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## A 'fair share' of the pie - Minimum wage hike to get look in new session

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- Editor's note: The Iowa General Assembly will convene on Jan. 8. With Democrats controlling the House and the Senate as well as a Democratic governor, a number of changes are likely, especially in laws that affect the workplace. Following is a look at a couple of issues that may be discussed in the coming months.

Some working families may see their billfolds get a little fatter in the coming year.

With Democrats in control of the Iowa House, an effort to increase the state's minimum wage from the current rate of \$5.15 per hour as established in 1997 can be expected. Similar action could be taken in Washington, D.C.

Council Bluffs State Sen. Mike Gronstal, the Democratic leader in the Iowa Senate, said it's likely the Legislature will look at raising the minimum wage early in the session.

"My guess is it will be to raise it to \$7.25, probably in two steps," he said.

Gronstal feels that likely will come in the form of an increase of \$1.05 in 2007 and another \$1.05 in 2008.

The nonpartisan Iowa Policy Project recently updated a report - "A Pay Raise for Iowa?" - it first released at mid-summer calling for an increase in the minimum

wage.

Among the points cited in the report are the fact that Iowa's minimum wage remains the lowest allowed by federal law and is unchanged since September 1997. At that point gasoline prices in the Midwest averaged \$1.22 per gallon, the average home price in Des Moines was \$84,187 and in-state tuition and fees at the University of Iowa were \$2,470.

The average gas price changes almost daily but easily is up by \$1 per gallon, the average Des Moines home costs \$107,588 and tuition and fees at the University of Iowa are \$6,135.

According to the report, an increase to \$6.15 per hour would mean a raise for 5,300 Iowans, with 57 percent of them being adults over the age of 20 and 61 percent of them female.

A raise to \$7.25 per hour would benefit about 257,000 Iowans or nearly 18 percent of the work force.

Knowing the Democrats are in the majority, Gronstal said he feels many Republicans will go along.

"I have not yet heard there is any indication the Republicans are going to oppose it," he said. "I think to some degree there's going to be broad-based support in both parties."

He's unsure how or when the proposal would be introduced.

Andy Warren, state director of the National Federation of Independent Businesses, a past opponent of minimum wage hikes, said he expects to see some action on issue in the first week of the session.

Other states have taken some "pretty extreme" action, he said, including an Ohio ballot initiative that passed with a cost of living component and strict wage reporting.

"If something like that passed, it would be very concerning," Warren said. "We'd be forced to do a pretty full-front effort against that."

The proposals he's heard, similar to what Gronstal talked about, might be something his group would oppose, but it would not be as big a concern, Warren said. He added that the NFIB believes businesses and their employees should decide their wages.

Elaine Ditsler, a research associate with the Iowa Policy Project, said an increase in the minimum wage is long overdue.

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"During the '60s and '70s, the minimum wage was regularly increased at the federal level," she said. "This is the longest period . . . in the history of the minimum wage, without an increase."

Ditsler is encouraging Iowa lawmakers to index the increase to inflation so there are annual increases, something she feels would be helpful to business.

"Businesses like public policy that is predictable," she said.

Four states that border Iowa - Minnesota, Wisconsin, Illinois and Missouri - all have a higher minimum wage, with Missouri's approved by voters in November at \$6.50 per hour. That rate also is indexed to the consumer price index for future increases.

Ditsler pointed out that a recent report from Goldman Sachs - one of the world's most prestigious international banks that is a leading financial adviser to companies, countries and wealthy families - said a national effort to increase the minimum wage is likely and will have minimal impact on the larger economy but will make "a palpable difference to workers in this earnings bracket."

The same report pointed out that many workers now make less than a projected \$7.25-per-hour minimum wage. In the final paragraph, it suggests that indexing the minimum wage to inflation would provide more certainty to businesses and save the energy spent on the periodic debates over the issue.

The NFIB often has suggested increasing the state's earned income tax credit (EITC) as a way to help low-income families. Ditsler said increasing that with the minimum wage would further aid families that are struggling to make ends meet.

"I think that's best done in tandem with the minimum wage," she said.

If the minimum wage is increased without increasing the earned income tax credit, many of those who receive a wage increase will experience a cut in their EITC.

The earned income tax credit targets low-income families who often are left out of more visible tax cuts, Ditsler said. An increase there could be balanced with other changes to make it revenue neutral since the state remains in a budget crunch.



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