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## RECIPROCAL WAGE AGREEMENTS TO INCLUDE CANADA

House Bill 4775 as introduced  
First Analysis (5-23-01)

Sponsor: Rep. Lauren Hager  
Committee: Employment Relations,  
Training and Safety

### ***THE APPARENT PROBLEM:***

Public Act 390 of 1978 regulates the payment of wages and fringe benefits for Michigan workers. In particular, the law provides for the settlement of disputes between employees and any employers who fail to pay them the wages and fringe benefits they are owed. When an employee is not paid the wages or fringe benefits owed him or her, the employee can file a complaint with the Department of Consumer and Industry Services (CIS), Bureau of Safety and Regulation, Wage and Hour Division. That division administers the law, and working together with the Office of the Attorney General, enforces its provisions.

In brief, when a complaint is filed by an unpaid employee, representatives of the department try to resolve the dispute informally. If no resolution can be reached, then CIS issues a written determination. If the employee or the employer is dissatisfied with the determination, either may request a review before an administrative law judge, who can affirm, modify, or rescind the determination. If an employer does not pay the amount ordered, CIS can refer the order to the Office of the Attorney General, who can then file a civil suit on behalf of CIS in circuit court and obtain a judgement. If the judgment is not paid, the employer's bank account or local assets can be seized.

In 1996 the law was amended so CIS (then called the Department of Labor) could pursue wage claims with employers from out of state who fail to pay their past employees in Michigan the wages and benefits that they have earned in Michigan. Now CIS is able to pursue the claims because the department has negotiated reciprocity agreements with other states that allow them to collect back wages. The reciprocal agreements also allow CIS to accept claims from other states in order to pursue collection of claims for employees that worked for Michigan-based employers who have failed to pay their out-of-state employees the wages they have earned. In addition,

reciprocal agreements also allow the department to pursue companies that relocate to other states in an effort to avoid paying wages earned by employees.

Currently there are 16 reciprocity agreements that have been negotiated with other states, and 10 more are anticipated. See *BACKGROUND INFORMATION* below. According to committee testimony, the Wage and Hour Division of CIS has referred at least 20 claims to other states since February 1997. The most recent case was a referral to Wisconsin for a \$4,207.47 wage claim in April 2001. Other states have collected and returned to Michigan residents over \$9,000 since 1997.

Recently the department received 42 claims against a company once located in Port Huron that suddenly closed its doors and removed all equipment. The company is headquartered in Alberta, Canada and has not responded to the department's request for payroll and time records. According to a CIS spokesperson, unless the department has the authority to negotiate a reciprocity agreement for the collection of back wages and fringe benefits with Canada and its provinces and territories, claims cannot be pursued and there is little likelihood that these employees and others like them will receive their back pay. Consequently, legislation has been introduced.

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

House Bill 4775 would amend Public Act 390 of 1978, the wages and fringe benefits act, to allow the director of the Department of Consumer and Industry Services to enter into reciprocal agreements with other states, Canada, or a Canadian province or territory, for the collection of claims for wages, fringe benefits, and penalties assessed under section 18 (which concerns the collection of back wages). Currently under the law, reciprocal agreements are allowed only with other states, in a program administered by the department's Bureau of Safety

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and Regulation, Wage Hour Division, and enforced through the Office of the Attorney General.

The AFL-CIO supports the bill. (5-22-01)

MCL 408.481a

### ***BACKGROUND INFORMATION:***

According to committee testimony offered by the Department of Consumer and Industry Services, in 1996 when Public Act 390 was amended to permit reciprocal agreements, there were 13 reciprocal agreements signed with the states of Arkansas, California, Connecticut, Hawaii, Idaho, Illinois, Montana, New York, North Dakota, Oklahoma, Oregon, Wisconsin, and Wyoming. The following year, in 1997, agreements were entered into with the states of Tennessee, North Carolina, and Kentucky. Currently agreements are being pursued with the states of Alaska, Colorado, Iowa, Maine, Maryland, Nevada, South Dakota, Texas, Utah, and Washington. Taken together, these reciprocity agreements entered into with a majority of the states in the country will make it difficult for companies to relocate to avoid paying their workers' wages.

### ***FISCAL IMPLICATIONS:***

In its analysis of the bill, the Department of Consumer and Industry Services notes that the bill will have no fiscal impact on state expenditures and revenues. (5-21-01)

### ***ARGUMENTS:***

#### ***For:***

According to the Department of Consumer and Industry Services, the Wage and Hour Division has received 42 claims against a company previously located in Port Huron that closed its doors to workers very suddenly. The company, headquartered in Alberta, Canada, has not responded to the department's request for payroll and time records so it appears that voluntary compliance has been unsuccessful. Unless a reciprocity agreement to collect back wages is negotiated with Canadian provinces and territories, there is little prospect that these employees will receive their back pay and benefits. The agreements that this legislation would authorize would allow the department to enforce its orders on behalf of Michigan workers.

### ***POSITIONS:***

The Department of Consumer and Industry Services supports the bill. (5-22-01)

Analyst: J. Hunault

■ 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.