The Cost of Living in Iowa
2018 Edition

Part 2: Many Iowa Households Struggle to Meet Basic Needs

Peter S. Fisher and Natalie Veldhouse

July 2018

The Iowa Policy Project
20 E. Market Street, Iowa City, Iowa 52245
(319) 338-0773
www.IowaPolicyProject.org
Authors and Acknowledgments

Peter S. Fisher is a national expert on public finance. Fisher holds a Ph.D. in Economics from the University of Wisconsin-Madison, and he is professor emeritus of Urban and Regional Planning at the University of Iowa. He is the author of numerous articles in refereed journals and his book *Grading Places: What Do the Business Climate Rankings Really Tell Us?*, published by the Economic Policy Institute and updated for Good Jobs First, is now an online resource at [gradingstates.org](http://gradingstates.org). Fisher has been the lead author and has directed IPP's groundbreaking *Cost of Living in Iowa* research, of which this report is the latest installment.

Natalie Veldhouse is a Research Associate with the Iowa Policy Project. She previously conducted education and health policy research with the University of Iowa Public Policy Center. As a former AmeriCorps VISTA, Natalie coordinated research efforts for the Johnson County Hunger Task Force. She holds a Master of Social Work degree and a bachelor's degree in Ethics and Public Policy from the University of Iowa.

The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization. Its office is at 20 E. Market Street, Iowa City, IA 52245.

The Iowa Policy Project promotes public policy that fosters economic opportunity while safeguarding the health and well-being of Iowa's people and the environment. By providing a foundation of fact-based, objective research and engaging the public in an informed discussion of policy alternatives, the Iowa Policy Project advances accountable, effective and fair government.

All reports produced by the Iowa Policy Project are made available to the public, free of charge, via the organization's website at [http://www.iowapolicyproject.org](http://www.iowapolicyproject.org).

The Iowa Policy Project is a 501(c)3 organization. Contributions to support our work may be tax-deductible. We may be reached at the address above, by phone at (319) 338-0773, by email at ipp@lcom.net, or through other contacts available at our website.
The Cost of Living in Iowa — 2018 Edition

Part 2: Many Iowa Households Struggle to Meet Basic Needs

By Peter S. Fisher and Natalie Veldhouse

Nearly 100,000 Iowa households do not earn enough to provide for a basic standard of living without public supports beyond health insurance, despite one or more full-time wage earners in the family. Overall, nearly 17 percent of Iowa working households meet this description in recent years, with 227,000 people living in those households. For single parents, the challenge is greater than it is for married couples with children.

This is the finding of Part 2 of the 2018 edition of The Cost of Living in Iowa, building on our analysis of what it takes just to get by, for various family types. In Part 1, we constructed typical family budgets consisting of the no-frills basic monthly expenditures on rent, transportation, child care, food, health care, and household expenses needed by families of different sizes and composition in Iowa. In this report we provide estimates of the percent of Iowa working families who do not earn enough before taxes to meet a basic family budget without help from such work supports as child care assistance or food assistance.

We consider four kinds of households: single persons living alone, married couples without children living at home, married couples with children under 19 living at home, and single parents with one or more children at home. In Part 1, we presented estimates of the before-tax income required by households of these four types that would leave them with after-tax income just equal to the basic needs budget for that type of family. We call this self-sufficiency income. It is the level needed to attain a basic standard of living without the help of any work supports beyond the tax credits received when paying state and federal income taxes, and public health insurance in the case of families without insurance through an employer.

The estimates here are not strictly comparable with those in the 2016 edition because we include public health insurance in this edition. The previous edition assumed individuals without employer-sponsored insurance purchased insurance on the exchange without subsidy. The data analyzed here indicate that 46 percent of working, non-elderly Iowa households with income below basic needs have health insurance from an employer, while 26 percent have public insurance (either Medicaid or Hawk-I for the majority of family members). The remaining 29 percent have purchased insurance on the private market (most, presumably, with the help of ACA-subsidies) or are uninsured.

The estimates presented here are based on data from the U.S. Census Bureau’s American Community Survey, a sample of nearly 30,000 Iowa households. Since the focus of our report is on working families, we excluded senior households and those without at least one adult working full time (defined as 30 hours per week or more).
As noted above, nearly 17 percent of Iowa working households earned below the self-sufficiency level of income. Figure 1 shows that the proportion is higher for single persons, lower for married couples (especially those without children at home), and much higher (over 3 in 5) for single-parent families. This is consistent with research showing higher poverty rates among single-parent households, due to single household incomes, child care expenses, and generally lower educational attainment and wages.²

![Figure 1. Six in 10 Single Parents in Iowa Earn Below Basic Needs](image)

Iowa’s more metropolitan regions have a smaller share of families with incomes below self-sufficiency. In Figure 2, we divide the state into four regions.³ Central Iowa includes Polk County and the seven counties surrounding it (the Des Moines and Ames metropolitan areas). Eastern Iowa includes five metropolitan areas (Waterloo-Cedar Falls, Dubuque, Davenport, Cedar Rapids and Iowa City) along with the counties in between, and the counties between Linn and Johnson counties and our Central Iowa region. Northern Iowa consists of 40 largely rural counties plus the two counties in the Sioux City metro area. Southern Iowa includes 31 largely rural counties plus Pottawattamie County, home of Council Bluffs.

![Figure 2. Southern Iowa has Greatest Share of Working Households Below Basic Needs](image)
The Southern Iowa region has the largest share of households with incomes below the self-sufficiency level (19.4 percent) compared to other regions. Overall, the proportion of households below self-sufficiency level is only a little higher (17.5 percent) in rural portions of Iowa than in metropolitan areas (16 percent).

Of those Iowa households with income below self-sufficiency, nearly 30 percent earn less than half the needed amount. In other words, those families would need to at least double their current earnings to meet basic household expenses without public assistance.

How far do Iowa working households fall short of the self-sufficiency level of income? In Figure 3, we show the average size of the “basic needs gap” — the difference between actual before-tax income and the self-sufficiency level of income. Among all households in the state with income below self-sufficiency, the average shortfall is $12,680 per year. While smaller households face a smaller gap, for married couples with children it is $10,125 and for single parents a daunting $20,008.

Figure 3. Average Basic Needs Gap Statewide from $9,000 to $20,000

Self-sufficiency income less actual income for households with income below self-sufficiency

Nearly 100,000 working households in Iowa do not earn enough to cover a basic family budget (see Table 1). Of the 227,000 Iowans living in households with income below self-sufficiency, 40 percent were in single-parent families. These are conservative estimates because we do not include households that contain adult relatives of the head other than the spouse, multi-family households, or single persons sharing a residence. No doubt some of those households are struggling as well.
Clearly work alone does not produce sufficient income to meet the basic needs of a large number of Iowa households. Such households must rely on a variety of work support programs if they are to achieve a basic standard of living. A final report in The Cost of Living in Iowa 2018 series will consider a broad range of programs and the role they play in helping families make ends meet.

Some disparities in self-sufficiency are apparent among population groups in Iowa. For example, 30.4 percent of working households headed by African-Americans had incomes below the self-sufficiency level compared to 16.3 percent of working households headed by whites. Similarly, a larger share of Hispanic-headed working households had incomes below the self-sufficiency level (27.5 percent) compared to non-Hispanic households (16.3 percent). (More detailed analysis by race and Hispanic origin was not possible due to small sample sizes.) These findings align with research on poverty and income inequality, which offers factors such as residential segregation, substandard housing in low-income areas, and discrimination as explanations for these disparities. While there are racial disparities in the proportion of Iowa working households living below the self-sufficiency level, a large majority of those households are white and non-Hispanic (90 percent).

More female-headed working households had incomes below the self-sufficiency level (18.9 percent) compared to male-headed households (14.8 percent). Research on gender, wages and poverty describes wage discrimination and family structure as contributing factors to this disparity.

### Table 1. Nearly 100,000 Working Households Can’t Meet Basic-Needs Budget

<table>
<thead>
<tr>
<th></th>
<th>Households</th>
<th>Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statewide</strong></td>
<td>99,602</td>
<td>227,261</td>
</tr>
<tr>
<td>Single persons</td>
<td>43,286</td>
<td>43,286</td>
</tr>
<tr>
<td>Married couples without children</td>
<td>8,327</td>
<td>16,654</td>
</tr>
<tr>
<td>Married couples with children under 18</td>
<td>16,925</td>
<td>76,499</td>
</tr>
<tr>
<td>Single parent families</td>
<td>31,064</td>
<td>90,822</td>
</tr>
<tr>
<td><strong>By Region</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Iowa (6 counties)</td>
<td>24,766</td>
<td>58,557</td>
</tr>
<tr>
<td>Eastern Iowa (17 counties)</td>
<td>24,116</td>
<td>54,245</td>
</tr>
<tr>
<td>Northern Iowa (42 counties)</td>
<td>18,339</td>
<td>41,298</td>
</tr>
<tr>
<td>Southern Iowa (32 counties)</td>
<td>32,381</td>
<td>73,161</td>
</tr>
</tbody>
</table>
Appendix: The Data

The estimates presented here are based on data for Iowa from the most recent five years of the American Community Survey (ACS): 2012-2016 released by the U.S. Bureau of Census. We excluded households where the head (or spouse) was age 65 or older, and where there was not at least one adult working at least 30 hours per week. We also eliminated certain types of households because there is no way to know whether or how income and expenses are shared within the household: those that included adult relatives of the head or spouse (adult children, siblings, aunts and uncles, parents), households that included a subfamily or more than one family, and single individuals (such as college students) sharing a residence or living in group quarters. We include families with up to six children.
For each family in the ACS sample we calculate a self-sufficiency budget depending on the ages of adults (which affects health insurance), the ages of any children (which determines the need for child care), total family size (which determines, along with ages of family members, the basic food budget, rent, and miscellaneous household expenses), the number of working adults (which affects transportation costs), and whether or not family members were covered by health insurance from an employer. The basic family budgets are constructed both for families with health insurance from an employer and those without. Those in the ACS sample with health insurance from an employer for all or most family members were assigned the break-even budget that includes the average employee contribution to employer health insurance plans in Iowa. Those without employer-sponsored insurance were assumed to have public health insurance for family members who qualified (Medicaid or Hawk-I) and ACA-subsidized insurance purchased on the Iowa exchange for those who did not. Their break-even budgets included their share of premiums and out-of-pocket costs.

We pool five years of data to get a larger sample in order to increase the reliability of estimates. In the table below, we show both the estimate and the margin of error. The smaller the subpopulation (a particular family type, or a particular region of the state), the smaller the ACS sample and the larger the margin of error of the estimate. That is why we do not present estimates for smaller population groups (e.g., married couples with one child vs. two children, or smaller geographic areas): The margin of error becomes too large.

<table>
<thead>
<tr>
<th>Estimated Proportion of Iowa Working Households with Income below the Self-Sufficiency Level</th>
<th>Proportion Below</th>
<th>Margin of Error*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide — All Working Households</td>
<td>16.6%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Single persons</td>
<td>26.6%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Married couples without children</td>
<td>4.9%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Married couples with children under 18</td>
<td>7.8%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Single parents</td>
<td>62.1%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

* The margin of error describes the 95% confidence interval; for example, we can be 95% sure that the proportion statewide for all households is between 16% and 17.2% (16.6% plus or minus 0.6%)

---

3 We were limited by Census geography. Since we must use the Public Use Microdata sample of the ACS, the smallest geographic area we can identify is the Public Use Microdata Area (PUMA). There are 24 PUMAs in the state under the most recent delineation, based on the 2010 census. Unfortunately, they do not always align with metropolitan areas, and a given PUMA can include urban counties and rural counties.
5 Ibid, Iceland.