

318 2nd Ave. N • Mount Vernon, IA 52314

www.iowapolicyproject.org

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CONTACT: Mike Owen (319) 338-0773, (319) 643-3628 or ipp@Lcom.net.

Iowa Workers Find No Picnic at Labor Day Wages, Income Lag in Slow-Growth Recovery

MOUNT VERNON, Iowa (Sept. 3, 2006) – A recovering economy is failing to lift wages for Iowa’s working families, according to a new report.

“Working families in Iowa are doing their part,” said Colin Gordon, co-author of an off-year update to the biennial *The State of Working Iowa*, last issued in 2005 by the nonpartisan Iowa Policy Project (IPP). “Labor productivity has surged, yet the benefits have not trickled down. Iowans are working longer to make ends meet.

“There is little time to rest on this Labor Day. The anemic recovery since the 2001 recession is still holding working families back.”

The new report, “No Picnic,” is part of IPP’s continuing focus on long-term economic trends, across business cycles, with comparisons to the nation and Midwestern states. IPP produces *The State of Working Iowa* every two years, with shorter updates in off-years. All of the reports are available on the IPP’s website, www.iowapolicyproject.org.

“Iowa has only recently returned to the employment levels of 2000 and early 2001,” said IPP Research Associate Elaine Ditsler, co-author of the report. “However, Iowa’s new jobs have not fully replaced the wages and fringe benefits of the old jobs.

“Iowa’s middle-income wage earners continue to lose ground; the median wage in Iowa is well below Midwest and U.S. levels. Even wages for university-educated Iowans have declined,” she added.

The report recommends that Iowa join 22 other states that have raised the minimum wage above the federal \$5.15-per-hour level and expand the Earned Income Tax Credit to help low-income families.

In addition, it notes the continuing challenge of affordable health care as job-based health insurance becomes increasingly unavailable.

Key findings of the new report:

■ Iowa’s economy (as measured by real gross state product) has increased 57 percent since 1990, or 3.8 percent annually. By contrast, real median wages have risen by less than 1 percent annually, from \$11.96 in 1990 to \$13.44 in 2005.

- Iowa's median wage in 2005 was still below the 2000 level and has declined 37 cents since 2003.
- Iowa is well below both the national and Midwest two-year averages for median wages, and remains below the national two-year average for median household income, only passing the Midwest average in 2004-05 for the first time in the previous 10 years.
- Iowa job growth has remained extremely slow since the 2001 recession officially ended in October 2001. Iowa continued to lose jobs until mid-2003 before finally returning to pre-recession levels in September 2005.
- Iowa remains over 100,000 jobs behind the pace of the recovery from the 1990 recession. Sixty-four months after the start of that recession, Iowa had a net gain of 139,700 nonfarm jobs; as of July 2006, the same 64-month point for the current recovery, Iowa had a net gain of 37,700 jobs.
- Iowa's two-parent families worked an average of 3,720 hours in 2005 – more than families in all but three states – and Iowans' rate of participation in the labor force is above the Midwest and national averages.
- Since 2001, real wages for college graduates have declined while those for high school graduates have stayed about the same.
- Across the economic sectors that added jobs between 2000 and 2005, the average annual wage was just above \$33,000 and the rate of health insurance coverage was 54.2 percent. In those sectors losing jobs, by contrast, the average annual wage was just above \$37,000 and the rate of health insurance coverage was 65.5 percent.

The Iowa Policy Project (IPP) is a nonprofit, nonpartisan research and policy analysis organization based in Mount Vernon. IPP reports about job and income trends are on the web at www.iowapolicyproject.org.

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