



Banking Committee, March 10, 2020  
Testimony submitted by Nadine Nevins  
Connecticut Legal Services, Inc.

## HB 5426: Support

My name is Nadine Nevins. I am an attorney with Connecticut Legal Services, Inc. My testimony in support of HB5426, An Act Concerning Liens for Unpaid Wages And A Requirement That Fiscal Intermediaries Meet Employer Timely Pay Obligations, is on behalf of Connecticut Legal Services, Greater Hartford Legal Aid and New Haven Legal Assistance Association, Inc. and is limited to the sections of the bill pertaining to wage liens.

The legal services programs represent low-wage workers whose employers fail to pay the minimum wage, overtime, or any wages at all. They work for example, in restaurants, home health agencies, nail salons, domestic service jobs and for home improvement contractors. Wage theft is pervasive among low-wage employers in Connecticut.<sup>1</sup>

I ran the Stamford Day Laborer Wage clinic for seven years in which pro bono attorneys helped hundreds of workers collect their unpaid wages. In my experience, it was not difficult to get a judgment vindicating the workers' wage claims. The problem was, and continues to be, collecting on the judgments. We were only able to collect in about 30% of our cases.

Employers hide their assets once sued, dissolve their businesses and reemerge under a different name or declare bankruptcy to avoid paying the judgments. By the time there is a judgement or a settlement the employer has hidden their money and shifted their property.

Workers and the Connecticut Department of Labor need stronger mechanisms to enforce Connecticut's existing wage laws.

A wage lien that allows workers to quickly place a lien on an employer's property can put pressure on the employer to pay their debt to the worker sooner and avoid a lengthy litigation process because their property is encumbered and future creditors and lenders are put on notice of the debt.

At least 10 states permit workers to put a lien on an employer's property in connection with a wage claim. Wisconsin has the oldest wage lien statute. 80% of lawsuits the Wisconsin Department of Workforce Development brings to enforce a wage lien result in at least some payment of unpaid wages.

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<sup>1</sup> Wage theft is not unique to Connecticut. The Economic Policy Institute reported that in the 10 most populous states workers lose \$8 billion a year from minimum wage violations. See, David Cooper and Teresa Kroeger, *Employers Steal Billions From Workers' Paychecks Each Year*, Econ. Policy Inst. (May 10, 2017) p.1. Available at <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/>

55% of employers agree to pay prior to litigation.<sup>2</sup> This is in stark contrast to California, which does not have a pre-judgment wage lien statute, and where between 2008 and 2011 only 17% of workers who won their wage claims recovered any payment at all.<sup>3</sup>

The wage lien would be similar to Connecticut's mechanics lien<sup>4</sup> that provides contractors with a quick and effective remedy against clients who refuse to pay them for the work they have done. The proposed wage lien bill offers more protection for employers than a mechanics lien because employer's have the opportunity for a hearing before a lien is placed. This will ensure that no lien is imposed unless there is probable cause of wage violations.

Wage theft can cause families to drop below the poverty line, increase reliance on public assistance and hurt state and local economies. Wage theft gives the unscrupulous employer an unfair advantage against their law-abiding competitors. Connecticut cannot let unscrupulous employers flout Connecticut wage law by evading payment of judgments or DOL orders by underhanded means leaving unpaid workers with mere paper judgments.

Respectfully submitted,

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Enclosures: Wage Lien Fact Sheet

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<sup>2</sup> Eunice Hyunhye Cho, Tia Koonse, and Anthony Mischel, *Hollow Victories* (National Employment Law Project and UCLA Labor Center 2013) p.16-17. Available at <https://s27147.pcdn.co/wp-content/uploads/2015/02/Hollow-Victories.pdf>

<sup>3</sup> *Id.*, 2.

<sup>4</sup> Conn.Gen.Stat. §49-33 et seq.

# **FACTS** about **Liens for Unpaid Wages**

**Low-wage workers in Connecticut face pervasive wage theft. These workers need stronger tools to defend their rights and collect the wages they are due.**

Wage theft costs CT workers millions of dollars each year, pushes families into poverty, and hurts law-abiding businesses by undercutting responsible employers.

Low-wage workers have limited power to challenge their unlawful working conditions. Even when workers are able to win their cases in court, they face **serious obstacles to enforcing court judgments:**

Lawsuits to recover unpaid wages take time and employers frequently disappear, hide their assets, or take on new debts in the meantime. When a worker finally receives a court award, it is often impossible to collect.

**Wage liens help ensure workers will be able to recover their legal wages.**

When a CT contractor is not paid for their work, they have a simple and effective tool to record their claim and prevent payment evasion: a mechanic's lien.

Wage liens similarly allow workers to place a temporary hold on the property of an employer until the employer pays the wages due or a judge decides the case.

**This is how the wage lien process would work:**

- **Notice:** If a worker is owed wages, they can serve their employer with a written notice identifying the wages due and the specific property subject to the lien.
- **Opportunity to contest lien:** The employer has the chance to challenge the wage lien in court before the lien is established. This is an added protection for employers that does not exist in the mechanic's lien process.
- **Court decision:** If the lien is challenged, the worker must show probable cause that the employer owes the money claimed. A judge will then decide whether to establish the lien.