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Low Wages, Lagging Employment: The State of Working Iowa Report Shows Recession Impacts Linger for Iowa Workers

MOUNT VERNON, Iowa (Aug. 27, 2003) – Iowans' income lags behind that of most neighboring states, with persistent soft spots in the economy that threaten gains in the 1990s, Iowa analysts reported Wednesday.

“The fact remains that Iowans are not doing well: They make less than most of their peers in the upper Midwest and the nation,” said Colin Gordon, an Iowa Policy Project research associate and co-author of a new report, *The State of Working Iowa 2003*.

The report, by Gordon, IPP Research Director Peter Fisher and IPP Research Analyst Elaine Ditsler, concluded the recession that officially ended in November 2001 has left a lingering soft labor market, with high unemployment rates undermining the prospects for a meaningful recovery in Iowa. The 4.6 percent unemployment rate in July was the highest seen in Iowa in over a decade.

“Persistent weaknesses in Iowa’s economy are showing now. They weren’t so evident in the relative prosperity of the late 1990s,” Fisher said. “Iowa’s median wages remain below national and regional averages. Poverty rates are high among minorities and single-parent families. Iowans are working longer hours, and they are receiving fewer benefits from their employers. In addition, the earnings gap between wealthy and poor Iowans, and between rural and urban Iowans, is increasing.”

The authors recommend measures to help low-wage workers, and to patch the economic safety net, including a raise in the minimum wage from \$5.15 per hour to \$6.65 per hour, which would help over 100,000 workers and help the transition from welfare to work. The minimum wage has not been high enough to lift a family of two above the poverty line since 1984, and hasn’t pulled a family of three out of poverty since 1969, Fisher noted.

They also propose tax cuts for low- and moderate-income families, by expanding the Earned Income Tax Credit or allowing an income-tax credit for sales taxes paid; better access to child care; affordable health insurance for the uninsured; and modifying unemployment insurance guidelines and benefits.

Gordon said it was important to put the “boom” of the late 1990s into perspective. “While most working Iowans made progress, their gains went largely to recovering ground lost in the preceding 15 or 20 years,” Gordon said.

This is the second edition of *The State of Working Iowa*, which is designed to be published every two years by the IPP. The first was in 2001.

“Our new, small organization seeks to produce important reports from easily available government data to look at economic conditions in Iowa from the perspective of those who go to work every day,” said David Osterberg, executive director of the Iowa Policy Project.

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Among findings of *The State of Working Iowa 2003*:

- Since 2000, unemployment rates have increased and average hourly wages have stagnated for low- and median-wage Iowans. Workers in most surrounding states fare better. Even higher-wage earners, at the 80th percentile, earn \$4 per hour less than the regional leader, Illinois, and \$3 per hour less than the national average.
- The poor standing of Iowa's median and higher wage workers reflects both a steady decline in manufacturing wages, and relatively dismal compensation in core professional sectors, especially in health care and education. Salaries for Iowa's school teachers rank 35th in the nation and sixth in the region – about \$7,000 less than the national average and \$11,000 less than the regional leader (Illinois). The salaries of Iowa's registered nurses rank last in the region and in the nation – about \$9,000 less than the national average and \$11,000 less than the regional leader (Minnesota).
- Iowa's sluggish economic growth during the 1990s reflects both slower growth in most sectors, and reliance on slow-growth "old economy" sectors.
- Sectors of Iowa's economy that experienced employment growth and outperformed the nation included six manufacturing sectors (including primary metal industries and motor vehicles and equipment), trucking and warehousing, communications, insurance carriers and amusement and recreation services.
- The economic disparity between Iowa's urban and rural counties has widened. The rate of employment growth in Iowa's rural counties is half that of Iowa's urban counties. In Iowa's urban areas, per capita incomes are 22 percent higher than in rural areas and average earnings are 30 percent higher.
- Iowa's black and Hispanic families continue to suffer from large disparities in income. Median family income among black families in 1999 was \$28,121, just 58 percent of the median income of white families, and Hispanic families fared only a little better. Poverty rates among black children were 40 percent, over four times those of white children, while Hispanic children faced poverty rates of 24 percent. Single-mother families with young children faced poverty rates in excess of 40 percent to 60 percent.
- Total nonfarm employment has decreased by 35,000 jobs since 2000. Service-sector job growth has been too slow to offset the loss of manufacturing, trade and information-based jobs.
- Barely half of unemployed Iowans receive unemployment compensation. In part, this is due to Iowa's strict definition of base period, which has the effect of ignoring up to six of the most recent months of work in determining eligibility. Weekly benefits replace between one-third and one-half of earnings in Iowa.
- A persistent inflationary crisis in health services and a shift toward service employment has left an increasing number of Iowans without access to employer-based health insurance. As a result, about 22 percent of Iowans under age 65 were uninsured for all or part of 2001 and 2002.

The Iowa Policy Project is a non-profit, non-partisan research organization headquartered in Mount Vernon, Iowa. The IPP engages scholars at Iowa's public and private colleges and universities to perform research on issues of importance to the citizens of Iowa. IPP reports are available to the public, free of charge, on the web at www.iowapolicyproject.org.

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For the full report and more information, see <http://www.iowapolicyproject.org>.
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