

Don't Let Government Contractors Cheat Working Americans

BY AMY TRAUB

Donald Trump campaigned as the champion of working-class Americans facing a system of crony capitalism supported by the federal government. There is no better example than the corporations that cheat their employees out of pay and maintain dangerous work sites—yet still retain lucrative contracts with the federal government and even have their contracts renewed. This is why President Obama's Fair Pay and Safe Workplace Executive Order must be implemented under the new administration. The order, which is currently facing a legal challenge from the contractor lobby, would crack down on federal contractors that persistently abuse working Americans.

This brief illustrates why it is vital to implement the Fair Pay and Safe Workplaces Executive Order: violations of core worker protection laws, from wage regulations to safety rules, are rampant among federal contractors. Drawing on data from the Department of Labor, Dēmos estimates that Americans working for federal contractors lose \$1.6 to \$2.5 billion each year from violations of minimum wage laws alone. Yet

KEY FACTS

- For a century, public officials of both political parties have taken responsibility for the conditions of people working to produce goods and deliver services on behalf of the American people.
- Approximately 40 percent of all federal contracting dollars in 2013 went to contractors with health, safety or wage violations on their record.
- Americans working for federal contractors lose up to \$2.5 billion each year to violations of minimum wage laws alone.
- To address widespread workplace violations by federal contractors, the next president must implement and enforce the Fair Pay and Safe Workplaces Executive Order.

minimum wage violations represent the tip of the iceberg, as federal contractors have also been held in violation of numerous other wage and hour laws, as well as health, safety, and labor laws—even as they continue to be awarded new contracts. We find that approximately 40 percent of all federal contracting dollars in 2013 went to contractors with health, safety or wage violations on their record.

While no company should underpay its workers, maintain a hazardous work environment, or engage in illegal discrimination, federal contractors carrying out work on behalf of the American people deserve extra scrutiny. With 1 in 5 American workers employed by a company that receives federal contracts, efforts to improve standards for contract workers are far-reaching. By establishing a mechanism to encourage contractors to comply with workplace protections—and denying them contracts if they persistently refuse to follow the law—the Fair Pay and Safe Workplaces Executive Order is a critical tool to fight workplace violations.

A Bipartisan Legacy of Concern for Contract Workers

In the midst of World War I, United States Secretary of War Newton Baker was concerned about federal contracting. “The government cannot permit its work to be done under sweatshop conditions,” he declared, establishing minimum workplace standards for workers sewing military uniforms.¹ From Baker’s time to our own, public officials of both political parties have taken responsibility for the conditions of people working to produce goods and deliver services on behalf of all Americans.

Following a century of precedent, President Obama used a series of executive orders to raise pay, guarantee paid sick time, and otherwise raise workplace standards for employees of federal contractors, culminating with an effort to ensure that federal tax dollars would not go to companies that violate employment laws. The Fair Pay and Safe Workplaces Executive Order set up a system to prevent companies that deliberately and repeatedly cheat or mistreat their employees from profiting off federal contracts on the taxpayer dime. Yet just as the regulations implementing the Fair Pay and Safe Workplaces Executive Order were set to go into effect in autumn 2016, they were temporarily halted in response to a lawsuit from contractor lobby groups. As a new president prepares to take office, widespread violations by federal contractors remain an urgent and unsolved problem. The next president must implement and enforce the Fair Pay and Safe Workplaces Executive Order to address these abuses.

“

With 1 in 5 American workers employed by a company that receives federal contracts, efforts to improve standards for contract workers are far-reaching.”

Federal contractors violate basic worker protections, yet have their contracts renewed

Although most federal contractors obey the law, serious breaches of health, safety, and employment laws remain far too widespread. To track the prevalence of workplace abuses by U.S. government contractors, Dēmos merged public federal contracting records with violations data from the U.S. Department of Labor.² We find that between 1999 and 2013, contractors were fined nearly \$722 million for serious violations of health, safety, and employment laws, accounting for 12 percent of all such fines. Approximately 40 percent of all federal contracting dollars in 2013—a total of \$175 billion—went to contractors with health, safety or wage violations on their record. These findings mirror those of a previous investigation by the Government Accountability Office (GAO), which discovered that among the 50 companies receiving the largest penalties for violations of wage and hour laws between 2005 and 2009, half were federal contractors.³ Federal contractors were also among the companies facing the largest penalties for health and safety violations. Yet the GAO concluded that none of these noncompliant companies had been debarred or suspended from federal contracts as a result of their workplace abuses. Research by the United States Senate’s Health, Education, Labor, and Pensions Committee provides additional evidence of large-scale workplace abuses—including cases of racial discrimination in hiring and breaches of child labor laws in addition to multiple wage and safety violations—by companies that continue to be awarded government contracts.⁴

These represent only the cases where workplace violations were detected, investigated, and penalties were assessed. Research suggests that most workplace violations, whether committed by federal contractors or other employers, are never officially documented or punished. For example, a seminal 2009 study of employment violations in America’s largest cities found that two-thirds of workers employed in low-paying industries experienced some form of wage theft in the previous work week, including failures to pay the minimum wage or overtime compensation, being required to work “off the clock,” having tips stolen, denial of meal breaks, and illegal payroll deductions.⁵ Some workers were never paid at all for work they performed in the last year. But only 20 percent of workers who experienced workplace violations reported to researchers that they made a complaint to their employer, their supervisor, or a government agency.⁶ Most said that they feared losing their job or experiencing some other form of retaliation if

they complained about illegal workplace conditions. Other workers expressed concern that a complaint would not make a difference.

Because so many violations go unreported, assessing the full scope of workplace abuses among federal contractors is a daunting task. But a meticulous Department of Labor study of one type of wage theft—failure to pay the minimum wage—offers a window into the scale of wage loss employees of federal contractors are experiencing. Drawing on data from the Department of Labor study, researchers at the Economic Policy Institute estimate that violations of minimum wage laws alone amount to between \$8.6 billion and \$13.8 billion in lost wages each year.⁷ Federal contractors employ an estimated 18.4 percent of the nation’s civilian workers; assuming they violate minimum wage laws at the same rate as employers nationwide, this would mean that contract employees lose \$1.6 to \$2.5 billion a year just to violations of minimum wage laws.⁸ The lost wages affect not only workers but their families and communities. With smaller paychecks, workers cannot buy as many goods and services, reducing the support they provide to local economies. At the same time, workers with lower wages pay fewer taxes, starving state and local governments of revenue. Workers cheated out of wages may be forced to turn to food stamps and other forms of public assistance to feed their families.

From the 674 food service workers at the U.S. Capitol who were cheated out of more than a million dollars in overtime pay and other wages by the private companies running congressional cafeterias, to the two Mississippi shipbuilding workers who were killed in a “horrific and preventable situation” when flammable materials exploded in an improperly ventilated workspace, workplace violations have concrete and sometimes devastating consequences in the lives of working people, their families, and communities.⁹ The Fair Pay and Safe Workplaces Executive Order is a powerful tool for bringing contractors into compliance with worker protection laws and ensuring that those who flagrantly and repeatedly abuse their employees no longer receive federal contracts.

Conclusion

Over the last three years, low-paid workers employed by federal contractors repeatedly walked out on strike in the nation’s capital. They have called for the type of basic standards the federal government has long sought to guarantee: wages that enable them to support a family, decent benefits, and the end of widespread violations of our nation’s most basic worker protections. President

Obama took decisive steps to address their concerns, culminating in the Fair Pay and Safe Workplaces Executive Order aiming to ensure that the nation's contracting dollars go to companies that abide by the law. Yet with the executive order held up by legal challenges from the contractor lobby, widespread employment violations by federal contractors persist. Donald Trump ran for office promising to stand up for working Americans: he must recognize the public responsibility for the conditions of people who work every day on behalf of the American people and take action to see this order implemented.

ENDNOTES

1. Eileen Boris, "Consumers of the World Unite! Campaigns Against Sweating, Past and Present," in *Sweatshop USA: The American Sweatshop in Historical and Global Perspective*, eds. Daniel E. Bender and Richard A. Greenwald (New York: Routledge, 2003), p. 203; Eileen Boris, *Home To Work: Motherhood and the Politics of Industrial Homework in the United States* (Cambridge: Cambridge University Press, 1994), p. 135.
2. Federal contracting data comes from <https://www.usaspending.gov>, a U.S. government website mandated by the Federal Funding Accountability and Transparency Act of 2006 to give the American public access to information on how their tax dollars are spent. The Department of Labor's enforcement database is available at <http://ogesdw.dol.gov/>.
3. Government Accountability Office, *Federal Contracting: Assessments and Citations of Federal Labor Law Violations by Selected Federal Contractors*, GAO-10-1033, Report to Congressional Requesters, September 2010. <http://www.gao.gov/assets/310/309785.pdf>.
4. *Acting Responsibly? Federal Contractors Frequently Put Workers' Lives and Livelihoods at Risk*, U.S. Senate, Health, Education, Labor, and Pensions Committee, 2013. <http://www.help.senate.gov/imo/media/doc/Labor%20Law%20Violations%20by%20Contractors%20Report.pdf>.
5. Annette Bernhardt, Ruth Milkman, Nik Theodore, et al., *Broken Laws, Unprotected Workers: Violations of Employment and Labor Laws in America's Cities*, National Employment Law Project, 2009. <http://www.nelp.org/content/uploads/2015/03/BrokenLawsReport2009.pdf>.
6. Bernhardt, Milkman, Theodore, et al. 2009.
7. Ross Eisenbrey, *Wage Theft by Employers is Costing U.S. Workers Billions of Dollars a Year*, Economic Policy Institute, 2015. <http://www.epi.org/blog/wage-theft-by-employers-is-costing-u-s-workers-billions-of-dollars-a-year/>.
8. Based on Department of Labor estimates of 28 million American workers employed by federal contractors. This figure is equivalent to 18.4 percent of civilian employment and 22.8 percent of private sector employment as of September 2016. Note that this is the total number of U.S. employees employed by the contracting companies, not the number actively working on federal contracts at any given time. The figure is appropriate because the Fair Pay and Safe Workplaces Executive Order assesses an employer's overall record of employment law violations, not only violations committed against workers fulfilling federal contract requirements. White House Office of the Press Secretary, "Factsheet: Fair Pay and Safe Workplaces Executive Order," 2014. <https://www.whitehouse.gov/the-press-office/2014/07/31/fact-sheet-fair-pay-and-safe-workplaces-executive-order>.
9. "US Labor Department Investigation Finds Capitol Hill Cafeteria Workers Illegally Denied More Than \$1M in Wages by Federal Food Service Contractors," United States Department of Labor, 2016. <https://www.dol.gov/newsroom/releases/whd/whd20160726>; *Acting Responsibly?* 2013.



Demos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.

Media Contact

CHARLIE DIPASQUALE

Senior Associate, SKDKnickerbocker

CDIPASQUALE@SKDKNICK.COM

O: 202.464.6916 | C: 240.481.6632

demos.org

220 Fifth Avenue, 2nd Fl.

New York, NY 10001