

Stolen Labor

Wage Theft in Colorado



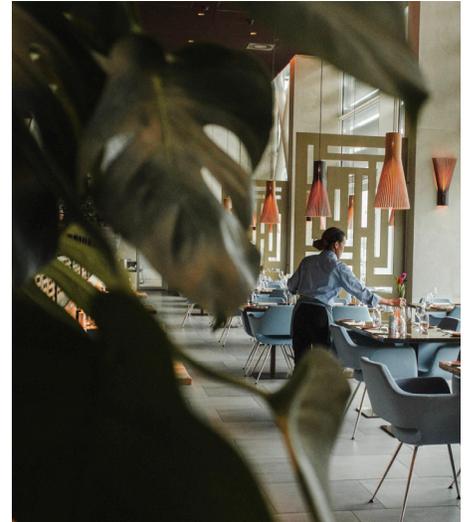
Colorado
Fiscal Institute

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Key Findings

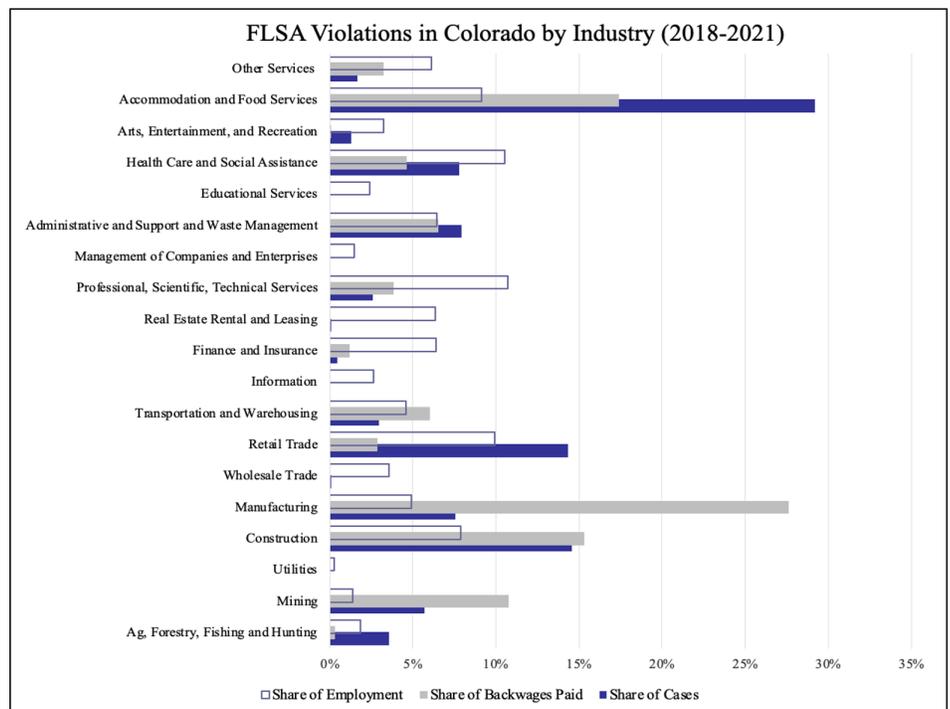
- This report estimates nearly \$728 million in wage theft annually in Colorado.
- Nearly 440,000 low-wage workers experience wage theft every year
- Wage theft results in over \$45 million annually in lost tax revenue for the state
- White workers are slightly less likely to experience wage theft than workers of color
- Latino workers are the demographic group most likely to experience wage theft
- Women are much more likely than men to experience wage theft



Wage Theft In Colorado

Wage theft can happen in many forms, including nonpayment of wages, underpayment, employee misclassification, deduction violations, and tipped job abuse. Wage theft not only harms low-income workers, but also harms local businesses by reducing local spendings and hurts the public by reducing tax revenue used for public services.

Wage theft occurs in many industries. The figure below shows the Fair Labor Standards Act (FLSA) violations in Colorado by industry. The hollow purple bar shows each sector’s share of employment in Colorado. The colored bars show the sector’s share of FLSA violations and back wages paid. Between 2018 and 2021, employees in the accommodations/food service industry experienced the highest share of wage nonpayment, followed by retail trade and construction industries. The accommodations/food service industry makes up 9.1% of the state’s employment, but accounts for 29.2 percent of FLSA violation counts.



Source: Sectoral (NAIC) share of total employment from BEA; employees in wage/hour disputes, back wages paid and FLSA violations from Department of Labor enforcement Database (https://enforcedata.dol.gov/views/data_summary.php)

Cost of Wage Theft to Coloradans

An estimate of the dollar amount of wage nonpayment and the number of workers affected by nonpayment in Colorado can be extrapolated by using state workforce numbers and applying those to the rate of wage nonpayment found in a 2009 study of wage nonpayment in New York, Los Angeles and Chicago. Our analysis uses the lowest estimated rates of wage nonpayment from the study (Bernhardt et al, 2009). The study finds that 68% of low-wage workers experience wage nonpayment.

Of Colorado workers, 25 percent earn at or below the poverty line in 2020 (\$26,000 dollars for a family of four). With a Colorado workforce that has 2.6 million workers, the number of low-wage workers totals 644,500. If this vulnerable group experiences wage

nonpayment similar to the 68% rate estimated in the 2009 three-city study, 438,260 workers in Colorado are victims of wage nonpayment every year.

The study estimates an average annual wage of \$15,000 for low-wage workers and assumes that they experience an annual wage theft equivalent to 10% of their annual wages (\$1,500). Since the study was conducted in 2009 and the poverty wages have increased since then, we multiply these numbers by the rate of increase in poverty rate (1.11). The statewide impact would be \$728 million in unpaid wages in Colorado every year. Giving this figure some context, the [total amount of wages and salaries paid to Colorado workers in 2020](#) was roughly \$173 billion.

Costs of Wage Theft in Colorado (2020)		
Colorado non-farm workforce (a)		2,578,000
Portion of CO workers below poverty wage (b)		25%
Number of CO workers below poverty wage		644,500
Share of low-wage CO workers experiencing wage nonpayment (c)		68%
Estimated Number of CO workers experiencing wage theft		438,260
Wage non-payment per worker (10 percent of earnings) (d)	annual	\$1,660
	weekly	\$33.20
Estimated statewide cost of wage theft (annual)		\$727,511,600
a) BLS OES 2020 data		
b) CFI analysis of BLS OES 2020 using \$26000 per year as poverty wage		
c) Rate extrapolated from Bernhardt et al (2009)		
d) Low-end estimate from ibid. (\$15000/year) multiplied by the ratio of increase in poverty wage (1.11)		



Cost of Wage Theft to Public Investments

In addition to the direct effect of \$33 a week of lost wages for low-income working Coloradans, there is also a loss to the public in the form of unpaid tax revenue. We can't know exactly where that money goes that isn't paid to the workers. Some of that money will leave the state instead of being re-spent in Colorado by local workers. Some of the money won't be reported.

Some of the money will end up in the pockets of other workers and will be spent in the Colorado economy. We do know that of all types of workers, low-wage workers spend the highest percentage of their income in the local Colorado economy. Hence, the effect of lost unpaid wages to low-wage Coloradans has the

biggest impact on spending and sales tax.

ITEP's estimates show that Colorado workers who earn under \$22,000 per year spend 6.1% of their income in sales and excise taxes. Since we define low-wage workers at risk of wage nonpayment as those earning on average \$16,600 per year, the lost sales taxes from wage theft is estimated to be \$43.7 million in 2020.

The same source estimates that workers who earn under \$22,000 per year spend 0.2% of their income in personal income taxes, so, assuming annual average earnings of \$16,600, wage nonpayment means \$1.45 million in lost income tax.

Tax Impact of Wage Theft in Colorado (2020)

Unpaid Wages	\$727.5 million
Lost Sales Tax (a)	\$43.7 million
Lost Income Tax (b)	\$1.45 million
Total Lost Tax Revenue	\$45.15 million
Lost Employer Contributions to Unemployment Insurance (c)	\$12.4 million
a) Based on the percentage of income that low wage workers pay in state and local sales tax from ITEP's "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States"	
b) Based on the percentage of income that low-wage workers pay in state income tax from <i>ibid.</i>	
c) Based on a 0.68% employer contribution rate to UI of total wages in Colorado from U.S. Department of Labor	

Demographics of Workers At Risk of Wage Theft

The tables that follow demonstrate the breakdown of workers at high risk of wage theft by race, ethnicity and gender. We define workers with "high wage theft risk" as those who worked in an industry that had a disproportionate amount of FLSA violations (either the construction, retail, or accommodations/food service industries) and made less than \$26,000 a year.

White workers in Colorado are at a slightly smaller risk than non-white workers to be at high risk of

wage theft as they make up 85 percent of the work force but 82.1 percent of the high risk group. Hispanic workers are more likely to fall in the high risk category, as Hispanic workers make up 20 percent of Colorado workers but 28 percent of the "high wage theft risk" category.

Women are also over-represented in the "high wage theft risk" group, making up 46 percent of workers in Colorado but 51 percent of the risk group.

Wage Theft Risk by Race

	Total Workforce Colorado	Percent Total Workforce	High Wage Theft Risk	Percent High Wage Theft Risk
White Alone	2,689,931	85.0%	326,544	82.1%
Black	123,744	3.9%	14,288	3.6%
Asian Alone	109,714	3.5%	13,411	3.4%
Native American, Alaskan, Hawaiian	30,486	1.0%	5,159	1.3%
Other or Two or More	212,143	6.7%	38,460	9.7%
Total	3,166,018	100%	397,862	100%
CFI analysis of 2019 ACS PUMS				

Wage Theft Risk by Hispanic Ethnicity

	Total Workforce Colorado	Percent Total Workforce	High Wage Theft Risk	Percent High Wage Theft Risk
Non-Hispanic	2,534,636	80%	287,589	72%
Hispanic	631,382	20%	110,273	28%
Total	3,166,018	100%	397,862	100%
CFI analysis of 2019 ACS PUMS				

Wage Theft Risk by Sex

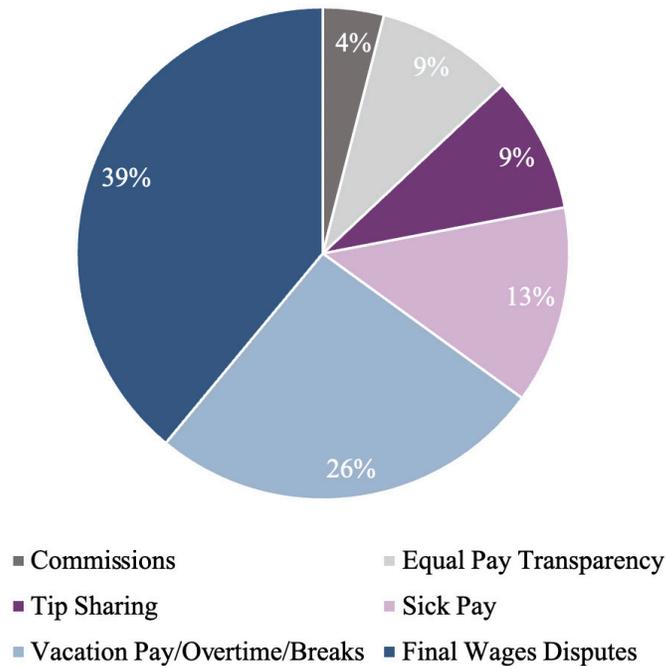
	Total Workforce Colorado	Percent Total Workforce	High Wage Theft Risk	Percent High Wage Theft Risk
Male	1,697,060	54%	196,532	49%
Female	1,468,958	46%	201,330	51%
Total	3,166,018	100%	397,862	100%
CFI analysis of 2019 ACS PUMS				

Types of Wage Theft in Colorado

The chart below shows various types of wage theft in Colorado between 2017 and 2021 based on the Colorado Department of Labor and Employment data. Disputes over final wages is the largest source of FLSA violation in Colorado, accounting for nearly 40% of all wage theft citations. Vacation, overtime payments, and breaks/rest periods are the second largest source of labor law complaints. Other violations include sick pay, equal pay transparency, tip sharing, and commissions.



Wage Theft Citations Since 2017 in Colorado



[Source:](#) Citation Decisions Colorado Division of Labor Standards and Statistics

Conclusion

Wage theft is a serious problem in Colorado. With nearly \$730 million in wages stolen from nearly 440,000 Colorado workers every year, a disproportionate number of whom being women and workers of color, it's clear that more needs to be done to stop it.

During the 2022 legislative session, lawmakers passed [SB22-161](#), which aimed to beef up enforcement of wage theft, including addressing misclassification of employees and improving worker safety. The bill also creates a new unit within the Attorney General's office to investigate bad actors and protect workers from wage theft. However, with hundreds of millions of dollars in wage theft, it's possible more legislative action could be necessary.

Regardless of what kind of work we do, we all deserve to be paid fairly for our labor. Stepping up enforcement of laws meant to protect workers from wage theft is a good step in the right direction toward eliminating the practice. Still, with workers of color and women being at the highest risk of having their wages stolen by their employer, it should be a priority for policymakers and the justice system to end this illegal, unfair, and inequitable practice.

