Iowa: Once a Leader, Now a Laggard on Minimum Wage

Iowa’s minimum wage has fallen behind.

- Iowa’s minimum wage last rose to $7.25 on January 1, 2008, the second step of an increase passed in 2007. The U.S. minimum wage reached $7.25 in late July 2009.
- When Iowa moved to $7.25, only Illinois among our neighbors was higher.
- Now, no state minimum wage has lingered at $7.25 longer than Iowa’s. Five of the six states bordering Iowa have approved higher minimums.
- Twenty-nine states and Washington, D.C., have minimum wages set above the federal minimum wage.*

About 181,000 Iowans would benefit from a wage increase to at least $8.75.**

- 12 percent of workers
- 112,000 Iowa workers directly
- 69,000 Iowa workers indirectly
- 181,000 Iowa workers in total — about 3 1/2 times the number of people working at the current minimum.

Who Gains by Raising Iowa’s Minimum Wage to $8.75?

72% are age 20 or over
44% work full time
59% are women
20% have children

On average, they earn 44% of their family’s total income

An increase would have the biggest impact on low-income households.

Source: U.S. Department of Labor and National Conference of State Legislatures

Note: Statistics describe civilian workers age 16+ in Iowa who would be affected by an increase in the state minimum wage to $8.75 by July 2016. See epinet.org/issues/minimum-wage about a three-year increase to $10.10.

Source: Economic Policy Institute
**Costs go up, while wages have not.**

- Had it kept up with inflation since 1992, the Iowa minimum wage would now be $7.91.
- *Minimum wage doesn’t come close to supporting a family’s basic needs budget at Iowa’s current cost of living.* (See graph below.)
- A single parent of two children who is working a full-time job would need to make $28.07 per hour just to cover basic, no-frills monthly expenses; $56,135 annually before taxes and credits.*** Minimum wage pays less than $15,000 per year.

![Minimum Wage Far Short of Hourly Wage Needed to Meet Basic Needs](image)

*Source: The Cost of Living in Iowa 2014, The Iowa Policy Project*

**Studies show a minimum wage increase would boost the overall economy.**

- Increasing wages boosts demand for goods and services.
- Low-income workers are more likely than any other demographic to spend new earnings on necessities, funneling money back to businesses in the communities where they live.
- If the federal minimum wage had been increased to $10.10 in 2013, analysts predicted that the increase would have grown the economy by $22 billion.**

**Iowans broadly support an increase in the minimum wage.**

- 65% of Iowans favor raising minimum wage from its current $7.25 an hour, according to a 2014 Des Moines Register poll.****

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** Economic Policy Institute, February 2015. Also see Economic Policy Institute, December 2013, [http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/](http://www.epi.org/publication/raising-federal-minimum-wage-to-1010/) Note: Indirectly affected workers have an hourly wage just above the proposed minimum wage. They would receive a raise as employers adjusted pay scales upward to reflect the new minimum wage.
*** Iowa Policy Project, *The Cost of Living in Iowa 2014*, [http://www.iowapolicyproject.org/2014Research/140810-CostOfLiving.html](http://www.iowapolicyproject.org/2014Research/140810-CostOfLiving.html); assumes no work supports such as child care, housing, food or energy assistance.
**** The Des Moines Register, “65% favor higher minimum wage,” March 1, 2014.