

## Wage Theft Impacts Low-Income Workers and Contributes to Inequality

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### Key Facts

Wage theft, typically through unpaid overtime and minimum-wage violations, impacts one in six low-income workers, with employers withholding around \$15 billion annually.

Wage theft is a significant social determinant of health—one that exacerbates economic insecurity, contributes to inequality, and places additional strain on public-assistance programs.

A more comprehensive policy approach grounded in enforcement, deterrence, and worker empowerment can help better align labor standards with public-health objectives.

*Wage theft is a pervasive yet often overlooked issue within low-wage labor markets in the United States. It commonly takes the form of unpaid overtime or compensation below the legal minimum wage. Estimates suggest that employers illegally withhold approximately \$15 billion annually through minimum wage violations alone—an amount that exceeds the total value of major property crimes in the country.<sup>1</sup> Despite the scale of this problem, only a small fraction of stolen wages is ever recovered, and nearly one in six low-wage workers reports experiencing such violations.<sup>2</sup> Beyond being a labor issue, wage theft should be understood as a significant social determinant of health. It exacerbates economic insecurity, contributes to inequality, and places additional strain on public systems. Policymakers should recognize wage theft not only as an economic injustice but also as a public health concern with broad societal consequences.*

### Causes of wage theft

Several structural and policy-related factors contribute to the persistence of wage theft. One is the long-term decline in union membership. Historically, unions have played a critical role in raising wages, enforcing labor standards, and deterring wage violations. However, private-sector unionization has fallen sharply—from 23 percent in 1980 to just 6 percent in 2024—reducing collective bargaining power and weakening enforcement of labor protections.

Wage theft is also reinforced by competitive pressures in the labor market. Employers who violate wage laws can reduce labor costs, gaining an unfair advantage over compliant businesses. This dynamic can cause ethical employers to feel pressure to cut wages or risk losing competitiveness.

Broader economic trends—including stagnant wages for low- and middle-income workers and increasing income inequality—also create conditions in which wage theft can flourish. These trends reflect a shift in how economic gains are distributed, with a growing share accruing to capital rather than labor.

An important contributing factor to stagnant wages is the long-term decline in the real value of the federal minimum wage, which has dropped substantially since 1980 when adjusted for inflation: from \$12.76 (in 2025 dollars) in 1980 to \$7.25 today. This erosion weakens the baseline for fair compensation and increases the vulnerability of low-wage workers.

### Wage theft victims and impacts

Wage theft disproportionately affects already vulnerable populations, including women and Black

and Hispanic workers, who are more likely to be employed in low-wage sectors.<sup>3</sup> It also reinforces social and political tensions, including declining economic mobility and growing dissatisfaction among lower-income groups. Other impacts include a perceived crisis in male identity, growing anti-immigrant sentiment, political polarization, decreasing affordability of basic goods and services, and heightened resentment among non-college-educated Americans toward college-educated Americans.<sup>3</sup>

The consequences extend well beyond lost income. Wage theft undermines financial stability, limiting workers' ability to afford basic needs such as housing, nutrition, and healthcare. This economic strain is linked to adverse health outcomes, including increased rates of chronic illness, mental health challenges, and so-called “deaths of despair” such as suicide, drug overdoses, and alcohol-related diseases.

There are also significant fiscal implications. A substantial share of wage theft victims relies on public assistance programs such as SNAP, Medicaid, and subsidized health insurance. As a result, taxpayers effectively subsidize employers who underpay workers while still benefiting from their labor.

At a broader level, wage theft contributes to rising income inequality, which has been associated with poorer population health outcomes. Figure 1 shows cumulative growth at five-year intervals in inflation-adjusted wages (including salaries) and per capita gross domestic product (GDP).<sup>4</sup> From 1979 through 2020, wages rose by only 11.6 percent at the 10th percentile and 23.1 percent at the median, with most gains occurring between 2015 and 2020; wages at the

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4. Gould E, Kandra J. Wages grew in 2020 because the bottom fell out of the low-wage labor market. The State of Working America 2020 wages report. February 24, 2021. Available at: <https://www.epi.org/publication/state-of-working-america-wagesin-2020>. Accessed November 20, 2025.

5. Leigh JP. Wage theft: A critical labor determinant of health. *Am J Public Health* 2026. 116 (4), 417–419.

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lowest percentile declined from 1979 through 2010. By contrast, wages at the 95th percentile increased by 75.6 percent over the same period yet still lagged behind the per capita GDP growth of 89.1 percent.

Although some income accrued to workers above the 95th percentile, most flowed to capital owners through profits, capital gains, interest, dividends, and rents. In contrast, between 1945 and 1973, wage percentiles and per capita GDP grew at similar rates. The figure thus offers a wage-based perspective on rising income inequality in the US.

## Strategies to combat wage theft

Policymakers have several tools available to address wage theft effectively. One is strengthening enforcement capacity. Federal and state labor agencies

frameworks or indices to assess the strength of wage theft laws across regions could further support evidence-based policymaking.

Finally, broader labor market policies—such as raising the minimum wage and supporting collective bargaining—can indirectly reduce wage theft by improving baseline conditions and strengthening worker protections.

## Towards a comprehensive, coordinated policy response

Wage theft represents a substantial and underrecognized challenge with far-reaching economic, social, and health implications. It operates through multiple pathways, including financial insecurity, inequality, weakened labor protections, and

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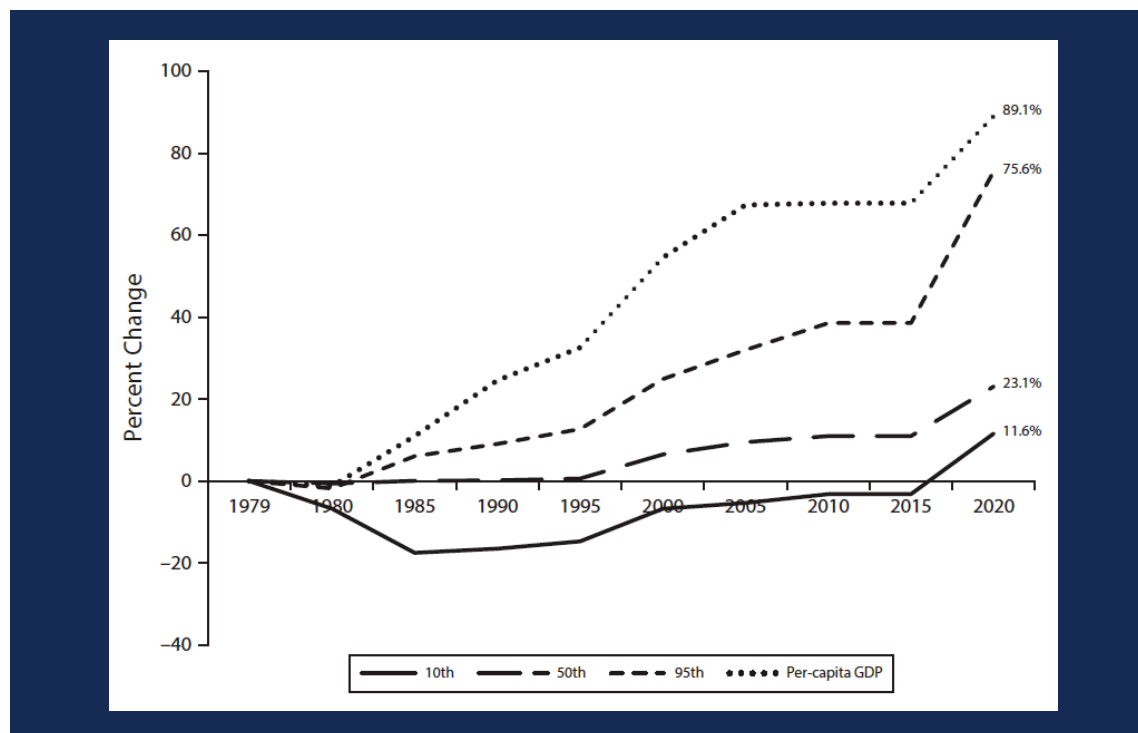


Figure 1. Cumulative Growth in Wage Percentiles and per Capita Gross Domestic Product (GDP).<sup>4</sup>

responsible for wage and hour regulations require adequate funding and staffing to investigate violations, recover stolen wages, and ensure compliance. Expanding outreach and education efforts can also empower workers to understand and assert their rights.

Legislative action is equally important. Stronger wage theft laws—particularly those that impose significant financial penalties—can deter violations. Evidence suggests that treble-damages provisions, which require employers to pay three times the amount of stolen wages, are especially effective in deterring noncompliance.

There is also considerable variation in how jurisdictions design and implement wage theft laws. Policymakers can learn from best practices by examining which combinations of enforcement mechanisms, penalties, and outreach strategies yield the strongest results. Developing standardized

increased social and political tensions, all of which have measurable effects on public well-being.<sup>5</sup>

For policymakers, this issue warrants a coordinated response that combines stronger enforcement, more robust legal frameworks, and broader labor-market reforms. Addressing wage theft is not only a matter of fairness in the workplace but also a necessary step toward improving population health and reducing public expenditures tied to economic hardship.

A more comprehensive policy approach grounded in enforcement and deterrence, as well as in worker empowerment, can help align labor standards with public-health objectives and ensure that economic growth benefits a broader share of the population.

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