



# The Iowa Policy Project

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September 2011

## EXECUTIVE SUMMARY

# The State of Working Iowa 2011

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Each fall, we mark Labor Day with a report on the recent experience of working Iowans and their families. *The State of Working Iowa 2011* examines key trends in wages, job growth, and job quality — with particular attention to the impact of the 2007 recession, and the pace of recovery. While Iowa (as other states with limited exposure to the housing bubble) was spared the worst ravages of the recession, its impact was nevertheless significant — and the recovery has been painfully slow.

Our key findings:

- Iowa's unemployment rate peaked at 6.2 percent in late 2010 (nearly 4 percentage points below the national peak), but this understates the impact of the recession both for Iowa and the nation: The rate of *underemployment* in Iowa (taking into account those who have stopped looking and those who are working less than they would like) rose to 11.6 percent and the rate of long-term unemployment (the share of the unemployed out of work for six months or longer) nearly tripled to over 33 percent.
- Even 17 months into the Iowa recovery the state faces a substantial jobs deficit: We need 72,600 jobs to get back to the employment levels of early 2008. To erase this deficit and keep up with Iowa's population growth, we will need to add 3,000 new jobs a month for the next three years. By any measure, this will be the longest recovery in Iowa's modern history.
- The damage is compounded by the fact that we have not lost (or gained) jobs evenly across the economy. Recessionary losses were concentrated in sectors offering good jobs — those paying higher wages and offering job-based health insurance at higher rates. And recovery gains have, by and large, come in lower-wage sectors. The average annual pay (2010 figures) for jobs lost during the recession was \$38,850; the average annual pay for jobs added during the recovery is more than \$5,000 less — only \$32,990.
- Wage growth slowed to a crawl during the recession; indeed Iowa wages for low-wage, median and high-wage workers were all lower in real dollars (adjusted for inflation) in 2010 than they were a decade earlier — a record matched by only two other states.
- This wage stagnation has fallen unevenly across Iowa's population. Especially hard hit have been the earnings and employment prospects of men.
- The recession, in turn, struck hard: The greatest increases in unemployment and underemployment were felt by men, the middle (25-54) age cohort, and those with a high school education but less than a four-year college degree.

Our policy recommendations are straightforward and pragmatic. As wages and job quality slip, it is more important than ever that we buttress the “floor” of the economy with strong wage and work supports (an indexed minimum wage is one recommendation). And, as competition for new investment grows keener, it is more important than ever that we sustain the long-term investments (education, infrastructure) that are proven to attract and retain private employment.