A Heist in Plain Sight
Wage theft in Iowa
About the author

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About Common Good Iowa

Common Good Iowa’s team of policy advocates and researchers leverage reliable data, solid analysis and collaborative relationships to craft people-centered policy solutions to create a just, inclusive Iowa where public policies advance racial, gender, economic and climate justice and where the common good is supported by a fair, stable tax system.

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Opinions and policy recommendations are Common Good Iowa’s alone.
A Heist in Plain Sight: Wage Theft in Iowa
Executive Summary

No matter our color, zip code or the field we work in, all Iowans deserve to be paid for our work. This is a foundational right of Iowa workers, but as a state we are failing to maintain it.

Wage theft is an insidious and growing problem in Iowa. Each year, employers rob workers of over $900 million in legally owed but unpaid wages, harming an estimated 250,000 Iowa workers — 1 in every 7 workers in our state. They are shorted an average of $300 each week. Altogether, wage theft costs Iowans 10 times more than all other theft combined.

In a state with abundant resources and welcoming communities like Iowa, all families should be able to support themselves and build strong futures for their children. By allowing wage theft to continue unchecked, state leaders enable deep and lasting harm to workers, families, responsible employers and our economy. Local, state and federal governments lose $190 million annually in tax revenue due to wage theft. The state of Iowa alone loses about $60 million in sales, excise and income tax revenue — enough to build up to six elementary schools or to expand child care assistance to 10,000 children. Upstanding employers must compete with businesses that use these illegal practices.

Iowans want a government that protects them from crime and injustices. But of the $900 million stolen by employers each year, government agencies recover an average of just $2 million — less than 1 percent. Although law enforcement officers are found in every Iowa county and town, the state employs only

Key findings

- Each year, employers steal wages from 1 in 7 Iowa workers
- These 250,000 Iowans are robbed of over $900 million in stolen wages
- For every $1,000 of stolen wages, just $2 are recovered by public agencies
- Each year wage theft cheats the public out of $190 million in lost tax revenue
- Wage theft is most common in essential industries like Food service • Hospitality • Nursing • Child care • Construction
- Employers often target workers vulnerable to abuse due to Disabilities • Language barriers • Immigration status
- When low-road employers steal wages to cut costs, responsible businesses lose out
two wage-claim investigators for over a million workers.

State governments across the nation are passing legislation to protect workers from wage theft. Iowa must move promptly to adopt evidence-based solutions in three categories:

**Enforce the law**

Iowa law prohibits wage theft. State agencies must act like it. This means hiring more investigators, making it easier to file wage theft claims, and getting rid of backwards administrative rules like an arbitrary $6,500 cap on wage claims and a ban on outside assistance.

**Strengthen the law**

Most employers caught stealing wages get a mere slap on the wrist. Tougher laws, fines and damage awards can reverse the incentive to cheat workers. Iowa also needs stronger anti-retaliation laws to protect wage theft victims who report violations.

**Empower workers**

Education is critical in the fight against wage theft. The best way to reach workers, teach payment rights and push back against bad actors is to invest in trusted community organizations. This co-enforcement approach provides direct support to workers who need it most.

Funding these proposals is a valuable and necessary investment that has been shown to pay itself back several times over. Iowa’s local and state officials must act immediately to stop wage theft.

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**Employers rob Iowa workers of over $900 million each year**

Annual cost of wage theft in Iowa by type of violation, 2017-2019

- Min. wage violations: $241 mil
- Overtime violations: $501 mil
- Other violations: $163 mil

Overtime and minimum-wage violations make up the vast majority of wage theft in Iowa. Other violations include forced sharing of tips, making people work off the clock, making illegal deductions from paychecks and misclassifying employees as independent contractors.

**Wage theft costs Iowans 10 times all other types of theft combined**

Total annual wage theft and other property theft, 2019

- Wage theft
- Other theft

Funding these proposals is a valuable and necessary investment that has been shown to pay itself back several times over. Iowa’s local and state officials must act immediately to stop wage theft.
A Heist in Plain Sight: Wage Theft in Iowa
by Sean Finn

An honest day’s work for an honest day’s pay. It’s a saying that underscores the Iowa mindset: If you put in the hours, you should be able to take care of yourself and your family. But what is a hard worker to do when the honest pay doesn’t come?

A silent heist is spreading, unaddressed by Iowa leaders. Hundreds of thousands of Iowa workers each year are denied their legal rights to be paid for their labor. These violations of state and federal wage payment laws are known as wage theft. This crime disproportionally harms the lowest-income and most vulnerable workers in our state, people performing often essential jobs without protection from unions or law enforcement.

Lawmakers in Iowa have known about this destructive crime for over a decade, and yet there has been no meaningful progress. The problem has only gotten worse. Swift action is needed to stop and reverse the course of escalating wage theft.

Background

A core function of government is to protect its people from harm. Accordingly, both federal and state governments have laws that establish the rights of the people to be paid for their work, such as the federal Fair Labor Standards Act of 1938 and the Iowa Wage Payment Collection Act. But by setting weak penalties, putting up barriers to enforcement and hiring too few investigators, Iowa has opened the door to widespread abuse — allowing bad actors to profit from disregarding the rights of their employees.

Iowa has allowed bad actors to profit from disregarding the rights of their employees.

Violation of federal and state wage payment laws is commonly referred to as wage theft. Victims of wage theft cannot simply go to the police like other crime victims; instead, if they realize that the crime is occurring, they must file a claim with a state or federal agency, find a union or community organization that can help, hire an attorney to file a civil lawsuit or go to small claims court unrepresented. None of these options are straightforward.

What is wage theft?

Wage theft occurs when a worker is robbed of legally owed wages because an employer breaks the law or a contract.

Common forms of wage theft include:

Nonpayment of wages
An employer fails to pay workers for all hours of work performed or fails to pay workers in a timely fashion.

Underpayment of wages
An employer pays workers less than they were promised or less than they are legally owed under state or federal statutes.

Tipped job violations
An employer pays tipped employees less than the legally mandated wage for tipped jobs, or forces tips to be “shared” with managers.

Deduction violations
An employer diminishes workers’ pay by making unauthorized or illegal deductions from paychecks.

Misclassification
An employer illegally mislabels employees as “independent contractors” to avoid obligations to pay them minimum wage and overtime (and to avoid paying unemployment and workers’ comp insurance and income taxes).
Data sources

This report relies on data from the Current Population Survey (CPS), produced jointly by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics (BLS). The data comes from Iowa respondents in the CPS Outgoing Rotation Group during a 3-year period from 2017-2019. We also analyze relevant wage payment enforcement data from the Iowa Workforce Development (IWD) Division of Labor and the U.S. Department of Labor (DOL) Wage and Hour Division (WHD) for the same period. Finally, the report draws on results from a 2009 National Employment Law Project (NELP) report by Bernhardt et al., entitled “Broken Laws, Unprotected Workers,” which contains wage theft findings from a large survey of low-wage workers in Chicago, Los Angeles, and New York City. For more on how we produced this report, see the methodology appendix.

Since 2012, wage theft has spread and rooted more deeply into Iowa’s economy. Unlike with most other crimes, state and federal governments do not make efforts to track the true prevalence of wage theft. All publicly available information about wage theft is based on surveys of workers and limited government enforcement data. The last comprehensive estimate of wage theft in Iowa was published in 2012 by the Iowa Policy Project, a predecessor of Common Good Iowa. That year, the estimated annual cost of wage theft to workers was $600 million. Wage theft has spread and rooted more deeply into Iowa’s economy since that time, causing even greater damage.

Figure 1

Agencies recover back wages for just a small fraction of minimum-wage violations

Iowa Workforce Development and U.S. Department of Labor minimum-wage cases resulting in back wages by year, out of total cases

Just as the law prohibits burglary, robbery and larceny such as shoplifting and pickpocketing, cheating workers out of their pay is illegal. But even though wage theft costs Iowans 10 times more than all other theft crimes combined, enforcement is rare, and resources to fight it are few (Figure 1).
Estimates of wage theft in Iowa

Minimum wage violations

Iowans believe in hard work. They also believe that hard work should be enough to pay their bills and put food on the table. The minimum wage should ensure that anyone who puts in the hours can support their family. But the unfortunate reality is our state’s minimum wage, even when properly paid, falls far short of a living wage — and too many employers cheat workers out of receiving even that bare minimum.

More than 50,000 Iowa workers are paid less than the minimum wage each year. The average violation is $89 per week, or $4,600 per year. For low-wage workers, that means coming up short on rent, not being able to afford utilities, or skipping meals. The total cost of minimum wage violations to Iowa workers is $240.6 million per year. Among those who experience minimum wage violations, the average violation accounts for a third of what the worker is owed under state and federal minimum wage laws.

Minimum wage violations are shockingly common. In a room of 100 Iowa workers, three would have experienced violations in the past year. Violations are five times as common among low-income Iowans. Over the course of 2017-2019, Iowa Workforce Development (IWD) and the U.S. Department of Labor (DOL) recovered stolen wages for just 3 percent of total estimated victims of minimum wage violations.

Compared with three other Midwestern states (Illinois, Michigan and Ohio), Iowa has slightly lower rates of minimum-wage violations (Figure 2). This may be in part because that these other states have established higher minimum wages. However, the size of the underpayments in Iowa is much greater. While the average affected worker in the other states loses between $2,800 and $3,300 per year, the average affected worker in Iowa loses $4,600 per year.

Overtime violations

Federal overtime laws aspire to ensure workers are fairly compensated for working more than a full work week. Most employers must pay workers 1.5 times their usual hourly rate (“time and a half”) for each hour worked past 40 in a week. There are many exemptions to this law, which makes it difficult for workers to understand their rights to

<table>
<thead>
<tr>
<th>State</th>
<th>Total minimum wage-eligible workers</th>
<th>Share experiencing violations</th>
<th>Average annual underpayment</th>
<th>Share of earned wages not paid</th>
<th>Total earned annual wages not paid to workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa*</td>
<td>1,663,523</td>
<td>3.1%</td>
<td>$4,600</td>
<td>33.1%</td>
<td>$240.6 M</td>
</tr>
<tr>
<td>Illinois†</td>
<td>5,185,000</td>
<td>4.7%</td>
<td>$2,800</td>
<td>20.6%</td>
<td>$675 M</td>
</tr>
<tr>
<td>Michigan†</td>
<td>2,861,000</td>
<td>4.5%</td>
<td>$3,300</td>
<td>27.3%</td>
<td>$429 M</td>
</tr>
<tr>
<td>Ohio†</td>
<td>3,915,000</td>
<td>5.5%</td>
<td>$2,800</td>
<td>22.4%</td>
<td>$601 M</td>
</tr>
</tbody>
</table>

† Source: CPS Outgoing Rotation Group, 2013-2015. Analysis by Cooper & Kroeger, EPI.
overtime pay. With or without their knowledge, each year thousands of Iowa workers are entitled to overtime pay they never receive. Using survey data, we estimate the average overtime violation among Iowa workers amounts to over $10,000 per year.

The DOL, the only agency responsible for enforcing overtime laws, addressed an average of 1,413 Iowa overtime cases each year from 2017-2019, representing no more than 3 percent of actual instances of overtime violations. We estimate that, in reality, about 47,000 Iowans experience overtime violations each year. In total, these Iowa workers are robbed of $501 million in overtime pay every year.

**Other wage violations**

Although we expect, or at least hope, for employers to act ethically and legally, some businesses will cut corners at the expense of their workers. The category of “other violations” includes many different corner-cutting scenarios, which at times overlap with minimum wage and overtime violations. These include off-the-clock violations (the employer requires workers to come in early without punching in or stay late after punching out), employers making illegal deductions from paychecks, or managers taking workers’ tips.

Based on available data, we estimate that violations of minimum wage and overtime laws represent approximately 82 percent of the total monetary damage to wage theft victims. Two different sources suggest this is a valid estimate: first, the 2009 National Employment Law Project (NELP) survey of workers found that 18 percent of the monetary damage to wage theft victims was due to other types of wage violations. Similarly, IWD and DOL enforcement data for Iowa show that 81.9 percent of back wages awarded to claimants ($5.02 million out of $6.13 million total) were for minimum wage and overtime violations. Estimating 18 percent for wage payment violations other than failure to pay minimum wage or overtime brings the estimated annual cost of wage theft to Iowa workers to $904.4 million (Figure 3).

**Impact on tax revenue**

Wage theft not only hurts the victim and their family, but also the people of the community and state in the form of tax loss. The vast majority of wage theft is perpetrated against the lowest earners, who live paycheck to paycheck and cannot afford to put money away in savings. We can reasonably assume that the wages that go unpaid would have been spent by the workers. Wage payment violations also affect unemployment insurance, Social Security and Medicare contributions that are owed by the employer. The employer avoids taxes by failing to pay their employees what they are owed.

In Iowa, the estimated loss of sales and excise tax revenue from wage theft is $51.3 million a year. Employers who perpetrate wage theft avoid paying over $80 million in unemployment insurance, Social Security and Medicare contributions. The federal government loses out on over $46 million in income tax from Iowa (Figure 4). Because many local
governments impose a 1 percent local option sales tax, millions of lost sales tax dollars directly affect cities, counties and school districts.

Enforcement of wage payment laws

Even though wage theft causes significant revenue loss and economic damage, the government does little to stop it. Iowa workers with wage violation claims may submit claims of less than $6,500 to IWD. An IWD administrative rule — not based on the letter of the law and relatively easy to change — bars claims for higher amounts. They argue that when over $6,500 is stolen, it is possible for the claimant to get an attorney. This is clearly out of touch with the reality for wage theft victims, who often cannot afford to pay up front for an attorney or risk that the attorney fees will not be covered.

Once filed, a wage claim investigator takes up the case and tries to compel the employer to pay the worker their rightfully owed pay — “back wages.” Unfortunately, IWD frequently falls short. In 2017-2019, IWD received 1,490 wage violation claims; just over half of them (53 percent) resulted in back pay. Larger claims are less likely to result in back pay for the claimant. Although over half of claims have resulted in back pay, less than a third of the total amount claimed (only $580,000 out of $1.8 million) has been returned to workers.

The U.S. Department of Labor’s Wage and Hour Division (WHD) collects and publishes data on the enforcement of federal wage payment laws. From 2017-2019, the WHD completed 544 wage violation cases from Iowa, resulting in $5.6 million in back wages for over 5,000 Iowa workers. Unlike IWD, the cases investigated by WHD often involve more than one affected worker. DOL does not provide data on how much was claimed by the worker, so it is unknown what proportion of wages claimed have been recovered by the WHD. However, 61 percent of the completed cases resulted in back wages — a slightly higher “success rate” than IWD.

Records from both the state and federal agencies demonstrate serious issues with enforcement and worker rights awareness. Reports of rampant wage theft throughout the country are not reflected in the small number of cases being handled by agencies. Clearly, there are many hurdles along the path between a worker’s rights being violated and the government recovering their wages. These systemic failures are so extreme that the agencies manage to regain less than 1 percent of stolen wages — $2 for every $1,000 stolen.

Wage theft not only hurts victims and their families, but also the people of Iowa in the form of tax loss.

Wage theft costs the public over $190 million per year

Annual revenue loss based on estimated incidence of wage theft

<table>
<thead>
<tr>
<th>Revenue source</th>
<th>Effective tax rate for wage theft victims</th>
<th>Estimated revenue loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa sales and excise tax*</td>
<td>5.68%</td>
<td>$51.3 million</td>
</tr>
<tr>
<td>Unemployment insurance — employer contribution</td>
<td>1.25%</td>
<td>$11.3 million</td>
</tr>
<tr>
<td>Social Security — employer contribution</td>
<td>6.20%</td>
<td>$56.1 million</td>
</tr>
<tr>
<td>Medicare — employer contribution</td>
<td>1.45%</td>
<td>$13.1 million</td>
</tr>
<tr>
<td>State income tax*</td>
<td>1.27%</td>
<td>$11.5 million</td>
</tr>
<tr>
<td>Federal income tax*</td>
<td>5.19%</td>
<td>$46.9 million</td>
</tr>
<tr>
<td><strong>Total tax revenue loss per year</strong></td>
<td></td>
<td><strong>$190.2 million</strong></td>
</tr>
</tbody>
</table>

*See methodology appendix for details of effective rate calculations.
Worker misclassification

While many instances of wage theft are fairly straightforward violations of minimum wage or overtime laws, wage theft resulting from illegal misclassification of workers as “independent contractors” is increasingly common. The problem centers on whether a worker has the legal status of an employee, which comes with protections of employment and labor laws critical for setting minimum wage, health and safety, non-discrimination and other basic workplace standards. It also comes with coverage for unemployment insurance, workers’ compensation, Social Security and Medicare.

To evade these legal obligations, some employers attempt to pay workers under the table or call them “independent contractors” when, by legal standards, they should be paid as employees. Generally, if an employer has the right to direct someone’s work and determine how the work can be done, the worker should be classified and treated as an employee under Iowa law. In addition to losing access to unemployment insurance and workers’ compensation, misclassified workers are also frequently subjected to wage theft. Employers who misclassify employees as independent contractors often do so in order to avoid paying minimum wages, workers’ compensation insurance and payroll taxes, despite the practice being illegal. Weak laws enable employers to see this as a low-risk practice because the worst outcome for employers caught misclassifying workers is repayment of what is rightfully owed. Most businesses get away with it easily. This is particularly damaging to responsible, law-abiding employers whose competitors gain an unfair advantage by illegally reducing their costs.

Over a decade ago, Iowa lawmakers recognized misclassification as a serious problem and appropriated funds to establish a Misclassification Task Force in 2008. The Task Force worked from July 2009 through December 2013 to identify more than 5,000 workers misclassified by 380 employers. In total, these employers avoided reporting over $90 million in wages and owed the state millions. Although the Task Force has not published a report since 2010, IWD continues to employ a smaller team of misclassification auditors. In its 2021 annual report, IWD cited almost 2,000 misclassified employees and $745,000 of recovered employer contributions in Fiscal Year 2020. It is apparent that worker misclassification continues to pervade Iowa’s economy and that we need more robust and proactive enforcement.

Forced arbitration

Another barrier to recovering unpaid wages is forced arbitration. This increasingly common business practice involves requiring employees to agree to internally settle any employment disagreements or complaints rather than seeking outside legal remedies and bars them from challenging employment practices collectively. Internal arbitration is run by employers and, unsurprisingly, the internal arbitration process heavily favors them. In 2021, NELP researchers Baran & Campbell went state by state to estimate the number of employees subject to forced arbitration policies and assess the monetary impact of these policies on wage theft victims.

The researchers estimated that over 277,000 low-wage workers in Iowa are subject to forced arbitration. Among these, they expect that around 58,000 experience wage theft but abandon their claims because of the arbitration process. Across these thousands of cases, the estimated amount of wage theft is $118.8 million. While many of these forced arbitration wage theft cases overlap with the violations estimated above, it is likely that the practice causes even higher rates of wage theft than estimated here. Therefore, this is an important finding with strong policy implica-
An estimated 277,000 Iowa workers are subject to forced arbitration, and 58,000 of them experience wage theft but abandon their claims.

National wage theft estimates

Our finding that wage theft costs Iowa workers a staggering $900 million annually represents a conservative estimate of wage theft's true impact and is supported by the best available data and methods. To confirm the validity of our estimates, we used the results of previous large-scale surveys to see how they compare to our estimates of wage theft in Iowa. Although over a decade old, a 2009 NELP study is the most recent large-scale worker survey to collect data on experiences of wage theft.

The NELP survey results back up our Iowa estimates. The survey found that two-thirds of workers with incomes below the federal poverty guidelines experience wage theft. In Iowa, these results indicate that 246,000 Iowa workers in poverty experience wage theft each year.21 Because we know that some workers in Iowa with incomes above poverty guidelines also contend with wage theft, our overall estimate of at least 250,000 affected Iowa workers each year is relatively conservative.

Using federal poverty guidelines and the NELP report's estimate that wage theft costs victims 15 percent of their annual earnings, the estimate of wage theft in Iowa is $926 million (Figure 5). This is remarkably close to our estimate of $904.4 million, which is based on different data sources. Therefore, we can estimate with a high level of confidence that the true cost of wage theft in Iowa in 2022 exceeds $900 million each year.

Trends in wage theft

As Iowans and Americans, we wish for a world in which anyone can build a good life with a little opportunity and a strong work ethic. In reality, our society is full of unequal outcomes for hard-working people. Not everyone has equal opportunities, including the chance to be fairly paid. Wage theft does not affect all workers equally.

As a group, the lowest earners in our economy bear the largest costs of wage theft, but there is great variation within this group.22 By studying minimum

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**Figure 5**

Results from 2009 survey of workers validate estimate of $900+ million in wage theft per year

Estimates of overall wage theft in Iowa

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Proportion of workers at or below poverty wages, 2018*</td>
<td>0.233</td>
</tr>
<tr>
<td>b. Total nonfarm workforce participation, 2018*</td>
<td>1,583,600</td>
</tr>
<tr>
<td>c. Total number of IA workers in poverty (a x b)</td>
<td>368,979</td>
</tr>
<tr>
<td>d. Proportion of impoverished workers experiencing wage theft†</td>
<td>0.667</td>
</tr>
<tr>
<td>e. Estimated number of IA workers experiencing wage theft (c x d)</td>
<td>246,109</td>
</tr>
<tr>
<td>f. Estimated annual wage theft from affected workers</td>
<td>$3,765</td>
</tr>
<tr>
<td><strong>Estimated total annual wage theft from low-wage Iowa workers</strong></td>
<td><strong>$926,600,385</strong></td>
</tr>
</tbody>
</table>

†Source: 2009 NELP "Broken Laws, Unprotected Workers" survey report
wage violations in the CPS and enforcement data from IWD and DOL, we can zero in on the patterns for this crime. Overall, we find:

- Immigrant workers are more likely to be robbed of earned wages.
- Wage theft is most common in certain industries, including food service and child care.
- Victims of wage theft are more likely than the rest of the workforce to work multiple jobs.
- Workers represented by a union are less likely to experience wage theft.

Iowa immigrant workers contribute extensively to the state’s economy and local communities, but these workers (both documented and undocumented) have 45 percent higher odds of experiencing minimum wage violations than U.S.-born workers. Experience in Iowa communities backs this up: the Center for Worker Justice of Eastern Iowa (CWJ) has been working for years to address wage theft in the Johnson County area. According to CWJ Executive Director Mazahir Salih, “Sometimes the employer just decides not to pay the people, but it’s affecting immigrants and people of color mostly.”

Variation in wage theft by industry shows that essential workers are often most vulnerable to illegal employer practices. Industries with the highest rates of minimum-wage violations in 2017-2019 were restaurants and food service, schools and universities.
sities, child care, grocery stores, crop production, nursing care facilities, truck transportation and construction (Figure 6). These trends are reflected in the IWD and DOL wage claim data, where restaurants, hotels, construction, trucking and care services show the largest numbers of cases (Figure 7). These sectors have disproportionately high counts of wage theft, and workers in these areas are at greater risk of facing various types of wage theft.

Not only are victims of minimum-wage violations losing out on $300 in earned income each week on average, but they are among the hardest workers in our society. Among CPS respondents who experienced minimum wage violations, 28.3 percent worked two or more jobs. For all others, just over 5 percent worked multiple jobs. Victims of minimum wage violations are also significantly more likely to work part time.

These trends are consistent with those documented in past studies of wage theft in Iowa, and their persistence over time is alarming. Policymakers should look at patterns like these to target those

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**Figure 7**

**Essential workers serve in industries with rampant wage theft**

Industries with highest rates of IWD or DOL violations, 2017-2019

- **Food Service**
- **Administrative and Support Services**
- **Nursing and Residential Care**
- **Food Manufacturing**
- **Specialty Trade Contractors**
- **Machinery Manufacturing**
- **Social Assistance**
- **Truck Transportation**
- **Fabricated Metal Manufacturing**
- **Accommodation**
- **Management of Companies**
- **Repair and Maintenance**
- **Construction of Buildings**
- **Other Information Services**

- Orange: % of DOL violations
- Yellow: % of IWD violations
- Blue: % of all workers
most affected in their responses to wage theft, such as state audits. There is strong evidence to suggest that wage theft is concentrated by particular industries and worker characteristics, and government enforcement should use this to guide their strategies.

Workers represented by unions are among those least likely to be paid under the minimum wage.

Finally, workers represented by unions are among those least likely to be paid under the minimum wage. These workers have the protection of union contracts and collective worker action, making them more likely to receive higher wages and to be able to respond quickly and effectively when employers violate their payment rights. Lawmakers should respect the value of unions to Iowa workers and focus on protecting and empowering them.

Actions to Address Wage Theft

It is the responsibility of government to combat the prevalent and growing problem of wage theft in Iowa. In 2019, the cumulative total cost of burglary, robbery and larceny in Iowa was $93 million. While thousands of police officers are employed throughout Iowa to combat such crimes, the state employs just two wage claim investigators for a workforce that fills 1.6 million jobs (Figure 8). That leaves each employee in charge of responding to an estimated 125,000 cases each year, if reported. It is no wonder that just a tiny fraction of wage theft cases — less than 0.1 percent — are reported to government agencies. Instead of treating wage theft as a serious crime that is more devastating than all other theft, the government looks the other way.

Action by elected and agency officials is long overdue. Iowa workers need a government that stands by them and defends their rights. The Legislature, state agencies and local governments have evidence-backed strategies available to them. These steps fit into three broad actions:

- Enforce the law
- Strengthen the law
- Empower workers

Enforce the law

As demonstrated in this report, state enforcement of wage payment laws is virtually nonexistent. Although the vast majority of wage theft victims never file a claim, those who do are frequently denied justice. Iowa Workforce Development routinely turns away workers who claim over $6,500 in stolen wages, are owed overtime wages, take too long to respond, had wages stolen a year or more ago, or whose employers are difficult to contact. None of these stipulations are written in the law — all are administrative rules that can and must change.

Figure 8

Wage theft costs Iowans 10 times all other types of theft combined

Total annual wage theft and other property theft, 2019

<table>
<thead>
<tr>
<th>Wage theft</th>
<th>Other theft</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recovered</td>
<td>Unrecovered</td>
</tr>
</tbody>
</table>

$0k  $250k  $500k  $750k  $1,000k
When IWD catches employers cheating workers out of wages, the most likely outcome is repayment of the owed money. In no way can this be considered a fair punishment for illegal behavior. Despite the presence of two penalty measures in the law — civil penalties and liquidated damages — the state almost never uses them. By doing the bare minimum, IWD reverses the incentives. Rather than deterring employers from robbing workers, these policies make wage theft a potentially profitable business strategy.

Iowa Workforce Development must make improvements to its administrative policies and practices:

- **Remove administrative barriers** to filing claims, such as the $6,500 claim cap, so that affected workers can quickly and easily report illegal activities.

- **Hire more wage claim investigators** to respond to claims and conduct audits targeted at repeat offenders and industries with high rates of violations.

- **Dedicate resources to educating workers** about their wage payment rights.

- **Collect data** on the true incidence of wage theft and compel federal agencies to do the same on a national level.

While significant changes can be made immediately, the Iowa Legislature needs to provide dedicated funding for agency efforts to combat wage theft. To properly protect the workforce, the United Nations International Labor Organization recommends at least one labor standards investigator for every 10,000 workers. While it is unrealistic to expect that IWD will hire over 100 investigators in the near future to cover Iowans filling 1.6 million jobs, the agency should aim to fill at least 10 additional positions by the end of 2023.

Success in reducing illegal employer practices is well within reach. Not only have several states implemented effective wage theft reduction approaches, but Iowa has its own example to follow — the Misclassification Task Force. The Misclassification Unit employed eight employees, including three field auditors and two investigators, and identified more than 2,000 misclassified workers between July 2009 and December 2010. These cases corresponded to over $2.4 million in unpaid unemployment insurance tax and penalties. Considering the Task Force received up to $750,000 in funding from the state, the investment clearly paid dividends.

While the state continues to employ four misclassification auditors, the full Task Force should be reinvigorated to continue outreach and education efforts and provide updates on the status of misclassification for the state. Other states have also made moves to counter misclassification by strengthening state guidelines, “ABC tests,” about who qualifies as an independent contractor. The federal Department of Labor is similarly working to improve worker classification guidelines, as well as ramping up efforts around wage theft like work-
State lawmakers should align penalties for wage-payment violations with the severity of the crime.

Strengthen the law

No Iowa worker deserves to be exploited, intimidated or retaliated against by their employer. As a state, we must ensure our laws prevent worker abuse not only in word, but in outcome as well. In Iowa, it is illegal to violate workers' wage-payment rights and to retaliate against workers who claim their rights have been violated. Given the evidence of widespread wage theft, it is abundantly clear that these laws have fallen short.

State lawmakers should align penalties for wage-payment violations with the severity of the crime. In over 95 percent of cases, employers completely get away with violating state payment laws, and IWD's own website states that most offenders will face no penalty. Although state law permits IWD to assess liquidated damages of up to two times the amount of the violation as well as small fines against employers found to have knowingly violated wage-payment laws, this practically never happens.

The state must strengthen penalties by requiring IWD to impose fees for each violation and dedicating collected funds to enforcement efforts. Lawmakers should also change the law to require treble damages for the victims. A 2016 study showed that workers in states with these laws experience measurably lower rates of wage theft. These policies disincentivize wage theft as a business practice and encourage workers to come forward when their rights are violated.

It is also critical for legislators to revamp anti-retaliation laws for wage violations. According to Mazahir Salih, executive director of Center for Worker Justice of Eastern Iowa, most wage theft cases brought to CWJ come from workers who recently left or completed their job. Workers experiencing wage theft at a current job are rarely willing to risk termination for a chance to recover unpaid wages. Immigrants with or without work authorization are particularly hard-pressed to take that risk. Those without work authorization typically have limited job options, and many employers will not hesitate to threaten or seek deportation of workers or family members to maintain control.

Strengthen the law: Policy recommendations

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<tr>
<th>Legislature</th>
<th>State agencies</th>
<th>Local governments</th>
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<tbody>
<tr>
<td>• Require Iowa Workforce Development to fine offenders</td>
<td>• Collaborate with legislators to efficiently reform and implement the law</td>
<td>• Pass wage theft prevention ordinances as modeled by other localities</td>
</tr>
<tr>
<td>• Allow victims of wage theft to receive liquidated damages equal to 3x violation amount</td>
<td>• Strengthen penalties for retaliation and ensure worker reinstatement</td>
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All workers have wage payment rights, regardless of immigration status, and yet workers in all occupations fear retaliation for raising concerns. Iowa needs clear and strong consequences for violations to send a message to immigrant workers and their employers that their work is as valuable as that of anyone else.

### Empower workers

Workers are the backbone of Iowa’s economy. Their work supports families, communities and businesses — when they prosper, the state does as well. The government’s neglect of wage payment rights harms the state year after year as workers struggle to make ends meet. Solutions for the wage theft problem cannot just be top-down. They must also be rooted in the experience and knowledge of the people. The clearest source of worker power and protection against violations like wage theft is a union. Workers who are represented by a union are far less likely to be robbed of wages or misclassified, in addition to having better health coverage, paid time off and retirement benefits. Yet many Iowa policies, including the weakening of public employees’ collective bargaining rights in 2017 and the state’s long-standing “right to work” law, are designed to make it more difficult for unionized workers to maintain their collective power and to decrease union membership throughout the state. Lawmakers should change these laws and fortify worker power.

State and local governments should prioritize worker empowerment in their efforts to combat wage theft. Educated about their wage payment rights, workers can more effectively advocate for themselves and push back against illegal practices. Direct worker outreach is critical, both from the government and from trusted community organizations.

This method of government partnership with NGOs to engage in enforcement activities, called co-enforcement, is a proven strategy for reducing wage theft. The combination of targeted and co-enforcement strategies, with strong political support and complementary work approaches, is a powerful tool against wage theft. Take, for example, the Center for Worker Justice of Eastern Iowa. With just one community organizer working part time on wage theft cases and a strong volunteer base, they were able to recover almost $19,000 in back wages in 2020 alone.

With funding from state and local governments, organizations like CWJ that already have the expertise can help create a robust response to wage theft in Iowa. Partnership with local organizations can ensure that the benefits of enforcement reach individuals who are wary of government contact. CWJ is well-known and trusted among immigrant communities and communities of color in Johnson County and is therefore more likely to hear from workers who fear retaliation or may be hesitant to seek government help.

Iowa leaders must hold businesses accountable for how they treat their workers. These leaders need to

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<tr>
<td>- Fund education and enforcement efforts of public agencies and partnered organizations</td>
<td>- Work with state and local organizations to educate workers about wage payment rights</td>
<td>- Fund local NGOs to work on wage theft</td>
</tr>
<tr>
<td>- Restore collective bargaining rights and remove “right to work” provisions that weaken union power</td>
<td></td>
<td>- Distribute resources on wage theft response to partners</td>
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[Co-enforcement — building partnerships between government and NGOs — is a proven way to reduce wage theft.](#)
start talking about wage theft and the exceptional harm it causes low-income, immigrant and essential workers. They must demand better for our state. As a result, Iowa could claim to be a state that respects its workers, attracts workers from neighboring states, and has a strong economy founded on respect under the law.

Impact of COVID-19

This analysis uses data from 2017-2019, as the COVID-19 pandemic, which started in 2020, affected employment and worker experiences in innumerable ways. Data from 2020 and 2021 are incomplete but reflect slightly lower rates of wage theft, which is to be expected as huge swaths of the workforce went unemployed throughout this time. More recent data that reflect worker experiences during the pandemic are not yet available. Hence, this report uses the most representative data for the current workplace environment.

At the onset of COVID-19, a new appreciation was found in this country for essential workers. These essential workers continued to work throughout the pandemic despite health risks to keep our society functioning. While some attempts were made to show them appreciation, many workers undoubtedly continued to experience wage theft during the public health emergency. Many essential workers make up the industries that experience the highest rates of wage theft, like food service, nursing, child care, and hospitality. Despite some wage growth in these sectors, the high incidence of wage theft has likely endured.

The pandemic should reaffirm the concept that all workers — especially low-wage workers who keep our communities functioning day to day — deserve respect and equal treatment under the law. It is critical that we take steps to protect these workers now, as they protected us.

Conclusion

Facing a true emergency — $900 million in wages stolen from about 250,000 Iowa workers each year — the state has the responsibility to step up and combat wage theft, which causes ten times as much economic damage to families as all other forms of theft combined.

In taking a stand against wage theft, the state would protect workers, children, local communities, principled employers and taxpayers. The bulk of the monetary damage from wage theft is due to violations of overtime and minimum wage laws, which disproportionately affect low-wage, immigrant and part-time workers. To crack down on wage theft in Iowa, lawmakers and others in power must focus on three critical areas:

- **Enforce the law**
- **Strengthen the law**
- **Empower workers**

Although long overdue, now is the time for action on the issue of wage theft.
Endnotes

3 Iowa Division of Labor, "Wage & Hour." https://www.iowaworkforcedevelopment.gov/idol/wage-hour
5 Obtained by Common Good Iowa through Open Records Request, April 2022.
9 Bernhardt et al.
10 Iowa Division of Labor, "Wage & Hour."
11 U.S. Department of Labor, Wage and Hour Compliance Action Data.
13 ibid.
15 ibid.
17 ibid.
20 ibid.
21 Bernhardt et al.
27 Iowa Law Enforcement Academy, https://ilea.iowa.gov/
28 Correspondence between Common Good Iowa and Iowa Workforce Development, August 2022.
31 ibid.
32 Correspondence between Common Good Iowa and Iowa Workforce Development, April 2022.
33 Iowa Division of Labor, "Wage & Hour."
34 Iowa Code Chapter 91A. Wage Payment Collection. https://www.legis.iowa.gov/docs/icc/chapter/91A.pdf
40 Provided to Common Good Iowa by the Center for Worker Justice.