Working Blues: Labor Day in Iowa, 2004

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A report for

The Iowa Policy Project

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By Colin Gordon

The recession that began in March 2001 officially ended eight months later when the national economy started growing again. But that "recovery" (now almost three years old) has been, for working Americans, the weakest in modern American history. From March 2001 to August 2003, the United States witnessed the longest string of consecutive job losses (29 months) since the Great Depression. For the first time since 1940 (a period covering 11 recessions), jobs have not recovered within 31 months of an economic downturn – a gap exacerbated by the fact that almost 10 million young Americans have entered the labor force over this span.[1] Just as the strong labor markets of the late 1990s led to real gains for most workers, the recession and jobless recovery have weakened wages and incomes.

For working Iowans and their families, this has been a difficult time. As we suggested in *The State of Working Iowa, 2003*, working Iowans made real strides in the boom of the late 1990s.[2] By the same token, the recession has really hit Iowa – a state (by regional and national standards) with relatively low wages, high rates of labor force participation and hours-worked, and low trade union density. Compared with the average level of nonfarm jobs in 2000, Iowa has lost 32,200 jobs (See Table 1).

Table 1. Total Seasonally Adjusted Nonfarm Employment
Iowa and its Peers, 2000-2003 (in thousands)

	12 Month Averages				**July**	**Change**	**% Change**
	2000	**2001**	**2002**	**2003**	**2004**	**2000-04**	**2000-04**
South Dakota	377.7	378.5	377.3	378.2	380.8	3.1	0.8%
Wisconsin	2833.8	2813.9	2782.4	2778.9	2839.2	5.4	0.2%
Minnesota	2675.7	2680.3	2654.5	2651.3	2672.7	(3.0)	-0.1%
Nebraska	908.4	913.2	905.7	903.8	905.6	(2.8)	-0.3%
U.S.	***131785***	***131826***	***130341***	***129931***	***131272***	**(513.0)**	***-0.4%***
Kansas	1344.9	1347.7	1335	1311.9	1321.6	(23.3)	-1.7%
Iowa	**1478.4**	**1465.6**	**1447.3**	**1440.3**	**1446.2**	(32.2)	**-2.2%**
Missouri	2748.7	2726.4	2694.8	2676.0	2681.2	(67.5)	-2.5%
Indiana	3000.0	2933.4	2900.9	2896.8	2911.8	(88.2)	-2.9%
Illinois	6044.8	5995.2	5883.9	5817.6	5822.4	(222.4)	-3.7%

Source: IPP, Economic Policy Institute analysis of Current Establishment Survey data

[1] Lee Price and Yulia Fungard, "Understanding the Severity of the Current Labor Slump" (EPI Briefing Paper, February 2004).
[2] Every two years the Iowa Policy Project publishes the *State of Working Iowa*, a comprehensive overview of wages and working conditions in Iowa. While the next of these full reports is scheduled for the fall of 2005, we thought it important – given the persistence of bleak labor markets in Iowa and the nation – to offer an interim assessment in the form of this brief report.

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As of July, Iowa has lost 38,500 jobs since the peak of the late-1990s boom (March 2000), 28,000 jobs since the onset of the recession in March 2001, *and 6,000 jobs since the national recovery began in November 2001*. In all, Iowa shed 2.2 percent of its job base between 2000 and July 2004; a record that ranked it sixth among its regional peers (only Missouri, Indiana and Illinois have done worse) and 39th among the 50 states.

The pattern behind the aggregate job picture is even more distressing. As Table 2 shows, the boom of the late 1990s saw strong growth across sectors. After 2000, growth in some of these leading sectors (such as finance and construction) slowed considerably; growth in some others (transportation, professional and business services) ground to a halt; and growth in a few collapsed into substantial losses. Among those sectors leading the loss in jobs were information services (which shed virtually all of the jobs it had added during the 1990s) and manufacturing (which lost over 12 percent of its job base – 31,400 jobs in all – between 2000 and 2003).[3] The collapse of the manufacturing sector was a common symptom across the upper Midwest. Indeed, despite seeing its manufacturing jobs retreat to the levels of the early 1990s, Iowa fared better than most of its regional peers (all of whom, save Nebraska, lost even more ground).

Table 2. Employment by Industry by Year in Iowa
In thousands (not seasonally adjusted)

						Percent Change	
	1995	2000	2001	2002	2003	1995-2000	2000-2003
Financial Activities	77.8	89.6	92.0	93.9	95.4	15.2%	6.5%
Education & Health Services	166.8	181.8	185.4	188.0	189.8	9.0%	4.4%
Construction	55.1	63.9	64.2	64.4	64.7	16.0%	1.3%
Government	230.2	243.3	245.2	244.0	244.8	5.7%	0.6%
Leisure and Hospitality	115.9	125.4	124.1	124.6	125.5	8.2%	0.1%
Transportation and Utilities	51.3	57.8	56.8	57.0	57.3	12.7%	-0.9%
Other Services	56.8	56.7	56.4	56.6	56.2	-0.2%	-0.9%
Prof. and Business Services	89.1	107.6	107.3	105.6	105.2	20.8%	-2.2%
Total Nonfarm	**1358**	**1478.4**	**1465.6**	**1447.3**	**1440.3**	**8.9%**	**-2.6%**
Wholesale Trade	67.3	68.2	68.2	66.8	65.1	1.3%	-4.5%
Retail Trade	176.0	189.7	186.2	182.2	180.7	7.8%	-4.7%
Manufacturing	236.5	251.4	240.2	227.3	220.0	6.3%	-12.5%
Information	32.6	40.3	37.5	35.1	33.7	23.6%	-16.4%

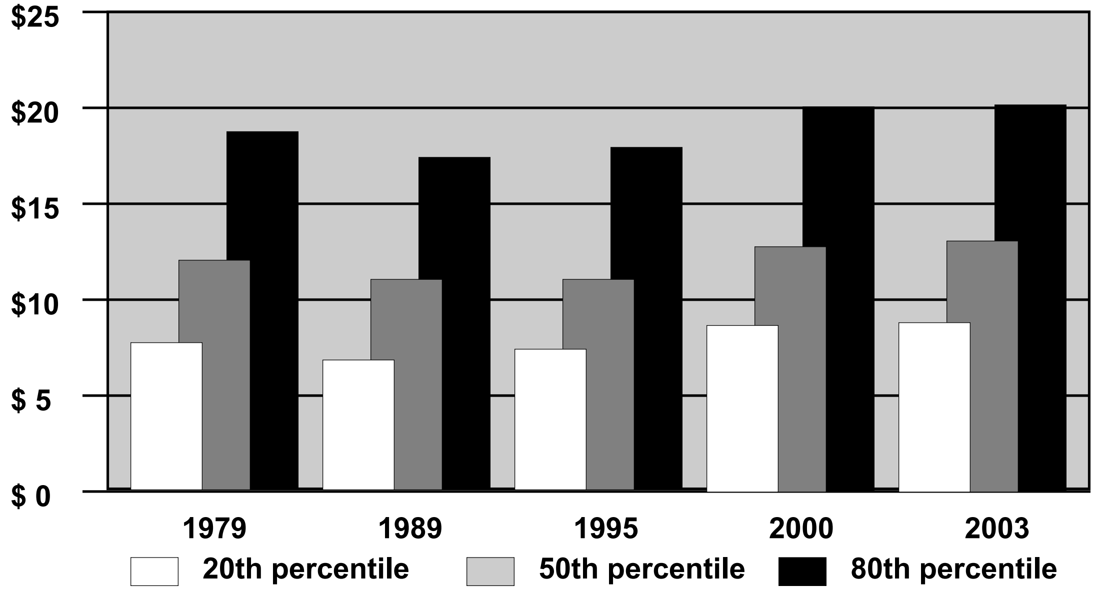
Source: IPP, Economic Policy Institute analysis of Current Establishment Survey data

Not surprisingly, this dismal jobs picture has begun to affect wages. Looking across our recent history, Figure 1 captures the trends for low-wage (20th percentile), middle-wage (median) and high-wage (80th percentile) workers in Iowa: losses for all wage levels during the dismal 1980s, fairly dramatic gains in the late 1990s, and virtual stagnation since then. Table 3 shows median wages, for selected years, across the region. Iowa, ranking among the low-wage states in the region, saw its median wage grow by almost $1.25 in constant (inflation-adjusted) dollars ($11.47 to $12.71) in the last three years of the 1990s. In the three years since then, median wages in the state have climbed only 30 cents. Since there is a significant lag between the

[3] We do not carry the sectoral numbers past the end of 2003 because the monthly job count (by sector) is not seasonally adjusted and, as a result, cannot be compared to the annual numbers for 2000-2003.

business cycle and the rise or fall of wages, continued wage growth is likely from the momentum of the 1990s while the full effects of the recession have not yet hit payrolls. Indeed, national figures (through June 2004) show real wages falling for six of the last seven months.[4]

Figure 1. Iowa Wages 1979-2003 (2003 dollars)



Source: IPP, Economic Policy Institute analysis of Current Establishment Survey data

Table 3. 50th Percentile (Median) Wages, Iowa and Peers (2003 dollars)

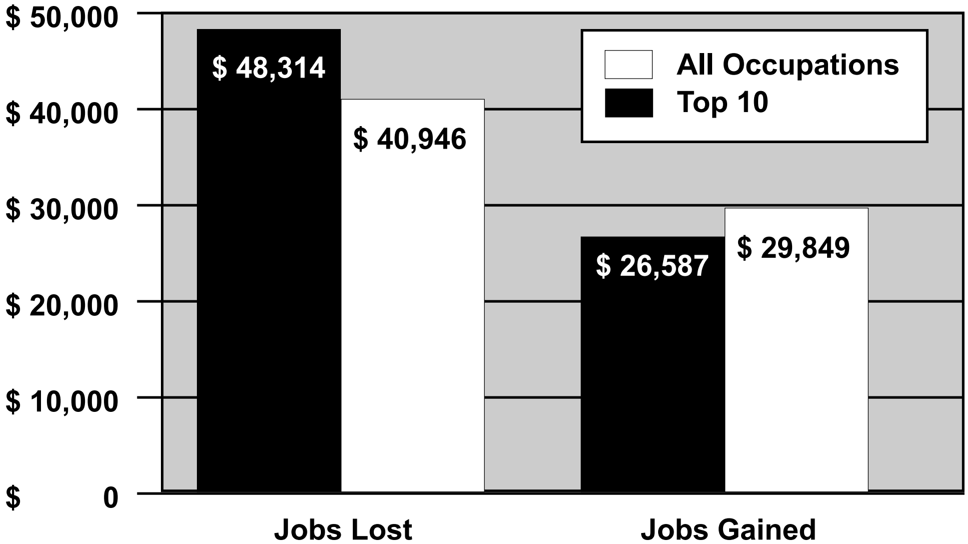
	1979	1989	1995	2000	2003
Minnesota	$12.89	$12.69	$12.89	$15.33	$15.52
Illinois	$13.89	$13.21	$13.26	$13.93	$14.39
Wisconsin	$12.88	$11.80	$12.18	$13.07	$13.77
U.S.	***$12.36***	***$12.36***	***$12.14***	***$13.07***	***$13.62***
Missouri	$11.99	$11.43	$11.62	$13.30	$13.47
Indiana	$12.26	$11.30	$11.49	$12.78	$13.22
Iowa	**$12.03**	**$11.03**	**$10.99**	**$12.71**	**$13.01**
Kansas	$11.80	$11.61	$10.88	$12.42	$12.80
Nebraska	$11.30	$10.41	$10.72	$11.36	$12.12
South Dakota	$ 9.94	$ 9.50	$10.16	$11.57	$11.48

Source: IPP, Economic Policy Institute analysis of Current Population Survey data

Slower wage growth is driven not just by the weakness of the labor market, but by the way in which that weakness falls across sectors and occupations. As we suggested above, Iowa's job losses have been led by a dramatic decline in high-wage sectors such as manufacturing. Just as importantly, those sectors adding new workers have been largely low-wage sectors. Figure 2 summarizes job gains and losses across over 500 occupations from 2000 to 2003. The 10 occupations losing the most jobs over this span boasted an average annual wage of $48,314. The 10 occupations adding the most jobs, by contrast, paid an annual wage of only $26,587 – a gap of almost $22,000. The average wage in all declining occupations was $40,946; the average wage in all growing occupations was $29,849.

[4] EPI, "Inflation Adjusted Wages Fall Again in June" (July 16, 2004 Economic Snapshot).

Figure 2. Average Wage, Jobs Gained and Lost in Iowa 2000-2003 (2003 wages)



Source: IPP analysis of Occupational Employment Statistics survey; Bureau of Labor Statistics, http://www.bls.gov/oes/home.htm

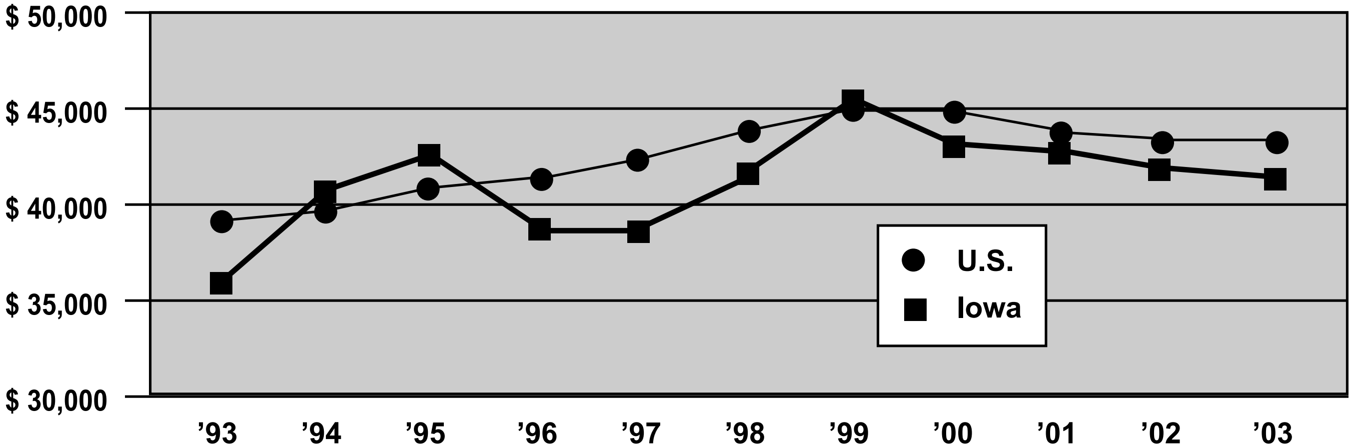
These figures tell only part of the story. Low-wage occupations are much less likely to offer other forms of economic security, such as pensions or health insurance. The sluggish economy, coupled with high health costs, has begun to erode the foundation of job-based health care: coverage, which settled in at about 70 percent of the population (national figures) in the 1990s now stands a shade over 63 percent. This retreat represents both the growing share of low-wage, no-benefit jobs and the determination of many employers to avoid coverage (especially family coverage) entirely or force their employees to shoulder more of the costs.[5] Although Iowa boasts a relatively low rate of uninsurance compared to the nation as whole, this rate has risen sharply – from 8.2 percent in 1999-2000 to 10.4 percent in 2002-2003 (with most of this lost coverage occurring in the last year).[6]

In turn, slow wage growth in a weak economy has made it harder and harder for working families to get by. While workers at most wage percentiles claim hourly wages that are marginally higher than three years ago, they (and other members of their families) are also working fewer hours and enduring stretches of unemployment. For this reason, median household income in Iowa – which peaked in 1999 at $45,365 (above the national median) – has fallen steadily (in constant-dollar terms; see Figure 3, page 5). In 2002-03 (averaged), median household income in Iowa stood at just $41,687, ranking Iowa ahead of only South Dakota in the region – about $1,650 behind the national median and nearly $13,000 behind regional leader Minnesota.

All of this offers us at least a preliminary sketch of Iowa's experience through the recession and the anemic recovery of recent years. From the perspective of Iowa's working families, our recession has been deeper and our recovery more uneven than that of much of the country. This is understandable, given Iowa's relatively weak wage profile and the damage done by the recession – across the state and the region – to manufacturing employment. We have not

[5] See Center For Health System Change, "Trends in U.S. Health Insurance Coverage, 2001-2003" (August 2004); at http://www.hschange.org/CONTENT/694/694.pdf; and Heather Boushey and Joseph Wright, "Improving Access to Health Insurance (Center for Budget and Policy Priorities, April 2004), at http://www.cepr.net/health_insurance/hi_brief.htm.
[6] EPI analysis of U.S. Census Bureau, Current Population Survey, 2000, 2001, 2003, and 2004 Annual Social and Economic Supplements.

Figure 3. Median Household Income (U.S. and Iowa, 1993-2003; 2003 dollars)



Source: US Census Bureau: http://www.census.gov/hhes/income/histinc/h08.html

come close to regaining the jobs lost in the economic downturn of 2001, and those jobs that have been added offer substantially lower wages. As a consequence, wages – across income percentiles – have stagnated and household family incomes have fallen. While we are encouraged by recent signs that Iowa's job picture is improving (a modest 2,000 new jobs in July), we remain wary. We have yet to sustain such gains (after adding 14,100 jobs between June 2003 and April 2004, Iowa lost 5,200 jobs in May and June 2004; the preliminary July 2004 figure shows a gain of 2,000 jobs but that increase may evaporate when the revised figures are released next month). And given the lag between job trends and wage trends, we have yet to see the full impact of the recession on payrolls and pocketbooks.

More information on Iowa jobs

Several reports about Iowa job trends, including this report, are available at **www.iowapolicyproject.org:**

- *The State of Working Iowa, 2003*
- *The State of Working Iowa, 2001*
- Monthly analysis of state employment data

The Iowa Policy Project

The Iowa Policy Project is a nonprofit, nonpartisan organization founded in 2000 to produce and disseminate research on a broad set of issues of importance to the citizens of Iowa. We engage scholars to produce sound, independent research. Contributions to IPP are tax-deductible. For more information, call (319) 643-3628 or visit www.iowapolicyproject.org.