WAGE THEFT AND ITS CONSEQUENCES
2016 REPORT

TOWARDS JUSTICE.ORG
DEFENDING THE DIGNITY OF WORK
EXECUTIVE SUMMARY

Wage theft is a serious problem that harms millions of workers. Wage theft occurs when workers are not paid all of their legally earned wages. Experts estimate that wage theft costs Colorado workers $750 million each year, and U.S. workers more than $50 billion each year. Workers are not the only ones harmed by this illegal behavior. Wage theft is a serious threat to our families, our economy, the middle-class bargain, and even our democracy.

People who work long hours without overtime pay are deprived of the opportunity to get another job or to spend more time with their families. Wage theft can deprive people of the money needed to save for a home or to send kids to college. For the lowest paid workers, wage theft can prevent people from affording their most basic needs, including rent and food. Because income is one of the strongest and most consistent predictors of health and disease, wage theft also worsens the physical and mental health of its victims.

The children of wage theft victims suffer some of the greatest harms. Lower family income negatively impacts their physical and mental health, as well as their ability to thrive academically and climb the economic ladder. This loss of economic mobility, hinders economic growth by making it difficult for low-income children to reach their full potential and contribute to society.

The effects of wage theft extend far beyond its victims and their families. Because wages are directly linked to consumer spending, wage theft deprives local businesses of potential additional revenue. Wage theft puts honest employers at a competitive disadvantage; driving down all wages as honest businesses try to compete with unscrupulous employers. And, wage theft results in lost tax revenue, reducing the amount and quality of services that our governments can provide.

When workers do not receive fair pay for hard, honest work, it violates that basic bargain that has helped to create broad prosperity in the United States for many decades. In the deepest sense, wage theft damages the sense of fairness and justice that democracy needs to survive.
There are many ways that wage theft can happen. The most obvious is non-payment of wages—when employers do not pay workers for some or all of the hours worked. Underpayment of wages—when employers pay workers less than promised, or pay less than the state or federal minimum wage, or deny workers overtime wages—is another form of wage theft. Employers engage in wage theft when they misclassify workers—either as independent contractors to avoid paying worker’s compensation, unemployment compensation, and income tax, or as exempt salaried workers to avoid paying overtime hours. Wage theft also occurs when employers illegally deduct the cost of tools, materials, and transportation necessary to do the job from workers’ paychecks (deduction violations) and when employers pay workers who receive tips less than is required by law, or force workers to share tips with managers or employers (tip violations).

Though many people may not be familiar with wage theft, it is a serious problem affecting millions of workers. In Colorado, conservative estimates suggest that at least 500,000 workers, many of them in the construction, hotel and food service industries, lost $750 million in legally owed pay and benefits in 2014. Experts estimate that wage theft costs U.S. workers more than $50 billion each year. In 2012 alone, the amount of money recovered nationwide in wage theft cases (almost $1 billion) was nearly three times the total value of all property stolen in reported robberies in the U.S. (about $340 million). The total amount of money stolen from workers each year is likely much higher, since the majority of victims do not even report their cases. It is clear from these numbers that the amount of money employers steal from workers far outstrips the value of property stolen in robberies.

Wage theft primarily harms low and medium-income workers, including construction workers, agricultural workers, nursing home workers, garment factory workers, and restaurant workers. In a survey of low-wage workers in New York, Los Angeles, and Chicago, one quarter of workers were paid less than the required minimum wage, two of every three workers experienced meal or break violations, and three of every four workers were underpaid or not paid at all for overtime work. Disturbingly, almost 70% of the workers had experienced at least one pay violation in their previous week of work.

The most egregious wage theft cases usually involve immigrants or foreign non-immigrant workers who are paid significantly under minimum wage (and sometimes not at all), but are unable to work in other professions because of visa limitations or fear of deportation. However, the largest dollar amounts are stolen from American workers who are not paid for overtime work. The Obama Administration’s new overtime pay regulations will help to stem overtime abuses, but more needs to be done.
The sheer amount of money stolen from workers across the U.S. is staggering, but the impacts of wage theft go far beyond that dollar amount. Many of these impacts are fairly obvious: people who work long hours without overtime pay are deprived of the opportunity to either get another job or to spend more time with their families and friends; wage theft can deprive people of the money needed to save for a home or to send kids to college; for the lowest paid workers, wage theft is the difference between paying the utilities or losing service, between paying rent or getting evicted, between providing food or going hungry. But, the impacts of wage theft are not limited only to the victims of wage theft. In fact, wage theft harms all Americans in many ways.

**The Impacts of Wage Theft on Workers**

Wage theft likely results in worse health for its victims because income is one of the strongest and most consistent predictors of health and disease. Numerous studies have shown that an individual’s health improves as his or her income increases. Nearly 20% of low-income workers in Colorado reported fair or poor general health, compared with only 8% of higher-income workers. More than three times as many low-income workers as higher-income workers reported fair or poor mental health. These same workers were also less likely to be insured, more likely to wait to seek care without an urgent need, and more likely to encounter barriers to receiving care. Wage theft obviously reduces income and thus, especially when it occurs for a length of time, has a negative impact on an individual’s health. Individuals with lower incomes tend to have lower access to quality medical care, which is an important factor in overall health. But, lower income individuals are also more likely to experience a range of conditions that can be harmful to one’s health, including unsafe housing, a lack of access to nutritious foods, less leisure time for physical activity, lower availability of social and economic support during times of need, poorer education, and more stress.

Stress is an especially powerful mechanism through which wage theft can contribute to poorer health. Wage theft victims have lower and unpredictable monthly and annual incomes, which can cause numerous financial problems. People with low incomes and financial troubles are more likely to have higher anxiety and stress. Chronic stress can lead to chronic inflammation, which underlies many modern diseases such as cancer, hypertension, diabetes, heart disease, and stroke.

Indeed, numerous studies have shown that those with higher debt and financial troubles—which describes many victims of wage theft—are more likely to suffer from an array of health problems. Those with financial troubles are more likely to have migraines, headaches, muscle tension, back pain, ulcers, digestive tract problems, heart attacks, higher blood pressure, lower immunity, and more difficulty sleeping.
Wage theft can also harm a worker’s mental health and wellbeing. Studies indicate that those with financial troubles are more likely to be depressed and to have failed or unhappy marriages26. Wage theft can deprive people of their dignity when it denies them the economic security to provide adequately for their families27. And when children do not receive economic security and opportunity from parents as a result of wage theft, they too, suffer in numerous ways.

The Impact of Wage Theft on Workers’ Children

The effects of wage theft can be especially profound for children. In 2015, Director of General Pediatrics at Denver Health, Dr. Steve Federico identified poverty as “Public Health Enemy Number 1”. The Colorado Health Foundation’s 2015 Colorado Health Report Card states: “Our children’s health is not likely to improve without addressing income-related disparities. More than 20 percent of Colorado’s children live in families that struggle financially.” Numerous studies have found a connection between the stress of poverty on parents and the negative lifelong impacts on their children’s health29. Children from poor and low-income families are far more likely to be exposed to a wide range of conditions and adverse experiences that can be harmful to health than their higher-income counterparts. Low-income children are more likely to have poor nutrition; more likely to be exposed to polluted air and water; more likely to live in lower-quality homes that are crowded and noisy; more likely to live in neighborhoods that are more dangerous, offer inferior municipal services, and suffer greater physical deterioration; more likely to experience family turmoil and instability in the household, including separation from adult caregivers; and more likely to attend lower quality childcare and schools30. Furthermore, these children’s parents have less time to be involved with their social activities, less time to read and interact with them, and are more likely to get divorced31.

When children are exposed to many of these stressors, the health impacts can be severe, including diminished socio-emotional and cognitive development, reduced physical health, and inferior behavioral conduct, making it harder for these children to concentrate, control impulses, and follow directions32. When these children become adults, they are more likely to have health problems, including alcoholism, depression, heart disease, obesity, diabetes, and even suicide33. And these impacts are not restricted to children growing up in the poorest families. Even children living at twice the poverty level are 2-5 times more likely than wealthier peers to experience parental death or imprisonment, physical abuse, neighborhood violence, and drugs or alcoholism in the family, all of which are known to negatively impact physical and mental health34. Wage theft reduces a family’s income, and thus increases the likelihood that children will undergo exposure to one or more of these harmful stressors.
Of course, the impacts of wage theft are not limited to physical and mental health. In today’s society, children growing up in families with lower incomes consistently receive inferior educational opportunities. Wage theft makes it more difficult for parents to provide important inputs for children to thrive academically, such as nutritious meals, positive home learning environments, and safe and stimulating neighborhood environments. This means that children from low-income families can lose the opportunity for upward economic mobility. Especially troubling is the fact that children from underprivileged backgrounds with high test scores are less likely to attain a bachelor’s degree than children from high income families who score in the lowest quartile.

This loss of economic mobility has serious economic impacts on all of us. Each poor child that ends up out of work or school between the age of 16 and 24 costs society $37,450 every year because of lost earnings, lower economic growth, and lower tax revenue. In fact, the aggregate lifetime burden on our society from the current cohort of these lost opportunity youth is $4.75 trillion. In short, wage theft hinders economic growth by making it difficult for low-income children to reach their full capability and contribute to society.

The Impacts of Wage Theft on Society

The effects of wage theft extend far beyond its victims and their families. Wage theft impacts all of us. Most obviously, wages are directly linked to consumer spending. Wage theft thus denies local businesses of potential additional revenue. Wage theft puts honest employers at a competitive disadvantage against those who engage in illegal wage theft practices. Thus, even workers who are not direct victims of wage theft are harmed because wage theft drives down all wages as honest businesses try to compete with these unscrupulous employers.

Furthermore, nonpayment of wages means that Colorado loses between $25 and $47 million each year in state tax revenue, and another $5 million for the state’s Unemployment Insurance Fund. This lost revenue requires the state to choose between raising taxes on other Coloradans, or reducing services provided to the public.

Beyond the severe economic impact, wage theft significantly threatens the basic middle-class bargain and even democracy itself. When workers do not receive fair pay for hard, honest work, it violates that basic bargain which has helped to create broad prosperity in this country for many decades. When workers do not receive fair pay, it prevents them from climbing the ladder of success, the fundamental promise of the American dream. In the deepest sense, wage theft damages the sense of fairness and justice that democracy needs to survive.

Wage theft also harms our democracy by making it less representative. Studies of political behavior routinely find that impoverished and under-educated people are far less likely to be politically and civicly engaged than their more educated and affluent peers. The less income people earn, the less likely they are to vote. Children growing up in low-income families with parents who are not engaged politically are especially unlikely to become politically engaged since they have no civic role models, and are likely to be limited in their educational attainment.
In recent national elections, young people with college degrees have been two to three times more likely to vote than young people who did not pursue college after high school. By reducing the income of workers, and thus their likelihood to vote, wage theft makes our political system less representative, undermining the democratic legitimacy of this country.

Will reducing wage theft help?

Wage theft is clearly not the only cause of poverty or the problems associated with it. However, decreasing the frequency and severity of wage theft will have positive impacts on all Americans. Indeed, reducing wage theft would significantly improve health, childhood achievement, the economy, and our democracy.

Numerous studies have demonstrated that health continues to improve as individuals move up the ladder of socio-economic status. Thus, regardless of whether a wage theft victim is on the lower end, or even somewhere in the middle, her health is likely to improve if she receives the full wages that she has earned, rather than only a portion.

Significant evidence suggests that even modest amounts of additional money each year can make a difference in child educational achievement. Several studies found that an additional $1,000 in annual income has been shown to increase young children’s achievement by 6% of a standard deviation, with the most disadvantaged children showing the greatest increases. Additional income has also led to improvements in social behavior. If additional income helps to improve the quality of parenting in any way, such as allowing parents to work fewer hours, or to feel more secure and less stressed, there are often positive impacts for these children. Indeed, the more adverse experiences children endure, the worse the health outcomes are likely to be later in life. Thus, if additional income reduces the number of adverse experiences a child endures, then that child is likely to have better health.

Reducing wage theft is also likely to stimulate growth. Studies indicate that social mobility speeds economic growth even faster than standard growth theory would predict. Furthermore, reducing wage theft would result in additional tax revenue that could be used to provide a wide array of benefits to the public.

The reduction of wage theft would also have a positive effect on our democracy, making it more representative since income and voting are positively correlated. Perhaps most significantly, ending wage theft will help to restore the feeling of fairness and justice needed to support our democracy.
6 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 23-41.
7 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 23-41.
8 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 23-41.
11 Meixell and Eisenbrey, “An Epidemic of Wage Theft.”
13 Bernhardt, “Broken Laws.”
14 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 7.
15 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 7.
17 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It, 21-22; Meixell and Eisenbrey, “An Epidemic of Wage Theft.”
20 Colorado Health Institute, “A Strong Link: Income and Health.”
21 Colorado Health Institute, “A Strong Link: Income and Health.”
27 As Vice President Joe Biden noted when announcing the Obama Administration’s new overtime rule: “My dad had something he used to say to me: ‘A job is about lots more than a paycheck. It’s about dignity and respect.’ Part of what he meant by that, I think, is that without the ability to provide for your family, you’re deprived of your dignity.” Biden, Joe. “Why I’m Going to Ohio Today,” May 18, 2016, https://www.whitehouse.gov/blog/2016/05/18/email-vice-president-joe-biden-why-im-going-ohio-today.


30 Evans, “The Environment of Childhood Poverty.”

31 Evans, “The Environment of Childhood Poverty.”


34 Putnam, Our Kids, Ch. 3.

35 Putnam, Our Kids, Ch. 3.


40 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It; Stifler, “Wage Nonpayment in Colorado.”

41 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It; Stifler, “Wage Nonpayment in Colorado.”

42 Bobo, Wage Theft in America: Why Millions of Working Americans Are Not Getting Paid—And What We Can Do About It; Stifler, “Wage Nonpayment in Colorado.”

43 Stifler, “Wage Nonpayment in Colorado.”

44 Meixell and Eisenbrey, “An Epidemic of Wage Theft.”