



**House  
Legislative  
Analysis  
Section**

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**OUT-OF-STATE COLLECTION  
OF BACK WAGES**

**House Bill 5078 (Substitute H-1)  
Revised First Analysis (2-29-96)**

**Sponsor: Rep. Deborah Cherry  
Committee: Human Resources and Labor**

***THE APPARENT PROBLEM:***

Under the wages and fringe benefits act, when an employee in Michigan isn't paid wages or fringe benefits owed him or her, the employee may file a complaint with the Department of Labor (Bureau of Safety and Regulation, Wage Hour Division), which enforces the act. The department will try to resolve the dispute informally between the employee and employer, but if no resolution can be reached informally, the department issues a written determination. If either the employee or employer isn't satisfied with the determination, he or she may request a review before an administrative law judge, who will affirm, modify, or rescind the determination. A "final agency order" is issued when a determination isn't appealed. If the employer doesn't pay the amount ordered, the department refers the order to the attorney general, who files a civil suit on behalf of the department in the district or circuit court to obtain a judgment. If the judgment isn't paid, the employer's bank account or local assets can be seized. According to the Department of Labor, each year it collects more than \$2 million in unpaid wages and fringe benefits owed Michigan workers. However, if, during the complaint process, the employer moves out of state or if the employer never was in Michigan, there may be no Michigan assets to seize, and because out-of-state judgments are so difficult to execute, in these cases the amounts owed may never be collected.

Legislation has been introduced that would address this issue.

***THE CONTENT OF THE BILL:***

The bill would amend the wages and fringe benefits act (Public Act 390 of 1778) to authorize the director of the Department of Labor to enter into reciprocal agreements with other states for the collection of back wages, fringe benefits, and penalties assessed under the act.

MCL 408.471

***FISCAL IMPLICATIONS:***

Fiscal information is not available. (2-27-96)

***ARGUMENTS:***

***For:***

According to the Department of Labor, as of last year (1995) the attorney general had 21 judgments, worth about \$75,000, against out-of-state employers in 13 different states, for an average of \$3,620 per case. Out-of-state judgments are difficult to enforce; the bill would change this situation by allowing the Department of Labor to enter into reciprocal agreements with other states to enforce these judgments. Adoption of the bill would not only streamline the process of executing out-of-state judgments and raise the collection rate, but also could serve to increase voluntary cooperation by employers (since employers would more likely resolve claims if they knew that payment of a judgment couldn't be evaded by leaving Michigan). There currently are 26 states that have reciprocal agreement statutes; Michigan should join them.

***POSITIONS:***

The Office of the Attorney General supports the bill. (2-28-96)

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.

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