

FOR RELEASE Thursday, Oct. 13, 2022, at 1 p.m.

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## Wage Theft in Iowa: A Heist in Plain Sight

DES MOINES, Iowa (Oct. 13, 2022) – Employers are stealing over \$900 million a year from an estimated 250,000 Iowa workers – about 1 in 7 workers and their families.

“This insidious and growing problem costs Iowans 10 times more than all other forms of theft combined,” said Sean Finn, author of a new Common Good Iowa report, “A Heist in Plain Sight: Wage Theft in Iowa.”

Average annual wage theft of over \$900 million a year included \$501 million in overtime violations and \$241 million in minimum wage violations, the report found. Findings are based on analysis of 2017-19 Bureau of Labor Statistics data and Iowa Workforce Development and U.S. Department of Labor enforcement records.

In addition to those impacts, the report found:

- Each year wage theft cheats the public out of \$190 million in lost tax revenue.
- For every \$1,000 in wages stolen from Iowa workers, understaffed government agencies recover just \$2.
- Wage theft is especially common in essential but often low-paying positions in food service, hospitality, nursing, child care and construction.
- Employers often target workers who are vulnerable due to disabilities, language barriers or immigration status.

“These long-ignored problems are a public policy failure. Lawmakers and state agencies have been aware of this issue for at least a decade, but have been unwilling to take action,” Finn said.

“Wage theft not only cheats workers and taxpayers, but also responsible employers who have to compete with the bad actors who unlawfully undercut them.”

The report comes 10 years after CGI staff last examined the issue, then exposing it as a \$600 million problem. The 50% increase since that time signals that the problem is getting worse.

CGI suggests policy improvements in three areas: enforcing the law, strengthening the law, and empowering workers.

### Employers rob Iowa workers of over \$900 million each year

Annual wage theft in Iowa, 2017-2019



“Thousands of Iowa workers go to work each day thinking they are protected, that laws require their employers to pay them the right amount on time,” said Paul Iversen, a labor educator at the University of Iowa Labor Center who has worked on wage theft cases and informing workers of their rights. “Sadly, for many Iowans that just isn’t true. The laws exist, but they are ignored, and a law is only as good as its enforcement.”

Wage theft often happens when employees are improperly labeled “independent contractors,” which these employers use to illegally dodge contributions to unemployment insurance, workers’ compensation and payroll taxes. It also includes theft of tips or forced sharing of tips earned by employees who are paid a lower “tipped worker” minimum wage to begin with.

“Now we have good, updated data showing that the problem is even worse than we thought,” said Anne Discher, executive director of Common Good Iowa. “Perhaps this is not surprising, since the state has continued to ignore the problem – allowing unscrupulous employers to make it part of their business model.”

The Center for Worker Justice (CWJ) of Eastern Iowa, which has worked with CGI to help identify wage-theft issues, has seen the impacts first hand as workers who have been cheated come to CWJ for help when they don’t know where else to turn.

“Workers have to take many steps just to get paid the wages they are owed. CWJ serves as an advocate for workers, and with the help of unions and other allies, we help workers take matters into their own hands,” said Mazahir Salih, executive director of CWJ.

The report notes that state employs only two wage claim investigators for the people filling nearly 1.6 million jobs.

“Better enforcement begins with having enough staff to do the job and by removing unnecessary barriers for victims,” said report author Finn. “Iowa Workforce Development places a \$6,500 cap on wage claims, which means the worst cases are the first ones ignored.”

Strengthening the law, Finn said, would include tougher fines and damage awards to reverse the incentive for employers to cheat workers. Current penalties are barely a slap on the wrist, even for repeat violators, and employers are rarely caught at all. Workers need greater protection from retaliation so that fear of losing jobs and earnings does not stop them from seeking justice.

Finally, workers must know their rights. A co-enforcement approach, investing in trusted community and labor organizations that educate and empower workers, provides direct support to workers who need it most.

“Funding these higher-road approaches are an investment necessary to correct the problem. They can pay for itself several times over,” Finn said.

Common Good Iowa is a nonpartisan, nonprofit organization focused on policy alternatives that advance the common good through racial, gender, economic and environmental justice, and public services supported by a fair, stable tax system. Learn more at [www.commongoodiowa.org](http://www.commongoodiowa.org).

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