard to labor costs, perversely harming the prospects of upstanding businesses. Unpaid wages are relinquished by the local economy, diminishing the further circulation of spending throughout the region and reducing tax revenues that might otherwise support public services.¹ Exacerbating the last problem is the tendency for low-wage workers to be those most likely to spend their earned income, and to spend it locally.

As noted above, wage theft is a symptom of the long restructuring of the American economy and labor market. Wage theft thrives because of the regulatory environment and power relations created by economic restructuring, the decline of labor market intermediaries, and declines in labor law enforcement by federal, state and local authorities. The provisions of the Fair Labor Standards Act (FLSA) are enforced by the Wage and Hour Division of the Department of Labor (WHD), but its enforcement mechanisms have remained rooted in outdated New Deal era assumptions about the employer-employee relationship (Weil, 2014). Efforts to retool and reshape the WHD under the Obama administration were hampered by the long term decline in its enforcement capacity of the division. Growth in the size of the covered workforce, without increases in the division's staff and funding, has hampered its ability to fulfill its mandate. In 1948, the division employed 1,000 investigators and was responsible for protecting 22.6 million

¹ Much of the retained profits of the business owners or shareholders likely do not remain within the local economy, though this assumption cannot be verified with available data.

workers. In 2014, it employed about the same number of investigators who were responsible for protecting 135 million workers in much more complicated work arrangements than contemplated under the FLSA (Galvin, 2016; Ruckelshaus 2008).

Alongside the challenges of workplace and labor market restructuring and the weakening of the enforcement of the FLSA is the challenge of declining labor market intermediaries like unions, whose role in enforcing wage and hour standards has always been critical, if contested (O'Brien, 2001). Collective bargaining was intended to be a complement to enforcement powers of the WHD; indeed one of the main controversies surrounding the passage of the FLSA was the role of unions and collective bargaining in setting and enforcing wage and hour standards (Goldfield, 1989; O'Brien, 2001; Samuel, 2000). The decline in union density in the private sector has significant implications for working conditions among low-wage workers, who are largely left to advocate for themselves when it comes to the enforcement of wage and hour standards and other workplace labor laws (Scott 2016, other citations?).

Worker centers and other similarly situated organizations have engaged in at least two decades of experimentation to attempt re-regulate the low-wage labor market, overcome the conditions of degraded work, and reduce the prevalence of labor law violations like wage theft (Doussard and Gamal, 2015; Doussard, 2014; Fine, 2006; Fine & Gordon, 2010, Lesniewski, 2013; Lesniewski & Canon, 2015). Worker centers emerged in the early 2000s to respond to the crisis of wage theft and other workplace violations in immigrant communities. Within the academic literature, there are several definitions of worker centers. Janice Fine defines them as “community-based and community-led organizations that engage in a combination of service, advocacy, and

organizing to provide support to low-wage workers” (Fine, 2006) and that “have a social movement orientation and organize around both economic issues and immigrant rights” (Fine, 2007a). Steven Jenkins defines “worker centers” as a “term used to refer to community-based labor organizations that generally attempt to organize low-wage, often immigrant workers who are ignored by traditional unions” (Jenkins, 2002). Arise Chicago, the worker center where the low-wage workers interviewed for this project were recruited, defines its worker center as “a member based program that serves as a community resource for workers, both immigrant and native born, to learn about their rights and join fellow workers to organize to improve workplace conditions” (Arise Chicago mission statement). Worker centers are hybrid nonprofit advocacy, organizing, service delivery, and mutual aid organizations that attempt to fill in the regulatory and labor market intermediary gaps that foster workplace violations like wage theft.

Scholars of the labor market, worker center, and other practitioners have begun to coalesce around a “co-production” model of labor market re-regulation (Fine, 2015; Fine & Amengual, 2016; Lesniewski & Canon, 2015). Research and writing on co-production makes it clear that successful co-production results from the combination of the creative use of street level discretion of administrators at regulatory agencies (Lipsky, 1980), in response to advocacy and organizing pressure by worker centers and other groups. The advocacy and organizing work of co-production by worker centers accomplishes a number of tasks, from forcing reluctant administrators to use their discretionary power to expand their regulation of the low-wage labor market to providing information on abusive employers and providing political cover for administrators to take potential risky public action that can anger powerful constituencies in the business community (Lesniewski & Canon, 2015).

Previous Empirical Research

Empirical studies encounter serious challenges in measuring the occurrence of wage theft. Wage theft is a particularly difficult social phenomenon to quantify because a large share of violations go unreported. Regulatory agencies have difficulties both in verifying individual cases and in estimating the full extent of the problem (Weil, 2011). Ironically, some of the conditions of the post-Fordist economy that foster the prevalence of wage theft also exacerbate the challenge of measuring its prevalence and impact. The emergence of what David Weil calls the “fissured workplace” (2014), in which employers have shed and dispersed production and administrative functioning into a multitude of small, geographically scattered, and often unstable firms, complicates the enforcement of wage and hour standards along with the measurement of the consequences of enforcement failure. In addition, measuring the impact of wage theft is made more difficult by the diversity of the low-wage workforce affected.

Despite the difficulties, a number of scholars, journalists, and worker advocates have attempted to quantify the magnitude of wage theft that occurs. Some researchers have been successful in constructing totals for wage theft in constrained populations, i.e., within a particular industry in selected locations. Examples include nail salons in New York City (Nir, 2015), the garment industry in Los Angeles (Hsu and Kirkham 2014), and the restaurant industry in various cities (ROC United, 2011). Studies that are not restricted to individual industries indicate that the incidence of wage theft is particularly high in specific segments of the economy, mostly low-wage sectors (Bernhardt, et.al, 2010). Theodore, along with many collaborators, estimated in 2010 that in Cook County, Illinois, (which consists of Chicago and its closest suburbs) roughly \$7.1 million in wages were stolen from “front-line” workers in predominantly low-wage

industries each week. Forty-seven percent of the workers they sampled faced some form of wage theft during the previous week (Theodore, 2010). Theodore *et al.* found that wage theft was occurring similarly in Los Angeles and New York. Using the Current Population Survey, Daniel Galvin estimated that 16.9% of low-wage workers nationwide experience wage theft in any given month, a number that fits reasonably well with the overall estimate of 26% (for all workers, not just low-wage) by Bernhardt and co-authors (Bernhardt, et.al. 2010; Galvin, 2016).

These substantial amounts of lost wages, especially when concentrated within low-income households that tend to spend most of their earned income locally, have significant, but heretofore unmeasured, economic and fiscal impacts on local economies and local government revenues. The authors are not aware of any study that attempts to estimate the full economic impact of wage theft. By omitting the likely impacts of wage theft on consumption behavior and further economic activity, previous studies understate the importance of wage theft as a local economic problem.

Wage Theft Data from the Illinois Department of Labor

The Illinois legislature strengthened its anti-wage-theft laws in 2010, so that the state currently enjoys what are considered to be some of the most stringent protections against wage theft in the United States (Blumgart 2012). For example, Illinois law now allows employees to file suit against employers as individuals rather than their companies, offers a streamlined administrative process to be adjudicated by the Illinois Department of Labor for claims of less than \$3,000, and forces employers found guilty of wage theft to remunerate wage theft victims for their legal fees and back pay with interest along with a small fine. Privacy and retribution protections for

workers filing wage theft complaints were also enhanced, though worker advocacy groups argue that these are still far from adequate (e.g., Scott 2016). In addition, in January of 2013, the City of Chicago became only the second municipality in the nation to approve wage theft protections, imposing back pay and business license revocation penalties upon convicted employers while targeting business assistance toward employers with no violations (Flowers 2013). Two years later, Cook County, the most populous county in Illinois (and the second largest in the nation), passed an ordinance punishing companies or business owners guilty of wage theft by preventing them from engaging in contracts with the county, obtaining certain business licenses, and receiving property tax incentives (Rezin 2015).

Among other features, the Illinois state system of wage theft complaint processing established a data stream of information on instances of reported wage theft. We obtained annual compilations of these wage theft claims for 2006 and for each year from 2010 through 2014 from the Illinois Department of Labor through Freedom of Information Act requests. These administrative records list the dollar amount of each claim along with the residential location (by county and zip code) of each wage theft claimant.

These administrative records undoubtedly are incomplete with regard to the full incidence of wage theft. Some employees do not report wage thefts to the state. Others may not realize they are eligible to file claims, or are unsure how to go about doing so. According to previous studies as well as anecdotal evidence, wage theft is much more prevalent among low-wage workers, and particularly minorities and those less experienced with the United States labor system. These are precisely the workers who possess the fewest resources to draw on in filing claims, and these

workers probably also have below average trust in and understanding of the regulatory system. Undocumented workers, for instance, often avoid interacting with government organizations in general, being unclear about the division of responsibilities among agencies or fearing that information about their status will drift across agency and bureau boundaries. Workers with compromised residency status also may have greater fear of reprisals from employers or loss of future income if they complain about mistreatment.

On the other hand, the Illinois Department of Labor data pertain to wage theft claims rather than substantiated incidences. Any particular claim ultimately may not be verifiable, or may be exaggerated in terms of the amount. From comparison with survey- and interview-based studies, however, we think it very probable that the data represent an undercount rather than an exaggeration of wage theft occurrence in Illinois.

Distribution of Wage Theft in Illinois

Figure 1 shows the total dollar amounts of the wage theft claims reported in Illinois in 2006 and 2010 to 2014.² Surprisingly, the total claim amount did not rise after the anti-wage-theft legislation was enacted. This might reflect the tight labor market following the Great Recession reducing workers' willingness to fight wage theft, or employers finding alternate means of shortchanging workers despite the legislation. A less interesting explanation is that the failure of the data series to show increasing wage theft claims may simply reflect the incompleteness of the data source. These data report some 15 to 20 million dollars' worth of wage theft occurring annually in the State of Illinois. The 2010 survey-based study by Theodore *et al.* extrapolated 7

² Dollar figures have been adjusted to 2014 constant dollars using the Consumer Price Index series for all urban consumers in the Midwest Region (United States Bureau of Labor Statistics).

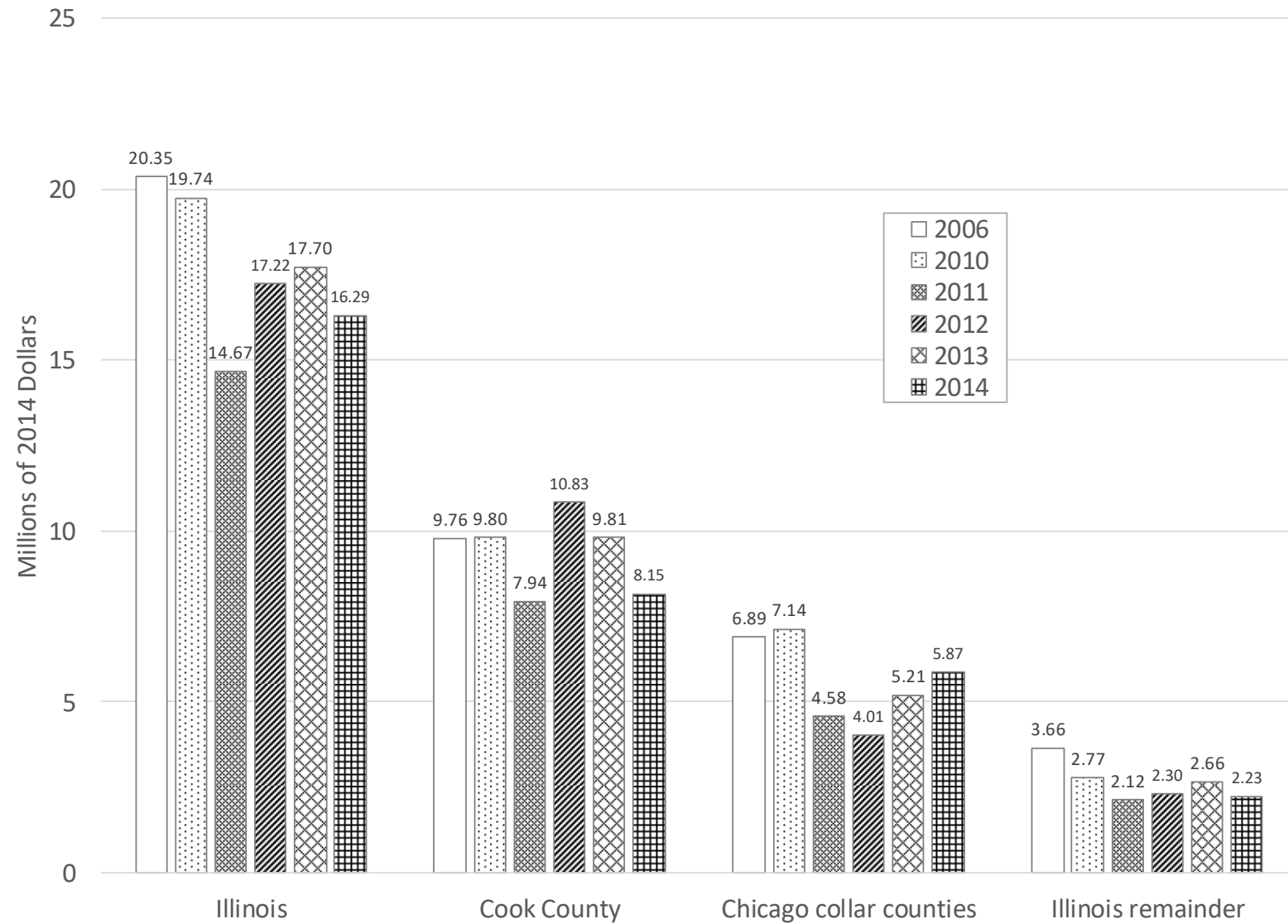
million dollars' of wage theft *per week in Cook County alone*. The largest quantity of reported wage theft in Cook County occurred in 2012, \$10.83 million, the equivalent of only eleven days' worth of actual wage theft according to the Theodore *et al.* estimate. Clearly, if the figure calculated by Theodore and his colleagues is at all close to reality, the Department of Labor data reflect only a small portion of the total wage theft that occurs, leaving plenty of room for selection bias and other potential data biases. Nevertheless, as previous studies have relied on data compiled through surveys, we think it is valuable to look more closely at the distribution of the wage theft claims reported to the State of Illinois.

Over half of the dollar value of wage theft claims in Illinois affects workers residing in Cook County, and two thirds of the remainder is reported by workers living in the eight "collar" counties surrounding Cook County (constituting the suburban and exurban Chicago region). Per capita wage theft claims also are highly concentrated in the Chicago region, with Cook County reporting more wage theft per resident than the surrounding collar counties, and the collar region well exceeding the rest of the state. Previous research demonstrates that wage theft is easier to perpetrate and more common in certain industries, such as construction and wholesale trade, that are prevalent in Chicago and its surrounding municipalities. Moreover, the Chicago region houses many more of the types of workers who are most vulnerable to wage theft than the rest of the state, including undocumented immigrants and those for whom English is a foreign language.

Wage theft claims in Cook County declined somewhat from 2012 to 2014, perhaps responding to the ordinance passed by the City of Chicago at the beginning of 2013. At the same time, suburban collar counties witnessed greater wage theft. Is it possible that those suffering from

wage theft are increasing locating outside of the central city? Such a dynamic would be in accord with demographic changes in the city and surrounding inner-ring suburban communities (citation needed).

Figure 1. Illinois Wage Theft Claims By Region and Year.

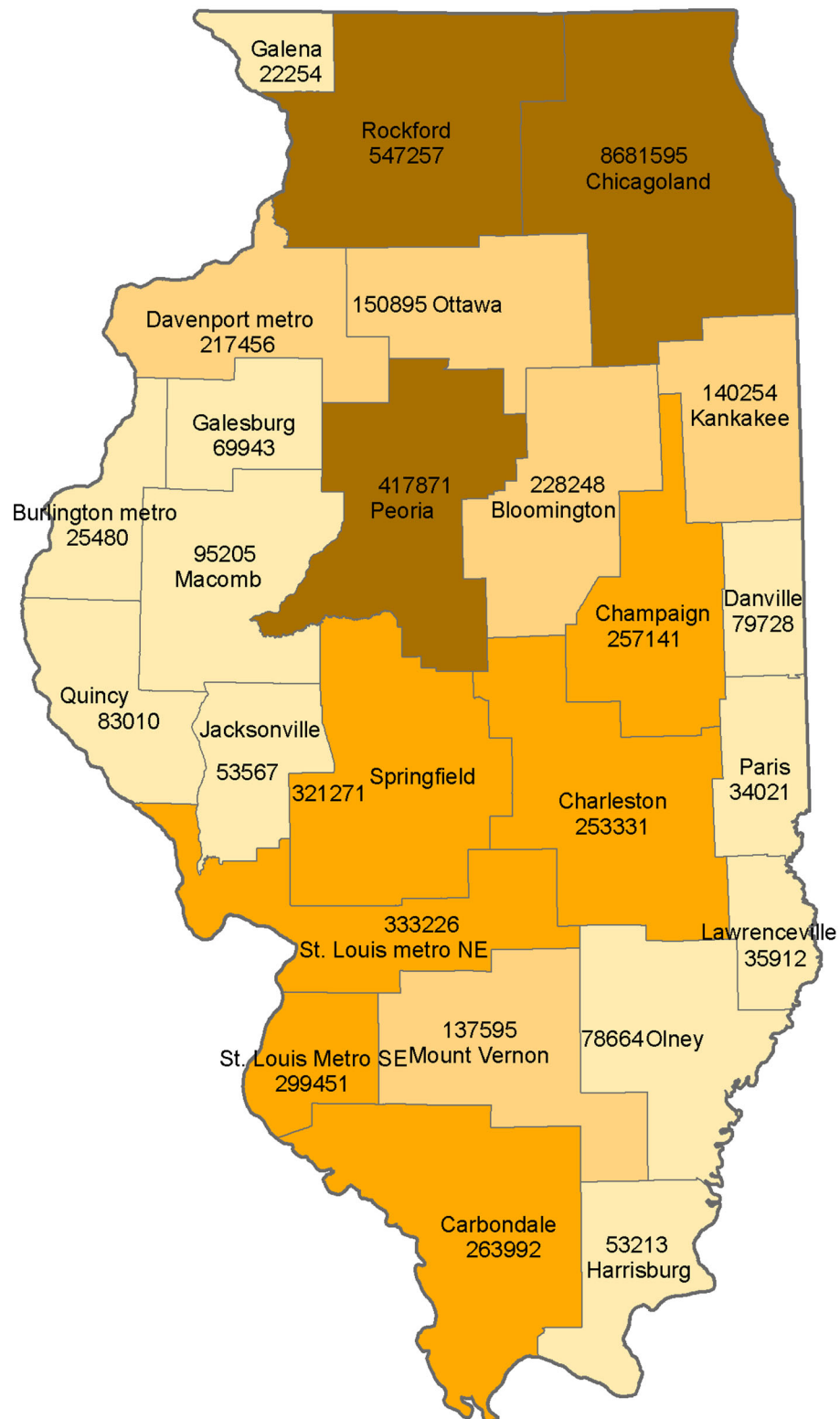


To examine the portion of the state outside of the Chicago region, we combined counties into commuting zones (United States Department of Agriculture 2000). Commuting zones are amalgamations of counties constructed in order to effectively distinguish labor markets as evidenced by population density and commuting patterns (see Figures 2 and 3). The largest dollar figures for reported wage claims are, as might be expected, in the regions with the largest population, such as Rockford, Peoria, and Springfield (Table 1). With small totals numbers of claims, the commuting zone tabulations demonstrate significant year-over-year volatility. Overall, the most important finding is that wage thefts as reported to the Illinois Department of Labor cluster to a large degree in the largest urban area of the state, as previous studies lead us to expect is the case for all wage theft incidences.

Figure 2. Illinois Commuting Zones.



Figure 3. Illinois Commuting Zone Population Estimates (as of July 1, 2014).



Data Source: United States Census Bureau (2015).

Table 1. Illinois Wage Theft Claims by Commuting Zone and Year (Thousands of 2014 Dollars).

	Population	Wage Theft					
	July 1, 2014	2006	2010	2011	2012	2013	2014
Bloomington	228,248	126	69	289	111	147	129
Burlington metro	25,480	3	5	0	0	1	22
Carbondale	263,992	130	132	70	110	300	114
Champaign	257,141	358	185	174	145	182	94
Charleston	253,331	309	377	308	171	333	419
Danville	79,728	77	12	43	64	76	26
Davenport metro	217,456	85	260	182	186	46	91
Galena	22,254	139	13	12	15	1	5
Galesburg	69,943	37	49	31	11	12	11
Harrisburg	53,213	6	9	23	29	74	0
Jacksonville	53,567	40	10	5	2	25	4
Kankakee	140,254	264	253	46	45	86	94
Lawrenceville	35,912	13	5	7	4	4	7
Macomb	95,205	71	26	46	10	12	5
Mount Vernon	137,595	74	89	26	24	95	23
Olney	78,664	63	82	11	11	8	30
Ottawa	150,895	96	137	129	68	68	17
Paris	34,021	34	1	3	60	6	30
Peoria	417,871	391	182	155	202	186	306
Quincy	83,010	64	16	71	58	47	75
Rockford	547,257	578	476	219	427	408	362
St. Louis metro northeast	321,271	191	224	149	58	156	121
St. Louis metro southeast	333,226	11	19	3	12	58	37
Springfield	299,451	498	141	122	472	332	209

Note: Population estimates from United States Census Bureau (2015).

Economic Impact Analysis

Modeling Approach

We employ a series of input-output models to estimate the additional effect of lost wages on state and local economies in the State of Illinois. By tracing the ways in which monetary transactions flow through the economies of specified geographies, these models allow us to estimate the secondary impacts of wage theft on the region. These additional impacts occur as subsequent purchases and spending are eliminated from the local economy.

As the victims of wage theft spend less income patronizing businesses and services, those businesses encounter less demand for their products and services and thus purchase fewer supplies and inputs, including labor, in order to generate their output. In turn, the suppliers from which these businesses purchase goods and services face reduced demand and lower their own input purchases, and so on throughout the economy. The portion of this wave of reduced economic activity that occurs within the region is known as local *indirect effects*. In addition, the employees and owners of the businesses that reduce their production now earn less wages and profits, leading them to curtail consumption purchases. These additional reductions in local economic activity are termed *induced effects*. The degree to which these indirect and induced effects propagate from the initial change in spending (labeled the *direct effect*) depends on the propensities of both local consumers and businesses to use their incomes to purchase goods and services from within the local economy, as opposed to spending on imports or contributing to savings.

We use the IMPLAN modeling system with underlying transactions information estimated for the year 2013 to assess the additional indirect and induced effects of wage theft on local economies.³ We use commuting zones as the local regions and construct separate models for each. Commuting zones are amalgamations of counties constructed in order to effectively distinguish labor markets as evidenced by population density and commuting patterns

³ Using a single relatively recent year to construct the models is a reasonable and common strategy. Input-output relationships typically do not change rapidly, and moreover local model data are based heavily on the quinquennial national benchmark estimates of the United States Bureau of Economic Analysis. Nevertheless, we constructed several alternative estimates using 2011 models, yielding results substantially similar to those obtained from the 2013 models.

There are several assumptions that we adopt to conduct the analyses. First, we presume that employers or business owners who engage in wage theft do not apply the extra retained funds to increase their spending in the local region. We do not have direct information regarding this assumption, but think that in most cases it ought to be a reasonable simplification, possibly generating of a slight exaggeration of the induced impacts of wage theft. Second, using input-output models to estimate economic impacts presupposes that the nature of the local economy and the economic transactions contained within do not shift appreciably due to the impacts being modeled. In the case of wage theft, this assumption is eminently sensible as the total claims figures are several orders of magnitude smaller than the sizes of the economies being examined.

Finally, tracing the impact of spending (or loss of spending) through an economy requires a profile of those spending patterns. The Implan models offer spending pattern averages by ranges of household income. Although the wage claims information from the Department of Labor do not provide information on the wage theft claimants other than residential location, we know from previous research that wage theft disproportionately affects lower-income, immigrant, and minority populations. Therefore, we tested different presumptive distributions of household income, and found that the choice of distribution was not determinative of the magnitude of the results. We present the results for an income distribution following the zero to 50th percentiles of household income for each region, as derived from five-year estimates drawn from the American Community Survey from 2009 to 2013.⁴

⁴ We also tested distributions based on local Latina and Latino, African-American, and foreign-born population shares; the share of population with less than a high school education level; and compared to the full local distribution of household incomes. The differences in our estimates across these distributional assumptions are minor. For example, switching from our preferred zero to 50th percentile household income distribution to a distribution based on the share of population with less than a high school education level altered our estimates of the induced effects of wage theft on statewide labor income and output by less than 0.1 percent. Even changing to the full range of local household incomes (i.e., assuming that the spending distributions of those who experience wage

The Economic Impact of Wage Theft

Figure 4 displays our estimates of the additional labor income lost in 2013 and 2014 due to indirect and induced effects following the initial loss of worker income from wage theft. Figure 5 reports the labor income multipliers for wage theft for the major regions of the state. These multipliers represent the total amount of labor income foregone per dollar of wage theft. For example, in 2014, for each \$1 million lost to wage theft, approximately \$371,000 in additional labor income disappears across Illinois. The multipliers are smaller outside of the Chicago region because the local economies in the rest of the state produce a smaller range of goods and services and thus more of the consumption purchases made by residents of those areas (and input purchases made by businesses) “leak” outside of the local economy.⁵ For example, each \$1 million in wage theft occurring outside the Chicago region eliminates roughly \$257,000 in additional labor income.

theft are, on average, the same as for the general population), which would be expected to diminish the estimated impact because higher-wage workers tend to spend smaller shares of their income locally, decreased the estimated induced effects statewide by less than 12 percent.

⁵ By the same logic, the multiplier for the State of Illinois as a whole is larger than for any of its constituent regions because a smaller share of the consumption and input purchases are sourced outside of the state than the share of purchases that are sourced externally to any particular substate area.

Figure 4. Illinois Wage Theft and Additional Labor Income Lost, 2013 and 2014.

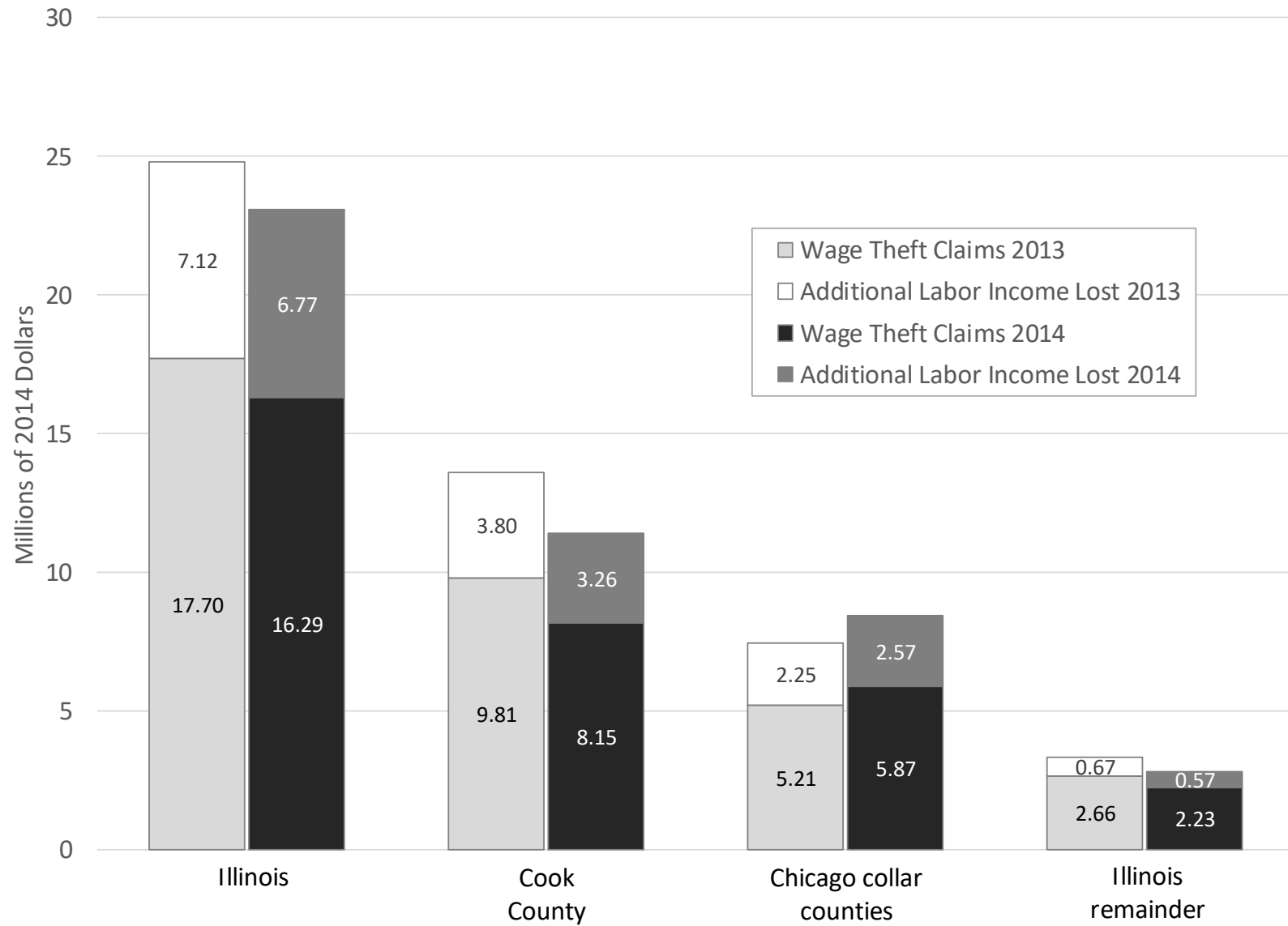


Figure 5. Labor Income Multipliers, 2013 and 2014.

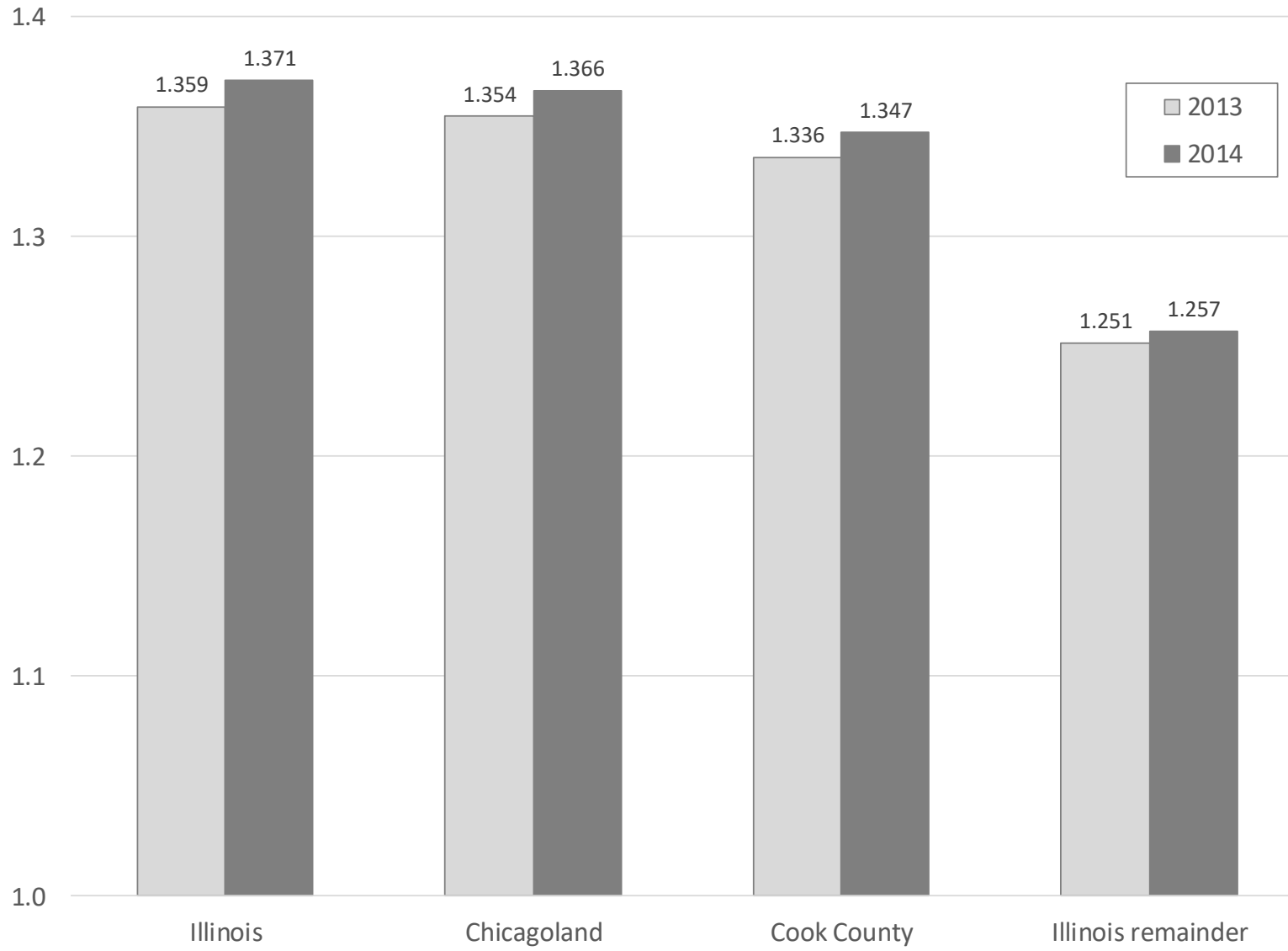


Figure 6. Illinois Employment Losses from Claimed Wage Theft, 2013 and 2014.

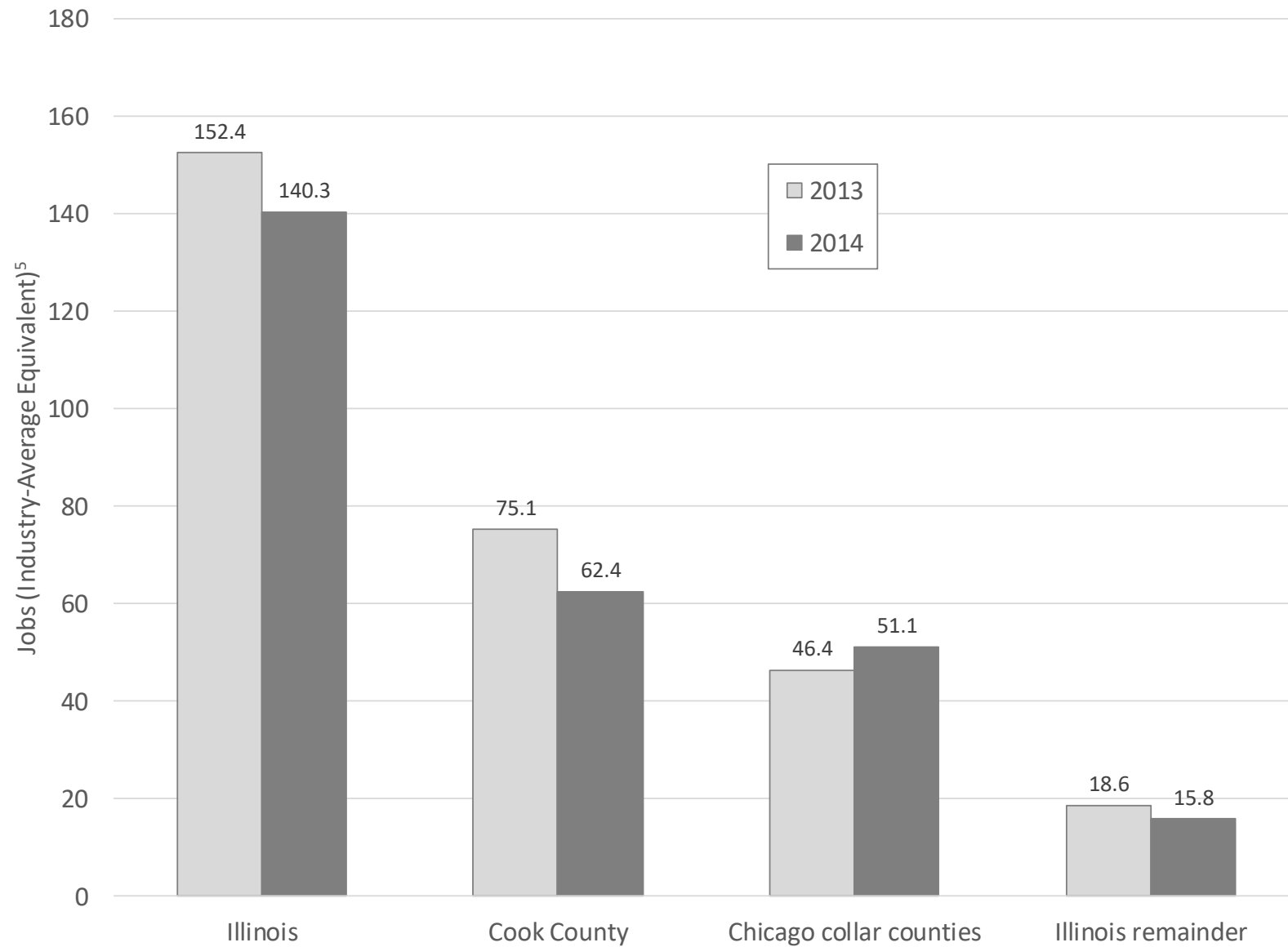


Figure 7. Jobs Lost per Million Dollars of Wage Theft, 2013 and 2014.

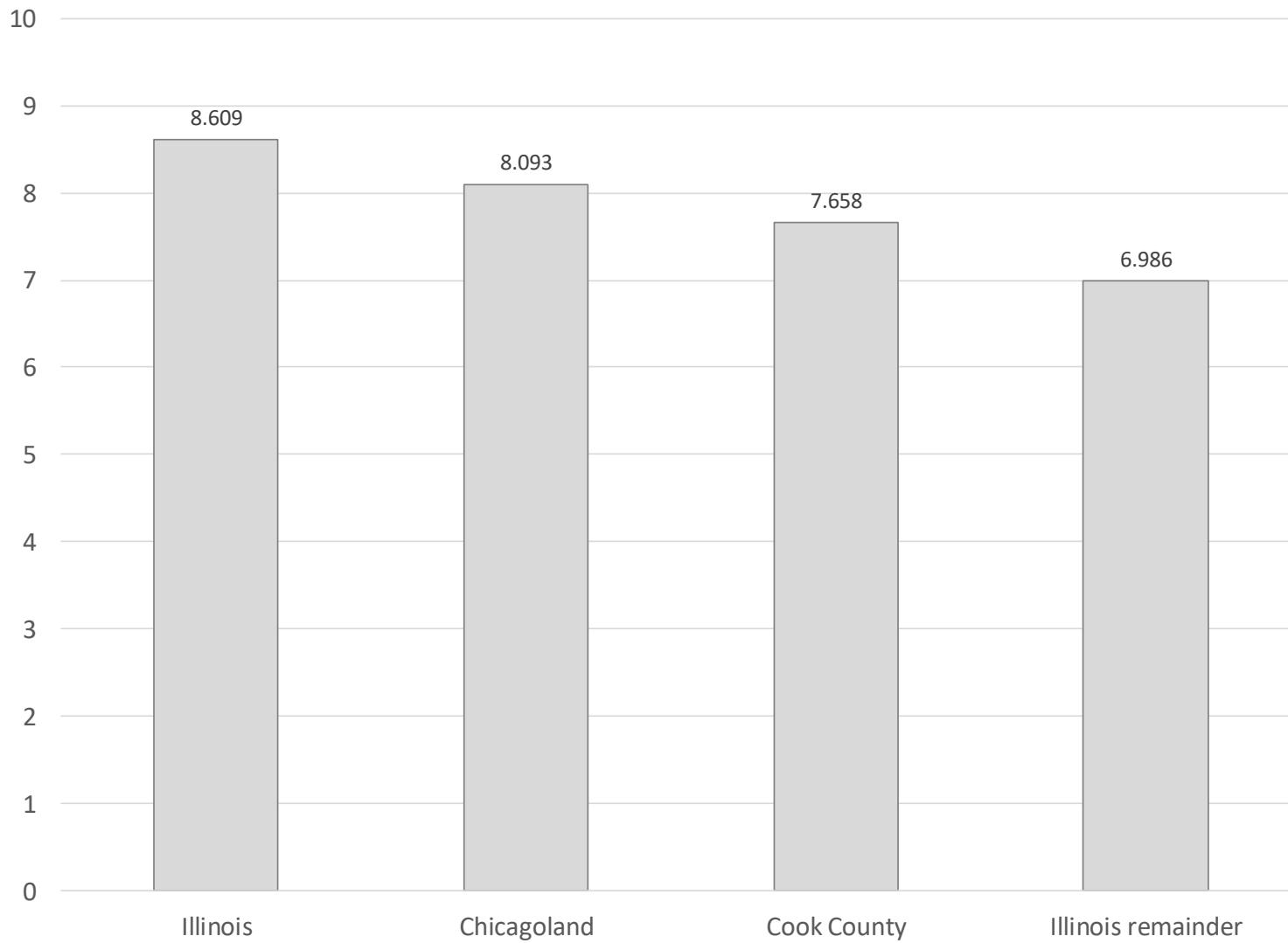


Figure 6 recasts the estimates from Figure 4 as the total amount of employment lost from claimed wage theft violations in those same years.⁶ On average, \$1 million of wage theft results in 8.6 lost jobs in the State of Illinois (Figure 7).

The primary message is that wage theft's drain on local economies is considerably greater than the raw tally of wage theft occurrences. Workers that receive less income, particularly those at the lower end of the income scale, consume less. Diminished local consumption expenditures drive down sales and revenues throughout the consumer section of the economy, and, because decreased sales reduce the inputs those businesses demand, across much of the remainder of the local economy as well. In 2014, we estimate that indirect and induced effects led the \$16.29 million in reported wage theft across the State of Illinois to eradicate an additional \$6.77 million in worker income.

Whereas the data from the Illinois Department of Labor may reflect only a small portion of the likely total wage theft occurring in the state, the multipliers we estimate apply equally well to the true amount of wage theft.⁷ Our multiplier estimates provide a solid baseline for estimating the full economic impacts of wage theft based upon other measurements of wage theft occurrence in Illinois (and elsewhere, to the extent that other states and regions resemble Illinois in patterns of consumption and economic transactions). For example, using the figure reached by Theodore et al. of \$7.1 million lost to wage theft per week in Cook County and our 2014 multipliers, we

⁶ Note that employment is reported in units of jobs at the average level of employment intensity for that industry nationwide. In other words, for the same scale of impact, industries that tend to employ many part-time workers would tend to reflect larger figures for the number of employees lost than industries favoring primarily full-time workers.

⁷ Reporting biases in the Department of Labor data may cause a degree of inaccuracy in the multipliers; however, these are likely to be small relative to the magnitude of the multipliers; also see note 4 on robustness testing.

estimate that an additional \$2.5 million of additional labor income is lost each week. That \$2.5 million per week in lost worker income translates to annual figures of \$128 million in income lost—and nearly 1,000 jobs “missing” across the economy—in addition to the direct wage theft impacts. The multiplied effects of wage theft clearly have important economic and public budgeting implications.

Conclusion

Wage theft is more than a moral, political, and legal problem. While it presents all of those issues, wage theft also results in substantial drains upon local economies and the fiscal situations of local governments. We present the first calculations of the total economic impact of wage theft upon local economies in Illinois, estimating that the negative impact of wage theft is between 25 percent (downstate Illinois) and 37 percent (greater Chicago region and State of Illinois as a whole) greater than the direct impact of wage theft taken by itself.

The estimates we offer are constructed on the basis of several standardized assumptions and a probably incomplete administrative data source, and thus the absolute figures should be treated as approximate at best and most likely as a severe undercount. The relative results—the multipliers and ratios—ought to be reasonably robust, and applicable to tallies of wage theft obtained from various data sources.

Our direct purpose in conducting this research is to correct underestimates and extend understanding of the full economic importance of wage theft. In so doing, we hope to provide scholars and advocates with another handle with which to influence policymakers, who, if not

entirely swayed by the moral, distributional, or justice implications of wage theft, may agree that the full economic impacts of wage theft oblige policy action.

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