



The Iowa Policy Project

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EXECUTIVE SUMMARY

Stolen Chances: Low-Wage Work and Wage Theft in Iowa

By Colin Gordon

Our 2012 report *Wage Theft in Iowa* characterized wage theft as an “invisible epidemic” affecting thousands of low-wage workers in Iowa. Since 2012, numerous media reports, an uptick in worker organizing to recover unpaid wages, and heightened attention from some state and local elected officials have made Iowa’s wage theft problem far more visible. Yet the state’s landscape of law enforcement remains fundamentally unaltered, and new evidence presented in this report underscores the persistence and scope of the problem.

Our 2012 estimates — \$600 million in stolen wages and another \$120 million in unpaid sales, income and payroll taxes annually — gave dimension and scale to a problem that Iowans understood mostly through a few egregious cases, anecdotal evidence of wage theft reported by many workers, and studies of a few industries (such as construction).

This report draws on two more years of claims and enforcement data from state and national agencies, and results of a 2014 survey of 300 low-wage workers in Eastern Iowa. The survey provides direct glimpses into Iowa workers’ experiences with wage theft:

- 25 percent of respondents had experienced wage theft within the past year.
- 20 percent (62) reported not having received overtime pay, nearly \$40,000 in unpaid wages.
- Nearly 20 percent (59) reported late or unpaid wages, totaling just under \$25,000.
- 8 percent (24) had not been paid at all for some of the hours they had worked.

Survey results further suggest a startling rise in contingent employment relationships, especially in manufacturing, with increasing use of workers through temporary staffing agencies, and a high correlation between wage theft and low-wage work (jobs paying less than \$10 per hour).

In this report, we set these new survey results and recent Iowa wage claims data against a broader backdrop of economic trends and policy choices. A steady erosion of workers’ bargaining power has brought with it steady erosion in job security and job quality — accompanied by a parallel collapse in labor market policies and their enforcement, leaving Iowa working families less secure and more vulnerable than perhaps at any time since the Great Depression.

What is ‘Wage Theft’?

Wage theft occurs whenever a worker is robbed of legally owed wages because an employer breaks the law or a contract. Common forms of wage theft:

- **Nonpayment of wages**
- **Tipped job violations**
- **Deduction violations**
- **Misclassification**
- **Underpayment of wages promised or owed**

Full report: www.iowapolicyproject.org

Patterns of Wage Theft in Iowa

Local survey results confirm clear, troubling patterns. In all, 25 percent of respondents (73 of 300) reported some experience wage theft in the past year, and over half reported multiple instances.

- ***Unpaid Overtime:*** The most common form of wage theft, experienced by 62 respondents (20 percent) was unpaid overtime, amounting to nearly \$40,000 in unpaid wages.
- ***No Pay Stub:*** While 93 percent have been told required taxes and social insurance are being withheld from their checks, only 87 percent receive a pay stub detailing those deductions. Without a pay stub, it is difficult for workers to determine whether they have been paid for all hours worked, to identify deductions from pay, and to confirm the regular hourly or overtime rates on which pay has been based.
- ***Nonstandard Payment:*** Fifteen percent were paid in cash or another nonstandard method — including 23 respondents with work paid only via a debit card. Those paid by debit card may not be able to determine the total amount of pay received. In our survey, 50 respondents reported being paid with a debit card at some point in the last 12 months, many reported paying fees (29), having trouble accessing their money (23), or being paid less than they had earned.

Research has shown that most workers who experience wage theft do not file claims (for example, workers report only about one of every 130 violations of overtime law). In fact, the very conditions that make wage theft possible — contingent and precarious employment, high rates of turnover, little union representation — also make its reporting less likely.

Wage theft claims in Iowa are clustered heavily in two industry sectors — leisure and hospitality, and construction — that are notorious for uneven scheduling, contingent employment relationships, and paycheck violations. Reports also are high in service and information sectors.

Conclusions and Policy Solutions

The American workplace is increasingly precarious. Declining union representation, the unraveling of the employment relationship, and the erosion of legislated labor standards all have magnified the likelihood that even legally earned wages are sometimes unpaid or underpaid. These patterns are documented in Iowa and across the nation, in our most recent business cycle and across the last generation. And they are underscored by our recent survey of low-wage workers in Eastern Iowa, which shines a bright light on local patterns of low-wage employment, tenuous and uncertain work arrangements, and wage theft.

In the absence of the security provided by high-wage, career employment, and in the absence of workplace organizations sufficient to sustain workers' bargaining power, public policy must fill in the gaps. Multi-faceted reforms and strategies are needed, on at least three fronts: legislative change, administrative reform, and new approaches to workplace and community organizing — plus a commitment to sustain and enforce higher standards. Needed change includes:

- Raising the pay of low-wage workers, including an increase in the minimum wage.
- Policy innovations to regulate and curb the growth of the temporary employment industry.
- Covering gaps and strengthening enforcement of wage payment laws.
- Community organization and education on wage issues by unions and local organizations.

Colin Gordon, Senior Research Consultant for the Iowa Policy Project, is a Professor of History at the University of Iowa. This research was conducted in collaboration with the **Center for Worker Justice of Eastern Iowa**, cwjiowa.org. Funding for this research was provided by the **Sociological Initiatives Foundation**. Findings and opinions are exclusively those of the author and the **Iowa Policy Project**, a nonpartisan, nonprofit public policy and analysis organization in Iowa City.