

FOR IMMEDIATE RELEASE WEDNESDAY, SEPT. 24, 2008

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Pay, Benefits Lagging for Young Iowans Trends Make It Difficult for Young Workers to Get By

IOWA CITY, Iowa (Sept. 24, 2008) — Challenges for young workers highlight challenges for all Iowa workers in the current economy, underscoring the need for adequate pay and benefits to pay off student loans and start families.

“Good jobs are the key. They make it possible for all working Iowans, including young Iowans, to support their families adequately,” said Beth Pearson, research associate for the nonpartisan Iowa Policy Project (IPP). “We’ve heard a lot about the so-called ‘brain drain.’ These compensation issues are at the heart of the problem.”

A new report from Pearson and Colin Gordon for IPP, “Young Workers and the Iowa Economy,” is a supplement to the recently released “State of Working Iowa 2008,” which noted the sluggish general nature of the Iowa job picture, and a separate report on challenges facing women workers in Iowa.

“If our state’s leaders adopt ‘high-road’ strategies for economic development, they will make decent pay and benefits a condition of any state assistance to business. Allowing these standards to be relaxed or ignored is hitting young people particularly hard.”

The report recommends stronger wage standards, and assuring adequate funding of public universities and community colleges to make student debt manageable.

According to the report:

■ **Wages:** The hourly median wage for young male workers (ages 25-34) declined in real dollars in 2007 for the fifth straight year, to \$15.05. Since 2001, the median wage for those workers has fallen by \$1.35, or 8.2 percent. Young men aged 18-24 have seen a similar drop over that period.

For young women over that period, wages at ages 25-34 have fallen only about 14 cents (about 1 percent), to \$13.12 — but are nearly \$2 lower than for men at that age. Women between the ages of 18-24 have seen an 8 percent drop, to \$8.44.

■ **Health insurance:** Young adults make up about 42 percent of Iowa’s non-elderly uninsured population. Uninsurance generally declines with age among Iowa adults; only 58 percent of 18- to 24-year-old Iowans had employment-based health insurance in 2007.

“This matters, because young workers can find it difficult to find affordable health insurance outside of work or even to pay an employee’s share of the premium,” Pearson said.

■ **Poverty:** Young workers from age 18 to 24 have by far the highest poverty rate — 10.7 percent — in the non-elderly population working full time, year round.

■ **Student Debt:** According to state officials, an Iowa graduate with average student loan debt will need to pay \$293 a month over 10 years. A basic-needs budget for a young, single adult with no children requires a wage of at least \$9.91 — but that average monthly debt payment bumps that amount to \$11.60.

“Young workers entering the workforce today face more challenging economic prospects than the previous generation,” Pearson said. “Part of this is due to general job trends in Iowa. Growing sectors often tend to pay less and offer fewer benefits than sectors where jobs are declining; young workers are more likely to move into the growing sectors, while older workers keep jobs in the higher-paying sectors.”

IPP Executive Director David Osterberg said the report, like the recent report on issues facing women in the Iowa workforce, expands upon the findings of “The State of Working Iowa 2008.”

“IPP researchers have described what young workers face. The marketplace makes their work life difficult. Programs to cut the wage rate required for state-supported jobs only compounds the problems of young workers,” Osterberg said.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization based in Mount Vernon, with its principal office in Iowa City. IPP reports are on the web at www.iowapolicyproject.org.

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