



HOLD FOR RELEASE 10:15 A.M. TUESDAY, DECEMBER 10, 2024

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Paving the High Road

Report illustrates wage theft, other disturbing contractor practices

DES MOINES, Iowa - Job quality provisions in federal initiatives for infrastructure improvements and energy systems will help redirect Iowa's construction industry and lawmakers toward high-road policies with long-term benefits for Iowa.

"Low pay compounded by illegal employee misclassification, poor workplace safety standards and weak law enforcement leave a growing share of construction workers and their families in an impossible bind," said Sean Finn, policy analyst for the nonpartisan Common Good Iowa (CGI) and author of a new report, "Paving the High Road: Opportunities and Threats Shaping the Future of Iowa's Construction Industry."

"Iowa needs to improve the culture of the industry, and that starts with public policy," Finn said.

With construction work at the center of billions of dollars in federal investments for the Inflation Reduction Act and the Bipartisan Infrastructure Law, Iowa has a chance to improve its policies protecting the financial and physical health of workers.

"As unprecedented federal investments in infrastructure flow into the state, we must ensure the industry's growth benefits the people working and the communities hosting these projects," said Anne Discher, executive director of CGI.

Low-bid contractors, often from outside a community, have been shown to cut corners on laws and rules to get ahead. In the process, they harm local workers, taxpayers investing in public projects and responsible competitors bidding for contracts.

The report noted that ideally, illegal practices would be penalized, signaling contractors to bid and complete projects responsibly.

"For many years, we have not experienced ideal conditions," Finn said. "Enforcement of labor standards is disturbingly low and meaningful penalties for violations are basically nonexistent. When government surrenders that role, it contributes to the growing culture of low-road practices in the industry, leading to worse outcomes for workers, families and communities."

Finn's report identified trends that threaten a thriving construction industry in Iowa:

- **Wage theft and illegal misclassification** cost at least 12,000 Iowa construction workers over \$100 million each year.
- **Low-road contractors** increasingly use payroll tax fraud and under-the-table labor brokers to illegally cut labor costs and under-bid responsible contractors.
- **State and federal agencies together recover less than 0.1%** of the wages stolen from Iowa workers each year - only \$33,000 total on average in construction.
- **Industry workers earn less than the average Iowa worker** and are more likely to experience financial insecurity and need support from SNAP and Medicaid.
- **Immigrant workers in Iowa**, a large share of the construction and disaster-recovery workforce, are 45% more likely to experience minimum-wage violations than their fellow non-immigrant workers.
- **Iowa law now bars local governments** from adopting minimum wage, prevailing wage and project labor agreement laws that benefit workers and communities.

"Abuse and exploitation of construction employees is out of control, especially for the immigrant workers," Finn said. "The combination of challenges and circumstances makes this a time to act."

Although the threats are real, the Iowa construction industry has rarely seen more promising opportunities than this present moment.

The state of Iowa is expected to benefit from billions of dollars in Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL) spending over the next five years. That federal funding is attached to strong pro-worker policies requiring prevailing wages and use of registered apprenticeships.

"The investments will create thousands of good union jobs, which set a strong standard of safety and compensation, and train the qualified workforce of the future through registered apprenticeship incentives," Finn said.

Common Good Iowa is a nonpartisan, nonprofit organization based in Des Moines to provide public policy analysis across a range of issues to help all Iowans thrive and to point policy makers to responsible and bold solutions that help all Iowans thrive. For more information, visit www.commongoodiowa.org.

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