

**THE STATE OF**

**WORKING**



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**2009**

**The Iowa Policy Project**



# The State of Working Iowa 2009

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## The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization based in Mount Vernon, with its principal office 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, IPP advances effective, accountable and fair government.

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The Iowa Policy Project is a 501(c)3 organization. Contributions to support our work are tax-deductible. We may be reached at the address above, by phone at (319) 338-0773, by email at [ipp@lcom.net](mailto:ipp@lcom.net), or through other contacts available at our website.

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## About the cover

From another time, another tremendous economic challenge for the United States, we draw inspiration from the efforts of our country to respond while recognizing the value and the ethic of the American worker. The cover of this report uses artwork from the poster at right, "Work With Care," a work by Robert Muchley, who created it in 1936 or 1937 with the support of the Works Progress Administration.

The poster is part of the *By the People, For the People: Posters from the WPA, 1936-1943* collection at the Library of Congress. The collection, which may be accessed online, consists of 908 boldly colored and graphically diverse original posters produced from 1936 to 1943 as part of President Franklin D. Roosevelt's New Deal.



For more information, visit <http://memory.loc.gov/ammem/wpaposters/wpahome.html>

# The State of Working Iowa 2009

## *Introduction*

This installment of *The State of Working Iowa* comes at an inauspicious moment in our recent economic history. The recession that began in the spring of 2001 lingered for over four years; it was not until the summer of 2005 that state employment recovered to pre-recession levels. Through recession and recovery, wages stagnated and job quality (measured by compensation and benefits) declined. And then, scarcely beginning the upward move into “recovery,” the national economy collapsed again.

The national recession that began in December 2007 is now the steepest downturn since the “double dip” doldrums of the early 1980s. As of July 2009, national unemployment has nearly doubled, rising from 4.9 percent of the labor force (December 2007) to 9.4 percent. According to the Bureau of Labor Statistics, job openings have fallen 42 percent since December 2007, leaving six job seekers for every new job.<sup>1</sup> Given these dismal prospects, nearly one-third of the unemployed have now been pounding the streets in search of work for more than six months.<sup>2</sup> And the weakness of the job market ripples through the economy: The rate of unemployment is matched by the number of workers underemployed (such as those working part time but seeking full-time employment). Wage growth slowed to nearly zero, and actual reductions of wages and/or working hours are not uncommon.<sup>3</sup>

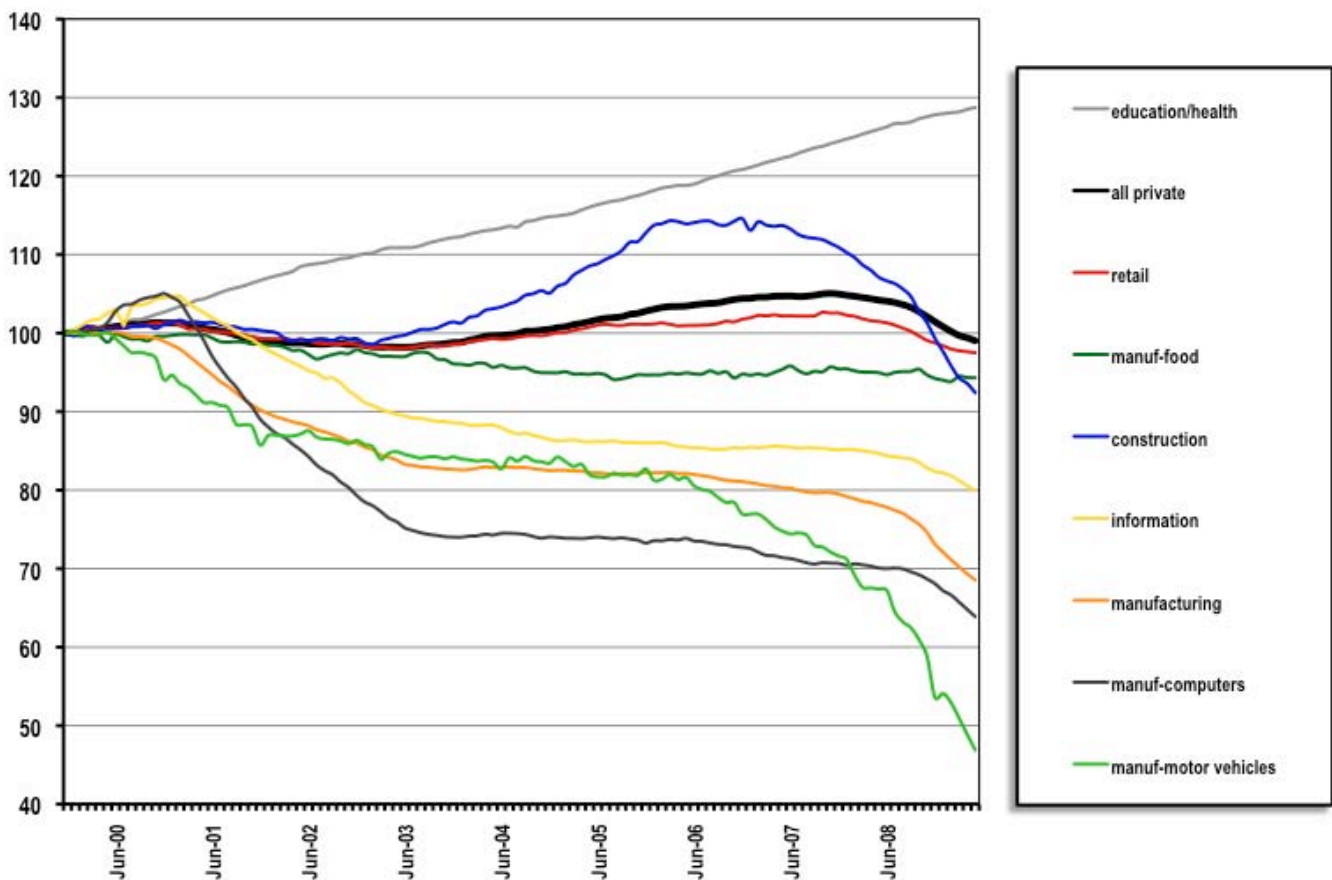
Because the nation’s recession was precipitated by the collapse of the housing market, its impact has been much more pervasive and painful. With housing values went both billions of dollars of household wealth and the stability of the banking system. As credit evaporated, so too did new business investment and spending on consumer durables — especially automobiles. The housing crash hit working families much more directly than a simple dip in stock values. As wages stagnated and job-based health coverage declined, working families leaned on home equity in order to prop up family income and meet financial emergencies. The now-infamous regulatory lapses and loopholes in the mortgage industry supplied the market, but it was decades of “subprime” economic gains that created the demand.

Against this dismal national backdrop we present *The State of Working Iowa 2009*. As with previous installments, this report uses the latest available data — drawn from a range of sources — to assess the economic well-being and economic prospects of working Iowans and their families. Our focus is on Iowa jobs and wages against the benchmarks of our own recent history, of our Midwestern peers, and of national trends. This year, we devote special attention to the security of Iowa’s working families — pulling together data not only on jobs and wages but on other facets of economic security (health coverage, housing, debt) as well.

## Iowa's Recession

The current recession, for a variety of reasons, has not hit Iowa as hard as it has other areas of the country. A snapshot of national job losses since 2000 in key sectors (Figure 1) captures the recession's impact across the economy, showing (a) the boom and bust and then steady decline in high-tech (computer manufacturing, information), (b) the dramatic collapse in consumer durables (auto manufacturing), (c) the relative stability of food manufacturing, (d) the tendency of some sectors (construction, retail) to track the general health of the economy, and (e) the lone bright spot of steady growth in education and health services.

**Figure 1. Except for Education/Health, All Job Sectors Trend Downward Since 2000**  
*data indexed to January 2000 (100 = January 2000 jobs)*



Source: Iowa Policy Project (IPP) analysis of Occupational Employment Statistics (OES) data

Nationally and regionally, the recession has struck much harder in those states with substantial stakes in struggling sectors (See Table 1, next page). Among Iowa's Midwestern peers, for example, those more closely aligned with the Great Lakes-centered automotive industry (Indiana, Illinois) have job losses exceeding the national rate; those more invested in agricultural processing (South Dakota, Nebraska) are doing relatively well. Iowa is also somewhat insulated from the housing crash, which has been much more severe in speculative exurban markets (especially in Southern California and Florida) and in areas of the country suffering sharper job losses.

But we can take little solace in the fact that others are doing worse. Our job losses, while not as stark, have generally tracked national trends (Figure 2, page 4), dipping more dramatically during the 2001 downturn and a little less dramatically this time around. Figure 3, which tracks changes in Iowa's employment, unemployment and total labor force since 2000, suggests the suddenness and severity of the current downturn. Across the last business cycle, the labor force shrank with the economy and unemployment rose steadily, peaking at a little more than 75,000 Iowans in the fall of 2004. Since December 2007, by contrast, the number of unemployed Iowans has spiked to over 100,000 while the labor force (the number of Iowans working or seeking work) has continued to grow. We have lost 46,000 jobs since the onset of the recession (about 3 percent of our job base). Over that time, the working-age population has grown — leaving an effective jobs shortfall of over 62,000. And the unemployed are spending much longer looking for work. Recent estimates suggest that as many as 32,000 (about a third of those currently unemployed) Iowans will exhaust their unemployment benefits before the end of the year.<sup>4</sup>

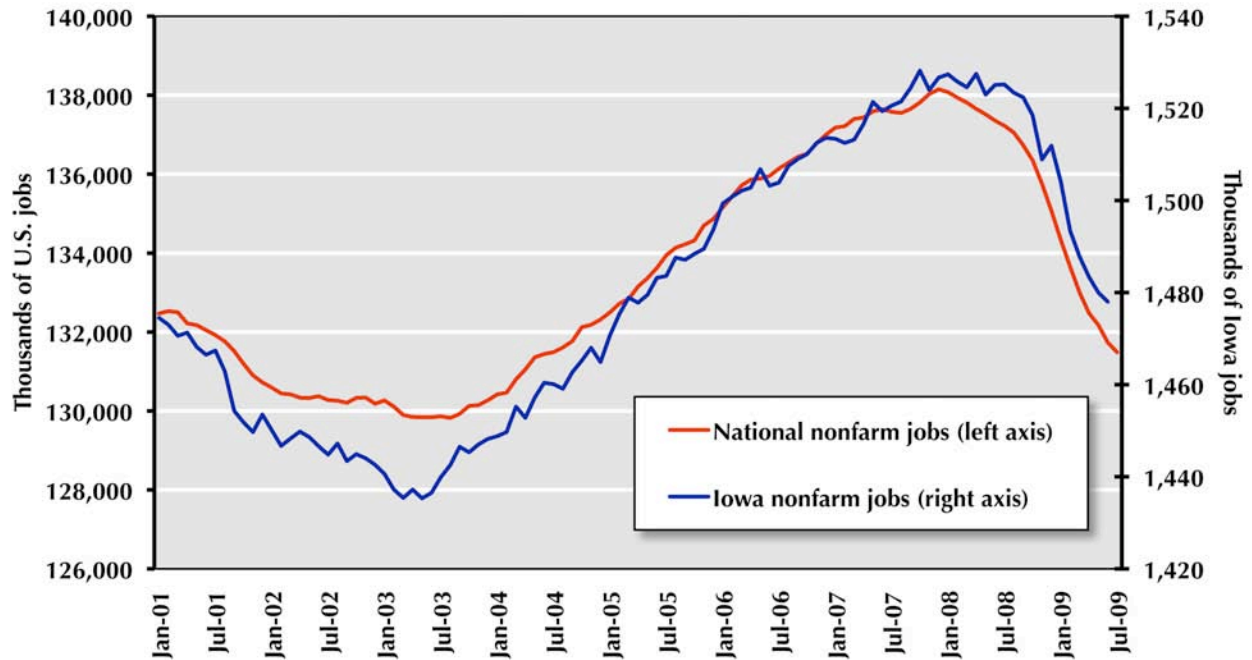
**Table 1. Iowa Job Losses in Bottom Half of States Nationally**

*Total Nonfarm Employment, seasonally adjusted, change from December 2007-July 2009*

Arizona	-9.1%
Michigan	-8.5%
Nevada	-8.2%
Florida	-7.5%
North Carolina	-6.2%
Oregon	-6.2%
California	-6.2%
Idaho	-6.1%
<b>Indiana</b>	<b>-6.1%</b>
Georgia	-6.1%
Delaware	-5.9%
Ohio	-5.5%
<b>Illinois</b>	<b>-5.4%</b>
Alabama	-5.2%
Kentucky	-5.2%
Utah	-5.0%
Tennessee	-5.0%
Rhode Island	-5.0%
South Carolina	-4.9%
<b>UNITED STATES</b>	<b>-4.8%</b>
<b>Wisconsin</b>	<b>-4.7%</b>
Vermont	-4.6%
Connecticut	-4.2%
Hawaii	-4.2%
<b>Minnesota</b>	<b>-4.2%</b>
Colorado	-4.0%
Maine	-3.8%
New Mexico	-3.7%
New Jersey	-3.7%
Washington	-3.5%
Mississippi	-3.5%
West Virginia	-3.4%
Pennsylvania	-3.3%
<b>Kansas</b>	<b>-3.3%</b>
Massachusetts	-3.2%
<b>Iowa</b>	<b>-3.0%</b>
<b>Missouri</b>	<b>-2.9%</b>
Virginia	-2.8%
New Hampshire	-2.7%
Arkansas	-2.4%
Maryland	-2.3%
Montana	-2.0%
Wyoming	-1.7%
New York	-1.5%
<b>Nebraska</b>	<b>-1.4%</b>
Texas	-1.1%
Oklahoma	-0.7%
<b>South Dakota</b>	<b>-0.7%</b>
Louisiana	-0.6%
Alaska	0.9%
North Dakota	2.5%
District of Columbia	2.6%

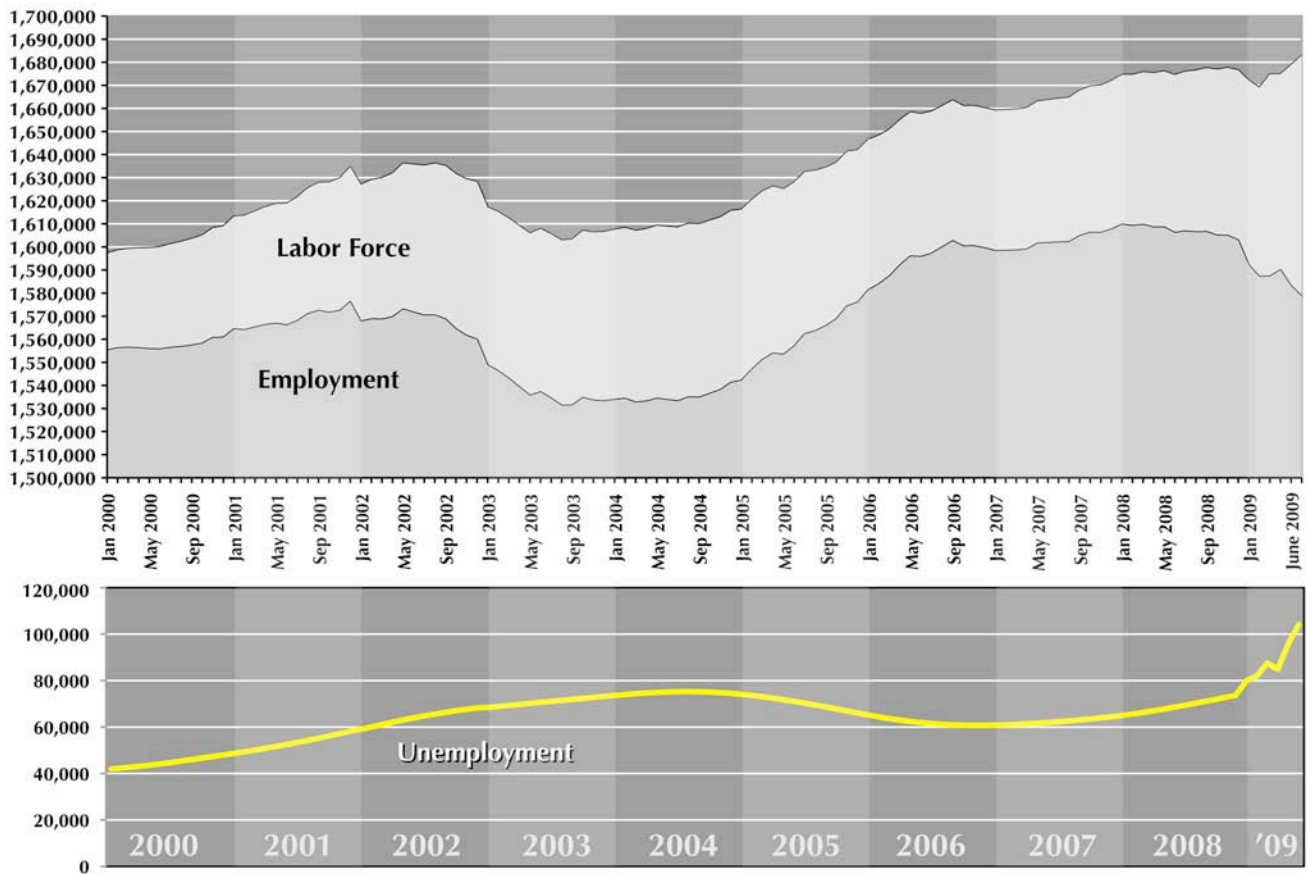
Source: Economic Policy Institute (EPI) analysis of Current Employment Statistics (CES) survey data

**Figure 2. National and Iowa Jobs Fall Back Toward 2001 Levels**



Source: IPP/EPI analysis of CES data

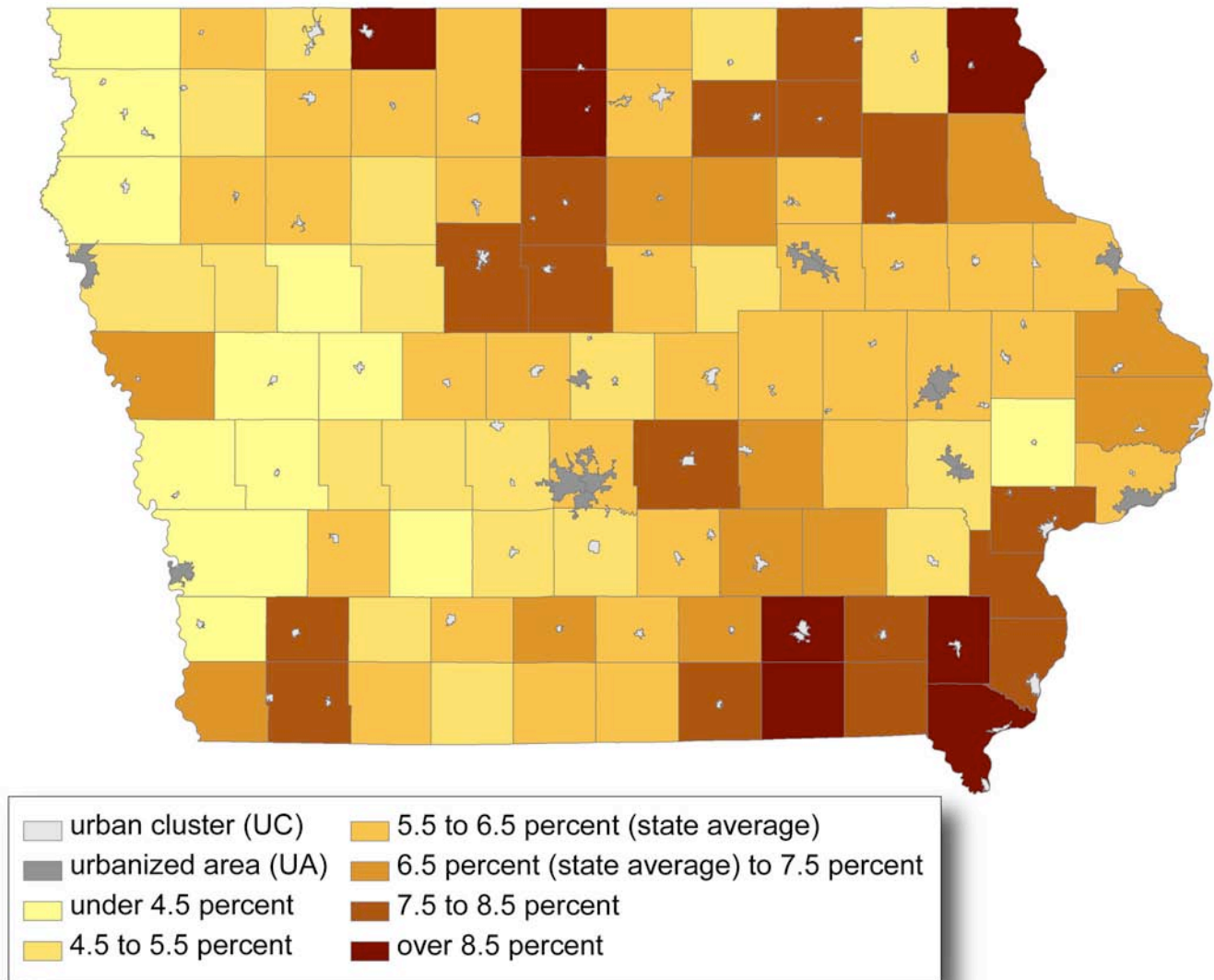
**Figure 3. Iowa's Employment, Unemployment and Labor Force Swing Since 2000**



Source: IPP/EPI analysis of Current Population Survey (CPS) data

The geography of Iowa's employment reflects the regional and sectoral character of the recession (see Map 1). Unemployment rates are higher in counties with small, struggling manufacturing centers (Ottumwa, Charles City, Newton, Oelwein, Shenendoah) and in the state's eastern reaches. This reflects the stark losses in manufacturing (especially to the east) and the relative stability of the agricultural economy (especially in rural and western counties).

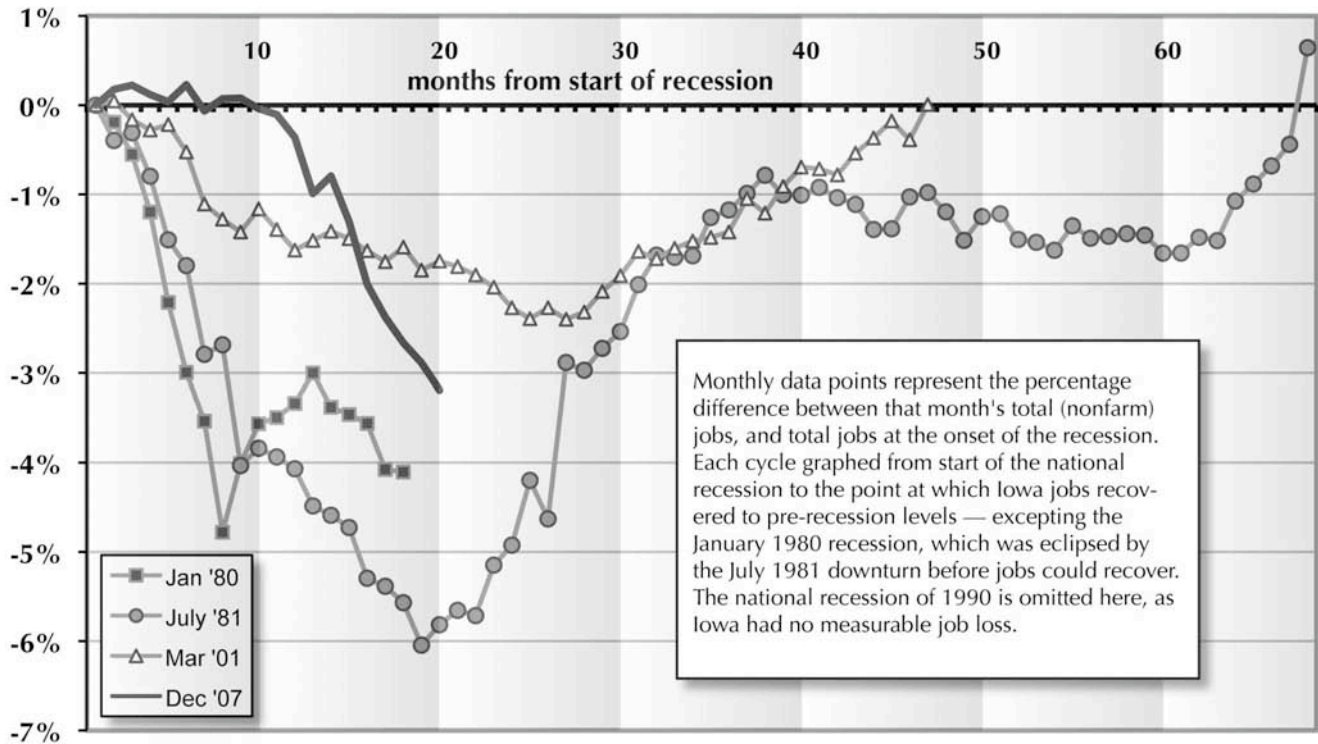
**Map 1. Unemployment By County, July 2009**



*Source: Iowa Workforce Development*

Another way to measure of the severity of this downturn is to compare it to past recessions — looking to both the steepness of the decline and the timeline for recovery. Figure 4 charts state job losses through our last four recessions. The trajectory of job loss resembles that of the dismal 1980s and is markedly steeper than the downturn of 2001. Recovery on the timetable of the last recession (about four years to return to pre-recession job totals) is unlikely; recovery even on the timetable of the 1980s is beginning to look optimistic.

**Figure 4. Iowa's Job Losses in Four Recessions, 1980-2009**



Source: IPP analysis of state job numbers calculated by the Federal Reserve Bank of Minneapolis

## Jobs and Wages

### Jobs

To appreciate the severity of the current recession it is important to understand its impact across the workforce. Table 2, next page, shows that the front end of the recession has hurt younger and less-educated workers more than other workers, though no demographic has escaped unharmed. (Unemployment rates were highest for workers with less than a high school education (10.1 percent) and for young workers (8.0 percent.) Unemployment in Iowa hit 6.5 percent in July 2009, a 62.5 percent increase over the 2008 average, a 150 percent increase over the 2.6 percent level for 2000, and the highest rate observed in Iowa since October 1986.<sup>5</sup>

Underemployment is on the rise as well (Table 2). The underemployment rate was highest for those with less than a high school education (16.6 percent) and increased dramatically over 2000's numbers for that demographic (11.9 percent). Young workers also face high levels of underemployment (14.1 percent)

**Table 2. The Iowa Labor Force, 2008**

		Share of labor force	Labor force partic. rate	Unemployment rate	Underemployment rate *	Part-time workers share	Part-time for economic reasons share
<b>All</b>		100%	72.6%	4.0%	7.6%	25.5%	12.3%
<b>Gender</b>	<b>Male</b>	52.5%	77.9%	4.3%	7.9%	18.2%	17.5%
	<b>Female</b>	47.5%	67.5%	3.6%	7.2%	33.4%	9.3%
<b>Age</b>	<b>16-24 yrs</b>	16.2%	76.2%	8.0%	14.1%	46.6%	11.5%
	<b>25-54 yrs</b>	63.8%	87.9%	3.4%	6.6%	18.3%	15.2%
	<b>&gt;55 yrs</b>	19.9%	45.5%	2.6%	5.4%	31.9%	8.1%
<b>Education</b>	<b>Less than HS</b>	10.0%	54.1%	10.1%	16.6%	48.4%	11.1%
	<b>HS grad</b>	29.7%	67.2%	4.4%	9.0%	24.6%	17.7%
	<b>Some college</b>	32.9%	78.4%	3.4%	6.7%	25.8%	11.6%
	<b>BA/BS/higher</b>	27.3%	82.7%	2.1%	3.7%	18.3%	6.9%

\* Underemployment includes those working part time for economic reasons, those unemployed and seeking work who aren't captured by the unemployment data because they had not looked for work in the previous four weeks, and those seeking work but unable to find it. Note: The demographic breakdown of unemployment and underemployment is for calendar 2008, so it misses the substantial further job losses of 2009.

Source: IPP/EPI analysis of Current Population Survey (CPS) data

For some economic sectors the recession has hardened longstanding employment trends; for others the damage is new.

Table 3 shows Iowa job gains and losses by industry between 2000 and 2008. The Information sector has been witnessing a slow decline since the "dot.com" bust of 2000-01, with total employment down 6,900 jobs or 17 percent in that period. Manufacturing lost 23,600 jobs between 2000 and 2008, a decline of 9.4 percent. Financial Activities, Construction, and Education and Health Services have gained jobs over that period (15 percent, 14.2 percent, and 13.8 percent, respectively), though in different ways. Financial Activities and Education and Health Services both increased slowly throughout the period. Construction peaked in 2006 and has been off slightly from that peak. Retail has declined slowly since 2000 and is down 11,300 jobs in Iowa as of 2008.<sup>6</sup>

**Table 3. Job Gains/Losses by Industry in Iowa, 2000-08**

	Jobs Lost or Gained 2000-08 (000s)	Average Weekly Wage (2007)
Total Nonfarm	44.8	
Financial Activities	13.4	\$1,077
Wholesale Trade	0.7	\$911
Manufacturing	-23.6	\$885
Information	-6.9	\$814
Construction	9.1	\$811
Transportation and Utilities	4.4	\$721
Prof. and Business Services	13.9	\$717
Education and Health Services	25.1	\$645
Natural Resources and Mining	0.1	\$582
Other Services	1	\$470
Retail Trade	-11.3	\$411
Leisure and Hospitality	10	\$239

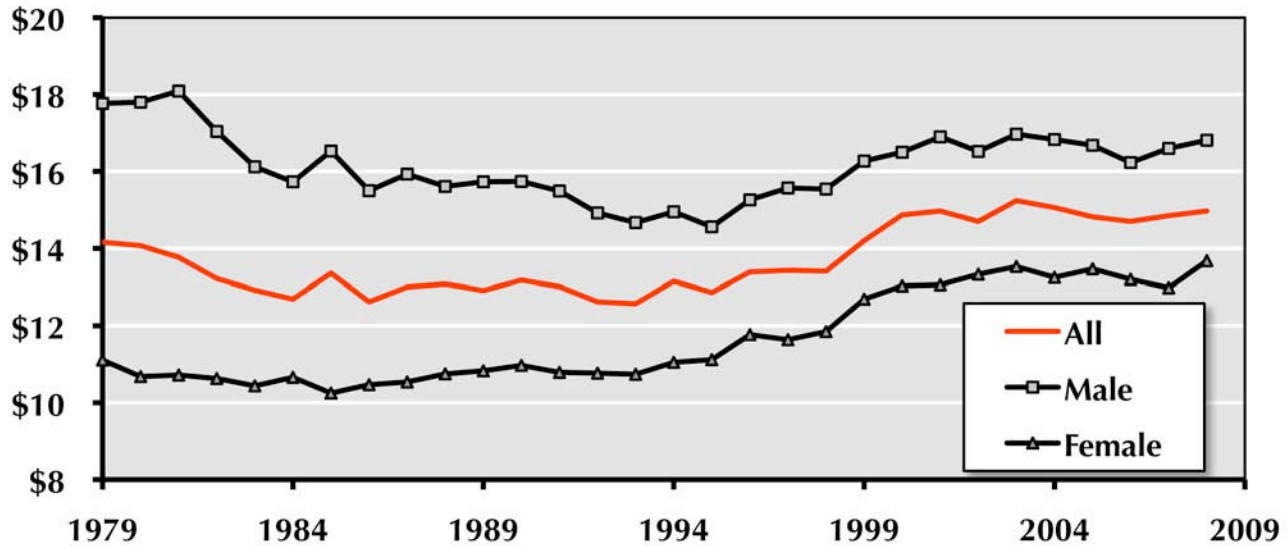
\*Sectors showing net job growth shaded gray.

Source: IPP/EPI analysis of Current Employment Statistics survey data; wages from Quarterly Census of Employment and Wages (Iowa Workforce Development).

## Wages and Incomes

Just two years into the state's recovery, another recession struck. Last year, we reported that 2001-2007 marked the first business cycle in recorded history where median family income actually lost ground. In 2008, Iowa took a small step toward improvement. Figure 5 plots the median wage for all Iowans, women and men from 1979 to 2008. Wages are up very slightly for all workers and for men. Women logged slightly better wage increases that brought them to their highest wage on record. This reflects national patterns in which modest wage growth was sustained through the first year of the downturn.

**Figure 5. Median Wage by Gender, Iowa, 1979-2008 (2008 dollars)\***



Source: IPP/EPI analysis of CPS data.

\*Wages adjusted for inflation using the CPI-U-RS

It is also interesting to look at wage distributions over time according to educational attainment. Though wages improved through 2008, workers with a high school education or less were earning below 1979 levels when wages are adjusted for inflation, and those without high school diplomas were making a tremendous 25.4 percent less. Wages have improved for the other groups, most notably for workers with bachelor's degrees or higher (14.6 percent increase).

**Table 4. Median Wage by Education, Iowa, 1979-2008 (2008 dollars)\*\***

	1979	1989	1995	2000	2008	% Change 1979-2008	% Change 2000-2008
<b>All</b>	\$14.16	\$12.91	\$12.86	\$14.87	\$14.97	5.7%	0.7%
<b>Less than high school</b>	\$13.25	*	*	*	\$9.89	-25.4%	-
<b>High school</b>	\$13.59	\$11.86	\$11.37	\$13.45	\$13.56	0.2%	-0.8%
<b>Some college</b>	\$13.48	\$12.26	\$12.18	\$14.29	\$14.06	4.3%	-1.6%
<b>Bachelor's or higher</b>	\$17.84	\$18.08	\$19.04	\$21.83	\$20.45	14.6%	-6.3%

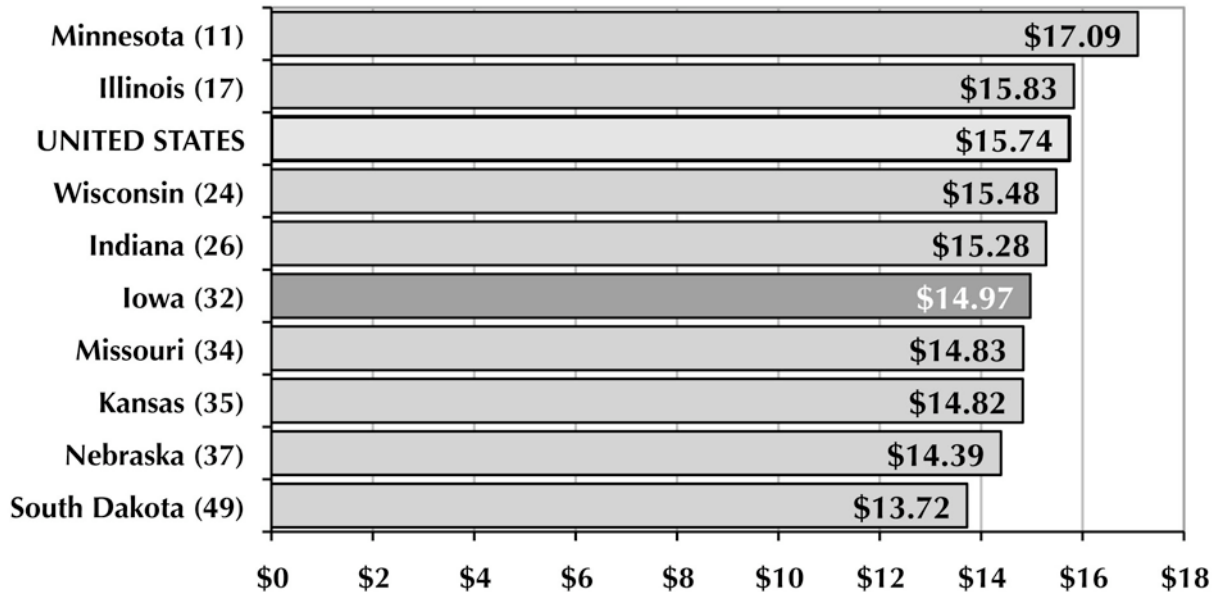
\* Not available due to insufficient sample size

\*\* Wages adjusted for inflation using the CPI-U-RS

Source: IPP/EPI analysis of CPS data

Figures 6 through 8 show how Iowa compares to its peer states in terms of wages at low (20<sup>th</sup>), median (50<sup>th</sup>) and high (80<sup>th</sup>) percentiles. Iowa's median wage is \$14.97, an increase of nearly 70 cents over last year. This ranks the state 32<sup>nd</sup> in the nation and 77 cents below the national average of \$15.74. Regionally, Iowa falls right in the middle, besting Missouri, Kansas, Nebraska and South Dakota and lagging behind Minnesota, Illinois, Wisconsin and Indiana (Figure 6).

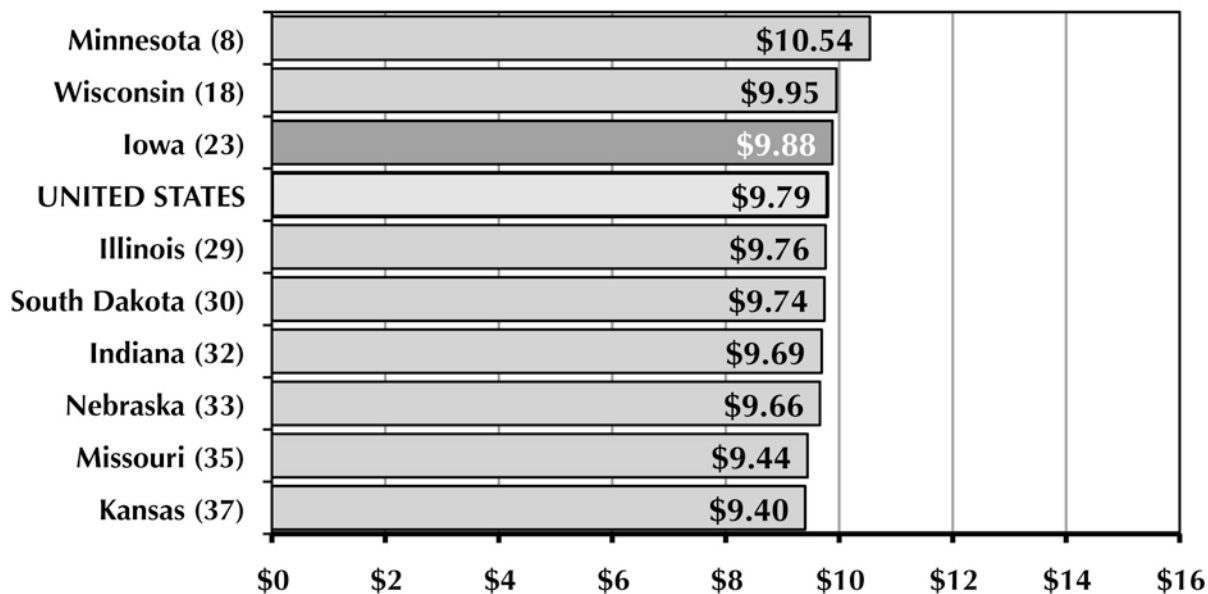
**Figure 6. Median (50th Percentile) Wages, Iowa and Peers, 2008**



Source: IPP/EPI analysis of CPS and American Community Survey (ACS) data.

Low-wage workers fare a little better in Iowa than in the nation as a whole (Figure 7). In Iowa, the wage paid to earners at the 20<sup>th</sup> percentile is \$9.88, compared to \$9.79 for the United States. Iowa ranks 23<sup>rd</sup> in the nation by this measure, a big improvement over last year's 32<sup>nd</sup> place ranking. Iowa falls near the top of the region, topped by only Minnesota (\$10.54) and Wisconsin (\$9.95). Though Iowa fares well compared to its peer states, it by no means indicates that life is easy for low-wage workers in the state. Considering the state's cost of living (a measure that includes child care, health care, housing, food, clothing and other necessities, transportation, and income tax), a single adult household would need to earn \$9.91 to make ends meet and a two-parent, two-child household with two incomes would each need to earn \$10.92 to pay the bills.<sup>7</sup> This perspective illustrates that, despite Iowa's relatively good ranking within the region, low-wage workers in the state have a very difficult time making ends meet.

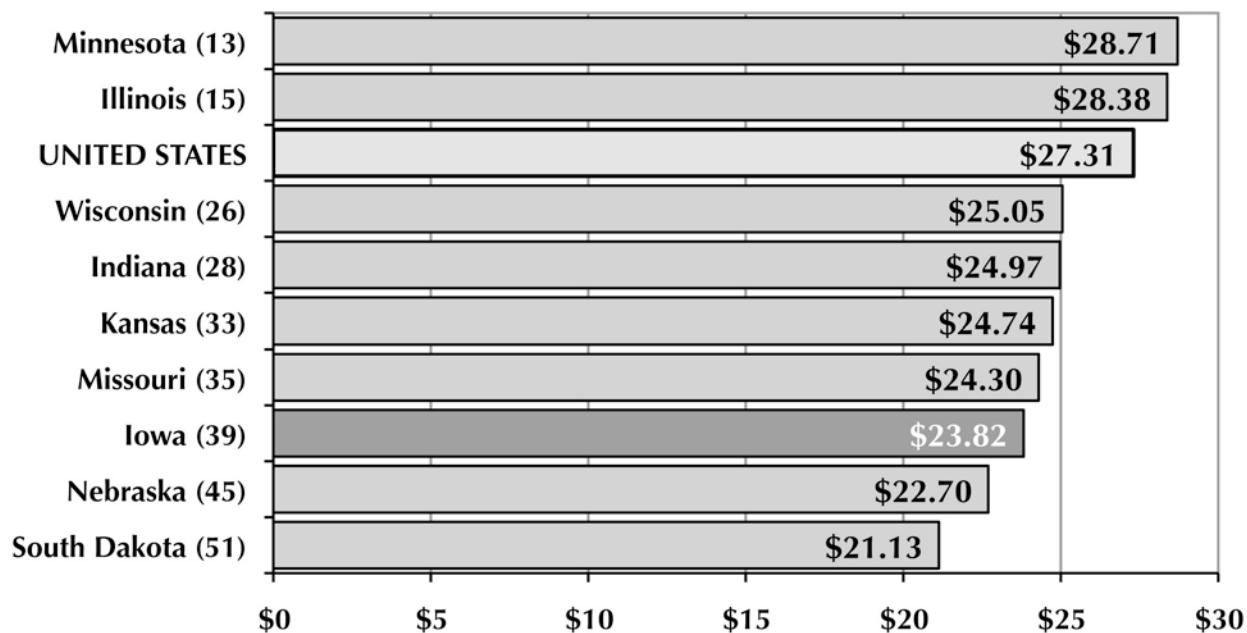
**Figure 7. Low (20th Percentile) Wages, Iowa and Peers, 2008**



Source: IPP/EPI analysis of CPS and ACS data.

High-wage workers do not fare as well in Iowa, relatively speaking. At the 80<sup>th</sup> percentile wage (80 percent of Iowa workers are paid less, 20 percent more), Iowa ranks 39<sup>th</sup> in the nation at \$23.82, beating out only two states in the region: Nebraska and South Dakota (Figure 8). Without competitive wages at the high end of the income distribution, it can be very hard for the state to retain young talent and attract top professionals and entrepreneurs.

**Figure 8. High (80th Percentile) Wages, Iowa and Peers, 2008**

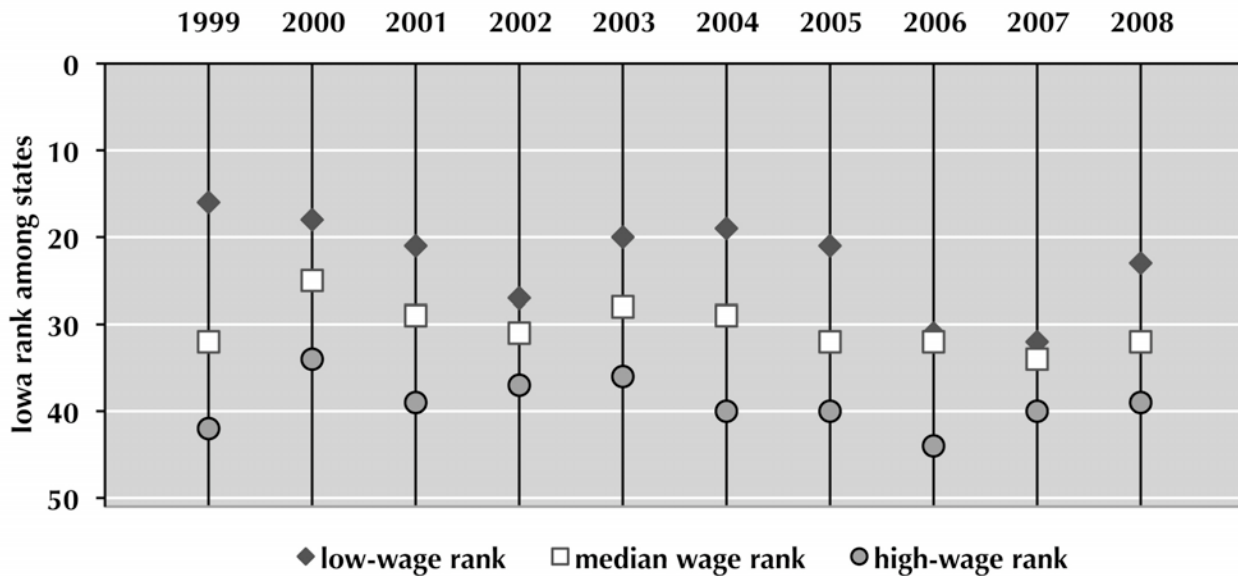


Source: IPP/EPI analysis of CPS and ACS data.

Figure 9 plots Iowa's position among all states at the low-, median- and high-wage rank. As the graph shows, wages in Iowa have been stagnating for quite some time. Median and high wages

have remained virtually the same since 2001, though there is a bright spot in terms of the improvement in wages for low-wage workers. Notably, wages at the 80<sup>th</sup> percentile have consistently ranked near the bottom of the nation, even while Iowa's low-wage workers generally rank in the top half or higher.

**Figure 9. Iowa Wage Ranking, 2008**



Source: IPP/EPI analysis of CPS and ACS data.

Of course, all similarly paying jobs are not equal. Using the criteria set forth by the Center for Economic Policy Research, a job must have three characteristics to qualify as a “good” job: (1) it should pay at least \$17 per hour, (2) it should have employer-sponsored health care and (3) it should provide an employer-sponsored retirement plan. A “bad” job is missing all of these criteria.<sup>8</sup> Typically, about 25 percent of jobs in a state meet all three criteria and qualify as good, whereas 30 percent typically qualify as bad.<sup>9</sup> Wages are the first step to ensuring that a job is a good one. While the minimum wage (\$7.25 in Iowa since January 2008, matched nationally by

the federal increase in July 2009) provides some support for low-wage workers, it leaves workers far short of the income needed to pay their bills. Even with Iowa's relatively low cost of living (38<sup>th</sup> in 2008<sup>10</sup>), a two-parent, two-income, two-child household would need each parent to make \$10.92/hr at a full-time job just to cover basic living costs.<sup>11</sup>

**Table 5. Iowa Ranks Near the Middle for Median Wage Among Peer States (2008 dollars)\*\***

	1979	1989	1995	2000	2008
Minnesota	\$15.17	\$14.85	\$15.09	\$17.94	\$17.09
Illinois	\$16.35	\$15.46	\$15.52	\$16.30	\$15.83
<b>UNITED STATES</b>	<b>\$14.55</b>	<b>\$14.47</b>	<b>\$14.21</b>	<b>\$15.30</b>	<b>\$15.74</b>
Wisconsin	\$15.16	\$13.80	\$14.25	\$15.30	\$15.48
Indiana	\$14.43	\$13.23	\$13.44	\$14.95	\$15.28
<b>Iowa</b>	<b>\$14.16</b>	<b>\$12.91</b>	<b>\$12.86</b>	<b>\$14.87</b>	<b>\$14.97</b>
Missouri	\$14.12	\$13.38	\$13.60	\$15.57	\$14.83
Nebraska	\$13.30	\$12.18	\$12.54	\$13.29	\$14.39
South Dakota	\$11.70	\$11.12	\$11.89	\$13.54	\$13.72

Source: IPP/EPI analysis of CPS data.  
\*\* Wages adjusted for inflation using the CPI-U-RS

As shown in Table 5, Iowa's median wage in 2008 (\$14.97) falls well below the “good job”

wage standard (Table 5 shows wages regionally from 1979, 1989, 1995 and 2008). Iowa ranked

fifth in our eight-state peer group for median wages in 2008 at \$14.97. Minnesota tops the group at \$17.09 and South Dakota comes in last at \$13.72.

This recession has affected men particularly harshly. As the housing industry slowed, there was a notable job loss in construction and other traditionally male-dominated industries. By contrast, hiring in government and health care has helped to maintain female employment levels. From December 2007 to December 2008, adult female unemployment rose by 1.6 percent, from 4.3 percent to 5.9 percent. By contrast, adult male unemployment rose by 2.8 percent from 4.4 percent to 7.2 percent.<sup>12</sup> The labor force participation rate is the percent of all persons age 18 or older who are either working or seeking work. Though both male and female workers increased their labor force participation between 2000 and 2008, Table 6 shows that over the longer haul (since 1979), female participation has increased and male participation has decreased. Males' labor-force participation declined by 4.3 percentage points from 1979 to 2008 whereas the female participation rate increased by 15 percentage points over the same period. As of the end of 2008, men participated in the labor force at higher rates than women, though they are much closer than they were nearly 30 years ago.

**Table 6. Female Labor Force Participation is on the Rise**

	1979	1989	1995	2000	2008	Change 1979- 2008	Change 2000- 2008
<b>All</b>	66.9%	70.2%	72.5%	70.9%	72.6%	5.7	1.7
<b>Male</b>	82.2%	78.5%	78.5%	76.8%	77.9%	-4.3	1.1*
<b>Female</b>	52.5%	62.4%	66.9%	65.1%	67.5%	15.0	2.4

*Note: Change columns reflect percentage-point differences*

*\* Difference statistically insignificant*

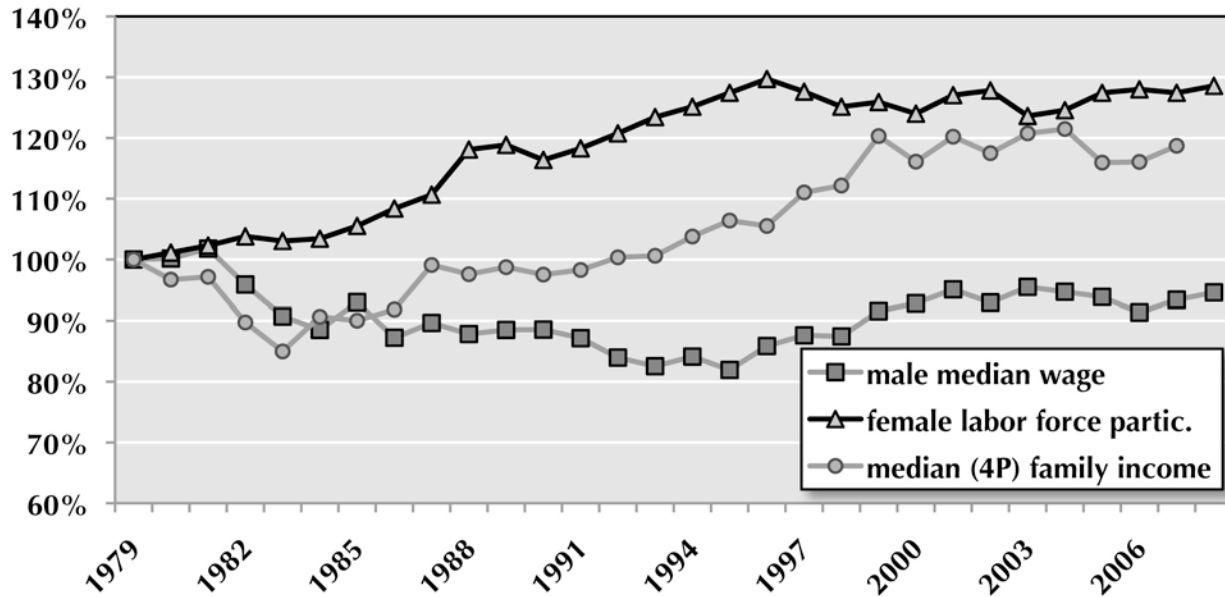
*Source: IPP/EPI analysis of CPS data.*

## ***Family Insecurity***

The wage and job quality trends outlined in our *State of Working Iowa* series — all underscored by the current recession — contribute to the growing insecurity of Iowa's working families. This next section describes how the paucity of good jobs, the steady decline in job-based benefits, the stagnation of wages and family incomes, the erosion of many public benefits, and the growing burden of basic household necessities (housing, health care, child care) have combined to leave many struggling from paycheck to paycheck, and increasingly vulnerable to any disruption in earnings. The results are telling: dramatic increases in the rates of personal bankruptcy, mortgage foreclosure, and unsecured debt.<sup>13</sup>

Family insecurity is rooted in the dismal trajectory of wages. The median male wage in Iowa is lower today than it was a generation ago, in 1979. The only real increase in family incomes has come from the second paycheck added by a working spouse: women's participation in the Iowa labor force has grown from just over half (52.5 percent) in 1979 to over two-thirds (67.5 percent) today, pushing the median income for a four person Iowa family up about 17 percent (from \$60,667 to \$70,309) over the same span. These trends are summarized in Figure 10 (next page).

**Figure 10. Male Wages, Female Labor Force Participation and Family Incomes, 1979-2008**

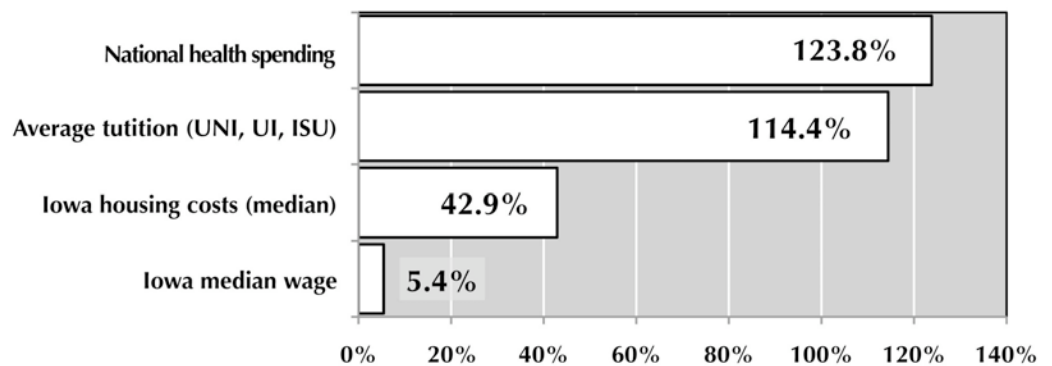


Note: Each line represents the trend since 1979, where the 1979 value (wage participation rate or median income) is given a value of 100 percent.  
 Source: IPP/EPI analysis of CPS and ACS data.

It is a common mistake to attribute this change (second-earner support of higher family incomes) to increases in discretionary spending and family living standards. Working hours (for both wage earners) are increasing not to support reckless consumption, but to meet the growing burden of basic household needs — housing, education, health insurance, transportation and child care.<sup>14</sup> While wages and incomes have remained essentially flat over the last decade (see Figure 11), the cost of participating in job-based family health coverage has swollen more than 12 percent.

Tuition at Iowa’s public universities — even as education becomes increasingly important to success in the labor market — has more than doubled. And housing costs — reflecting the importance of housing as both an investment and a means of accessing good public schools — have grown by nearly half.

**Figure 11. Health Care, Education, and Housing Costs in Iowa Rose Much More Rapidly than the Median Wage, 1999-2008**



Source: National health spending (worker share of premium for family coverage) from Kaiser Health Benefits Survey, 2008; tuition from Iowa Board of Regents; median housing value from U.S. Census and American Community Survey; Iowa median wage from IPP/EPI analysis of CPS.

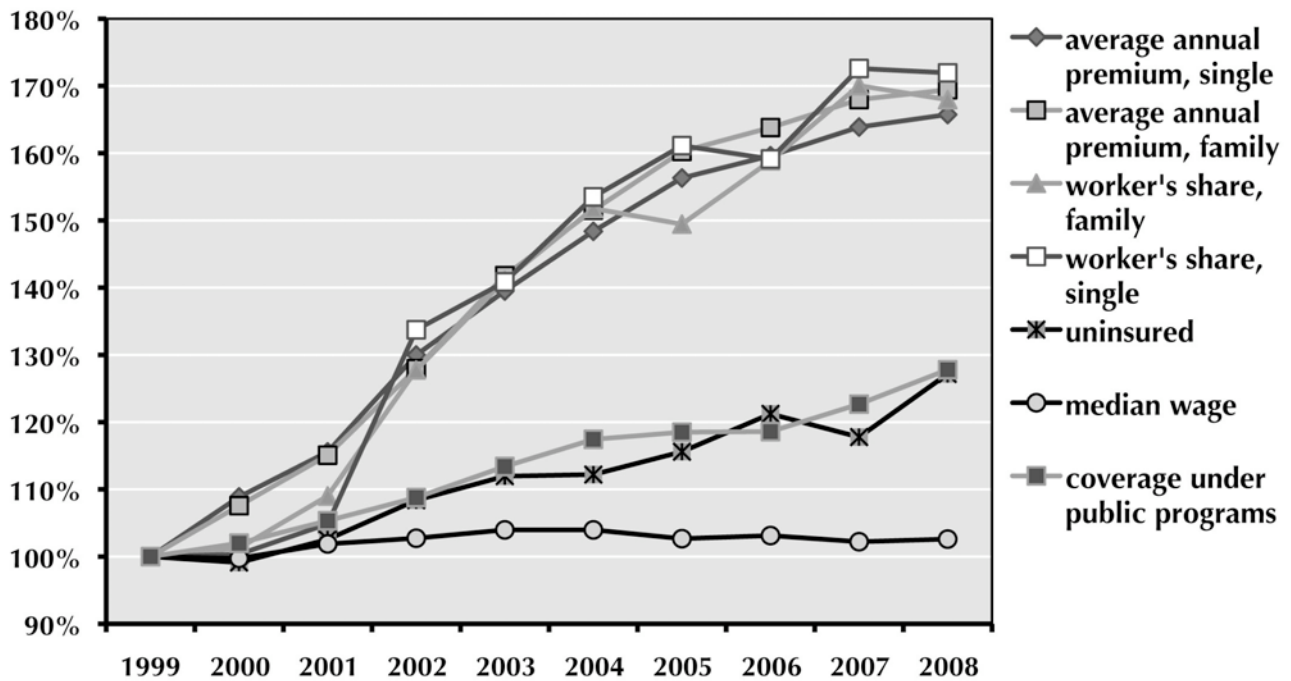
For most Iowa families, two paychecks are a necessity. While this makes it possible for many of these families to maintain a basic standard of living, it also effectively doubles the risk posed by unemployment, recession or family crisis, as both incomes are vulnerable to these external forces. With both wage earners fully employed and both paychecks spoken for by essential budgetary demands, families lack the flexibility to respond to any disruption in family income, or any financial setback. And public policies — in retreat over the last decade and strained by the current downturn — cannot bridge the gap. By one recent estimate, about one in eight Iowans live in families whose earnings and income (including support from public programs such as Medicaid) fall short of meeting basic family budgets.<sup>15</sup>

If Iowa's working families are struggling to get by, younger Iowans are struggling just to get started. "Today's young adults," as one national survey concludes bluntly, "are the first generation in a century who are not likely to be better off than their parents."<sup>16</sup> As we documented at this time last year, young Iowans face a tangle of challenges — including the declining quality of entry-level employment, the rising costs of post-secondary education, and — as a result — the widening gap between economic prospects and economic burdens.<sup>17</sup> The current recession only exaggerates this, jeopardizing both immediate and long-term prospects. In 2008, the unemployment rate for Iowa workers under the age of 25 was 8 percent and the underemployment rate was 14.1 percent — both more than double the rates for workers aged 25-54. As the cost of higher education increases, state and federal aid has not kept pace: Between 1997 and 2007, the gap between the average cost of attending one of Iowa's public universities and the maximum Pell (federal) grant grew from \$7,200 to \$12,400. In 2006-07, the average debt for graduating seniors with debt at the Regent universities was almost \$26,000.<sup>18</sup>

### *Health Care*

One of the principal sources of family security is our increasingly fragile health insurance system. Even before the downturn, patterns of health coverage were marked by rising costs, a steady decline in employer-sponsored coverage and a growing burden on public programs (see Figure 12). Nationally, the average annual premium for family coverage is now almost \$13,000, an increase of 120% since 1999 (and projected to continue increasing at the same rate — reaching \$24,000 by 2020).<sup>19</sup> In job-based plans, this cost is split between the employer and the employee and represents a growing burden for both. Employers have begun to "thin out" coverage by offering sparer plans and by passing on more of the costs in the form of higher deductibles, annual caps on spending, co-payments and other forms of cost-sharing.<sup>20</sup> As out-of-pocket spending climbs, working families are forced to make hard choices (turning down coverage they cannot afford and putting off care that is only partially covered<sup>21</sup>) or dig deeper. Even insured Americans (in local and national surveys) now report medical premiums, out-of-pocket costs, uncovered services, and unexpected medical costs as routine sources of insecurity and debt.<sup>22</sup> Indeed, a recent study found that nearly two-thirds of personal bankruptcies resulted in part from medical costs, and that more than three-quarters of those filing had health insurance.<sup>23</sup>

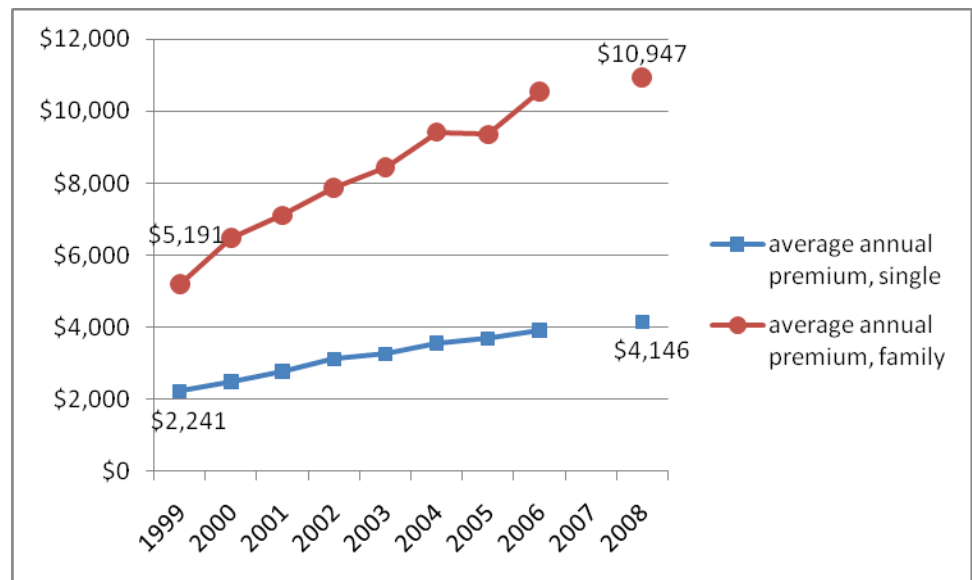
**Figure 12. Median Wage Growth Falls Far Short of Growth in Health Insurance Costs, and Uninsurance Rises Despite More Public Coverage, 1999-2008 (U.S.)**



Source: Health premiums from Kaiser Family Foundation, [Employer Health Benefits 2008 Annual Survey](#); median wage from EPI/IPP analysis of CPS data; rates of health care coverage from US Census Bureau, [Historical Health Insurance Tables, HIA-1](#) and John Holahan et al, [Covering The Uninsured In 2008: Current Costs, Sources Of Payment, And Incremental Costs](#), Health Affairs (2008)

The story of premium increases in Iowa follows national trends. Average premiums for single coverage at private-sector establishments offering health insurance increased 85 percent from 1999-2008. The cost of family coverage more than doubled in that period, witnessing an increase of nearly 111 percent (Figure 13). The employee contribution increased as well, with employee contributions for single coverage increasing by 21.5 percent and for family coverage increasing by 101.8 percent (though the portion of insurance paid by the employee directly either stayed the same or decreased slightly — from 25.8 percent to 23.1 percent for family coverage — reflecting hard times for employer costs as well).<sup>24</sup>

**Figure 13. Health Care Premiums in Iowa Trace National Trends, 1999-2008**



Note: MEPS employer-based health insurance data was not collected in 2007. Source: Medical Expenditure Panel Survey, 1999-2008

Recent years have also seen a steady downward trend in job-based coverage, only partially offset by new public coverage. Between 2000 and 2007, the share of non-elderly Americans covered by job-based plans fell from 68.3 to 62.9 percent. The coverage rates are higher in Iowa, but are falling even faster: from 76.9 percent in 2000 to 70.9 percent in 2007.<sup>25</sup> As job-based coverage contracts, some Iowans qualify for public programs and some join the ranks of the uninsured. Iowa's employment-based plans, for example, shed coverage of over 82,000 children between 2000 and 2007. Iowa was one of only four states (joining North Carolina, Missouri and Wisconsin) to record a double-digit loss in job-based coverage of children over that period.<sup>26</sup>

The forces at work are illustrated in Table 7, which traces both job losses and declining rates of coverage in Iowa since 2000. Across this period, only education and health services showed both strong job growth and a stable rate of job-based health coverage. In most cases, we see modest job growth matched by declining rates of coverage (construction, transportation), or the double blow of job losses and declining rates of coverage. In manufacturing, for example, Iowa has lost over 50,000 jobs since 2000 and the rate of job-based health coverage has fallen by about 2.5 percent over the same span. The result is that the state lost almost 42,000 jobs with health coverage — about 37,000 of which reflect declining employment, and about 5,000 of which reflect loss of coverage for those still working.

**Table 7. Loss of Employer-Sponsored Insurance (ESI) Coverage in Iowa Since 2000**

	2000-2002 numbers			2007-2009 numbers			Loss of ESI attributable to		
	Jan-00 jobs	2002 ESI	covered jobs	Jun-09 jobs	2007 ESI	covered jobs	job losses	less cov.	total
<b>Nat. Resources &amp; Mining</b>	2.2	78.4%	1.7	2.2	74.3%	1.6	0.0	-0.1	-0.1
<b>Construction</b>	64.3	47.5%	30.5	68	44.1%	30.0	1.8	-2.3	-0.6
<b>Manufacturing</b>	251.1	72.7%	182.5	200.5	70.2%	140.8	-36.8	-5.0	-41.8
<b>Wholesale Trade</b>	68.2	53.9%	36.8	67.9	51.6%	35.0	-0.2	-1.6	-1.7
<b>Retail</b>	189.1	39.3%	74.3	183.1	35.9%	65.7	-2.4	-6.2	-8.6
<b>Transportation &amp; Utilities</b>	57.7	66.9%	38.6	62	63.0%	39.1	2.9	-2.4	0.5
<b>Information</b>	39.9	73.0%	29.1	32.6	72.7%	23.7	-5.3	-0.1	-5.4
<b>Financial Activities</b>	89.3	65.8%	58.8	103.2	65.1%	67.2	9.1	-0.7	8.4
<b>Prof. &amp; Business Services</b>	107	57.4%	61.4	111.7	56.0%	62.6	2.7	-1.6	1.1
<b>Educ. &amp; Health Services</b>	179.9	59.4%	106.9	210.3	60.2%	126.6	18.1	1.7	19.7
<b>Leisure &amp; Hospitality</b>	127.3	32.5%	41.4	132.7	31.9%	42.3	1.8	-0.8	1.0
<b>Other Services</b>	56.9	40.1%	22.8	55.1	37.4%	20.6	-0.7	-1.5	-2.2
<b>Nonfarm, pvt.-sector jobs</b>	1232.9	55.5%	684.8	1229.3	53.3%	655.2	-9.1	-20.6	-29.7

Source: Job numbers from EPI analysis of Current Employment Statistics survey data; Coverage rates from Elise Gould, EPI Briefing Paper #223 (Table 3); and Employment Benefits Research Institute Data Book (Table 27.2); rates are for private-sector wage workers, ages 18-64, who worked at least 20 hours/week and 26 weeks/yr and were covered by their own employer.

The immediate economic crisis, not surprisingly, has made all of this much worse. Through the first 15 months of the downturn (December 2007 to March 2008), the country lost over 5 million jobs, many of them in sectors with high rates of health insurance coverage. (Automobile manufacturing is a sad case in point: Not only has the industry lost over half of its job base, one of its leading firms [Chrysler] is now owned by the remnants of the union's health care trust fund.)<sup>27</sup> Through March 2008, about 2.4 million workers had lost job-based coverage. If the unemployment rate were to climb from its July 2009 level of 9.4 percent to 10 percent, we could

expect that an additional 13 million workers would lose job-based coverage. About half of those would be picked up by public programs, while the other half would join the ranks of the uninsured.<sup>28</sup> In Iowa — given current trends in insurance loss and unemployment — we can expect employment-based coverage to fall by 44,000 from January 2008 through the end of 2010 — a rate of about 280 a week, or 40 a day.<sup>29</sup>

All of this assumes that our public programs can hold back some of the tide. By one estimate, every 1 percent increase in unemployment results in an additional 1 million individuals eligible for Medicaid and SCHIP, an additional 1 million uninsured, and a 3-4 percent dip in state revenues.<sup>30</sup> In the face of skyrocketing need and collapsing revenues, it is not clear that states can continue to uphold their share of Medicaid and SCHIP spending — let alone expand those programs to reach more of the uninsured.<sup>31</sup> Iowa has aggressively expanded access to its public programs (especially *hawk-i*) in recent years, boasts one of the lowest rates of uninsurance in the nation, and ranks first in the Commonwealth Fund's state scorecard of children's health. It will likely become increasingly more difficult for Iowa to sustain these good results as the budget crisis continues.<sup>32</sup>

### *Pensions and Other Social Supports*

Though public health insurance is the most prominent and expensive part of the family safety net, there are other important programs that help families get by when they are retired, involuntarily removed from the labor force, or in need of aid to participate in the labor force. The current economic crisis makes these social supports more important than ever as more and more Iowans are losing their jobs and benefits. Pensions, unemployment insurance and child care assistance are three essential supports for many working Iowa families today.

There has been a long-term, if slight, decline in pension benefits to workers; however, half of workers never had any retirement to begin with. Further, workers nationwide have seen a substantial decline in defined benefit pensions. These plans, which offer a set level of payment to retired workers, have been gradually replaced with plans that shift more of the responsibility for investment risks onto workers rather than employers. These defined-contribution plans effectively function as investment accounts. This change has important consequences: First, it transfers the risk for investment planning and market behavior on the employee; second, it forgoes the protections of well-regulated defined benefit plans such as government insurance; third, the discretionary nature of some of these plans allows workers to neglect to save for their retirement; fourth, it allows workers to withdraw savings early — generally with a tax penalty — when in financial need (which is helpful during an immediate financial crisis, but problematic for long-term retirement savings); and finally, it forfeits the known, predetermined amount of benefit that employees were able to count on in retirement under defined benefit plans and subjects retirees to the whims of the market.<sup>33</sup>

Defined contribution plans have changed the way workers prepare for retirement. Before the current recession, the share of private sector workers contributing to an employer-sponsored retirement plan of any sort nationally had fallen to 45.1 percent from 50.5 percent in 2000.<sup>34</sup> Table 8 shows pension coverage rates for workers by age and type of plan. Notably, defined benefit-only coverage fell for all age categories by large margins.

**Table 8. National Private Pension Coverage Rates for Workers on Current Jobs by Plan Type, 1992, 2004 and 2007**

				<b>Change 2004-2007 (percent)</b>	<b>Change 1992-2007 (percent)</b>
<b>All Workers</b>					
Defined Contribution Only	19%	29%	30%	3.4%	57.9%
Defined Benefit Only	21%	9%	8%	-11.1%	-61.9%
Both	8%	8%	9%	12.5%	12.5%
None	53%	54%	53%	-1.9%	0.0%
<b>Workers Age 30-39</b>					
Defined Contribution Only	21%	31%	32%	3.2%	52.4%
Defined Benefit Only	21%	9%	6%	-33.3%	-71.4%
Both	6%	6%	6%	0.0%	0.0%
None	52%	54%	55%	1.9%	5.8%
<b>Workers Age 40-49</b>					
Defined Contribution Only	20%	33%	32%	-3.0%	60.0%
Defined Benefit Only	23%	10%	9%	-10.0%	-60.9%
Both	11%	11%	11%	0.0%	0.0%
None	47%	46%	47%	2.2%	0.0%
<b>Workers Age 50-59</b>					
Defined Contribution Only	19%	31%	34%	9.7%	78.9%
Defined Benefit Only	26%	13%	11%	-15.4%	-57.7%
Both	12%	10%	15%	50.0%	25.0%
None	43%	46%	40%	-13.0%	-7.0%

*Source: Center for Retirement Research Analysis of Federal Reserve Survey of Consumer Finances, 1992, 2004 and 2007.*

Of course, stock market losses have meant that millions of Americans have lost equity in private pensions, 401ks and IRAs that would have allowed them to retire when they planned. So, what are older workers to do but keep working? Older workers (those over age 55) are participating in the labor force at higher rates in an attempt to earn back some portion of that lost equity.

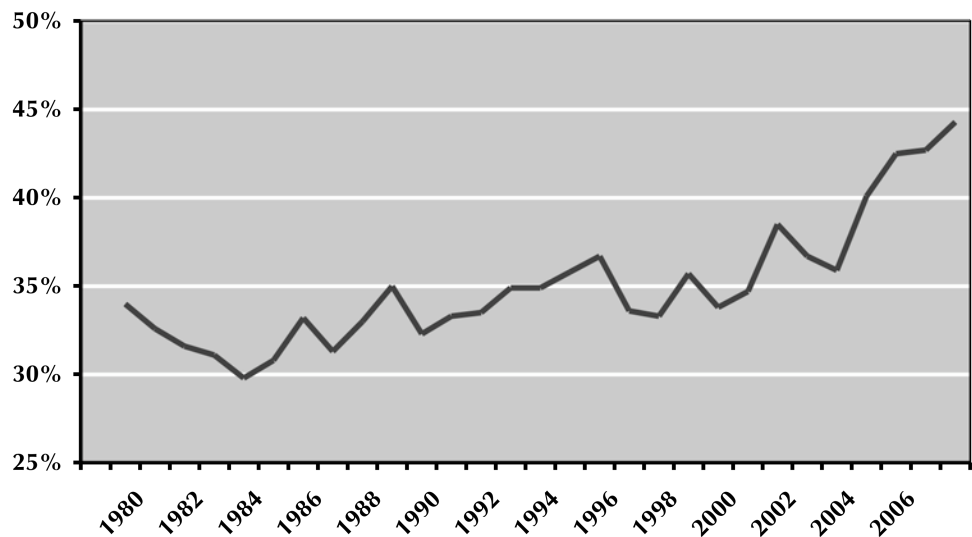
The labor-force participation rate for older workers in Iowa has trended upward since 1980. The rate hit 40.1 percent in 2005 and has continued to climb each year since. Figure 14 (next page) illustrates the trend of Iowa's older workers staying in the workforce.

Unemployment insurance (UI) is another important element of the social safety net to protect workers in difficult economic times. Iowa's UI program was improved significantly by reforms passed in March of this year. These reforms allow Iowa's jobless to (1) receive an additional \$25 per week in benefits; (2) more easily qualify for benefits under rules that consider recent work history in determining eligibility; and (3) allow extended UI benefits while training for certain high-demand jobs.<sup>35</sup> These changes will provide some measure of relief to Iowans currently coping with the negative effects of unemployment. However, the severity and length of the current recession means that an estimated 32,000 Iowans will soon exhaust their UI benefits.<sup>36</sup>

Iowa provides child care assistance to low-income working families through the Child Care Assistance program. This program helps working families better afford their child care bills, which is important not just for the primary goal of enabling working families to access quality,

affordable child care, but also due to the positive employment outcomes associated with the assistance. Specifically, higher earnings, steady employment and shorter durations of welfare are associated with the provision of child care assistance. Child care assistance is also a social support with extended long-term benefits, as it improves children's lives at a crucial point in their development, leading to improved child well-being and higher wages in adulthood. In 2006, 19,400 Iowa children (32 percent of eligible children) were served by child care assistance grants.<sup>37</sup>

**Figure 14. Labor Force Participation Rates Increased for Workers Over Age 55 in Iowa from 1980 to 2008**



Source: IPP analysis of EPI data.

With median annual costs for full-time infant and toddler care in Iowa topping tuition at the state's Regent Universities (\$5,094 for the universities compared to medians ranging from \$5,294 to \$7,360 for infant and toddler care in homes and licensed centers), child care assistance is essential for low-income families. However, Iowa limits eligibility to families with income below 145 percent of the federal poverty level (\$25,520 for a family of three). This very low eligibility limit (only three states have a lower limit) creates a severe "cliff effect": Families that increase their earnings to a little over the eligibility ceiling lose thousands of dollars in assistance yet do not earn enough to cover child care costs on their own.<sup>38</sup>

### Housing

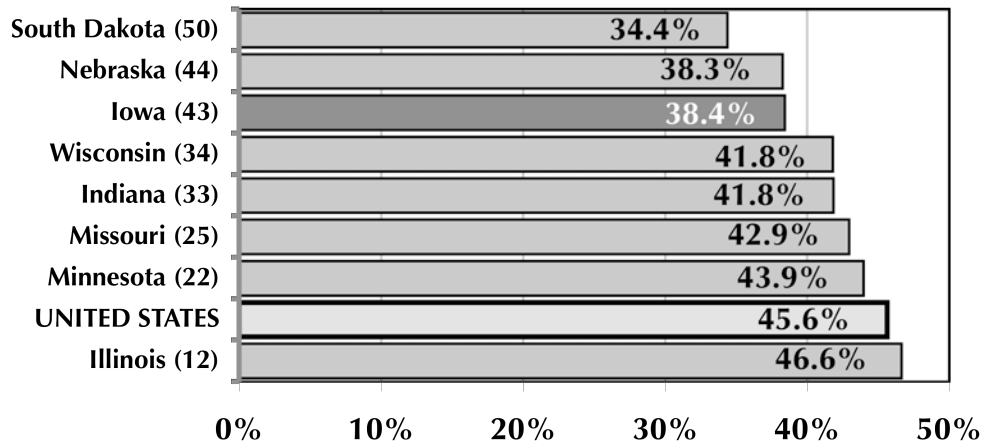
Though Iowa is often somewhat insulated from severe economic downturns, it did not escape the burst of the housing bubble unscathed. For most homeowners, home equity is their most substantial (and often their only substantial) asset. Nationally, a household's primary residence made up 31.8 percent of its total family assets in 2007, down one-half of 1 percent from 2004.<sup>39</sup> Housing is a much smaller portion of assets for those in the top income decile (19.8 percent) than throughout the rest of the income distribution (ranging from 44.5 percent to 51.8 percent).<sup>40</sup> Given its significance as part of homeowners' portfolios, it is deeply troubling that Iowa's homes lost nearly \$258 million in property value in 2007, ranking Iowa 37<sup>th</sup> among the states in lost housing value. This compares to \$103 billion in lost value nationally.<sup>41</sup>

Beyond its benefit as an asset, however, housing is a basic need that is too often unaffordable. Housing is considered affordable when households spend less than 30 percent of their income on housing expenses. The housing wage is the hourly wage required to afford a two-bedroom apartment at fair market rent in a given geographic area. On this measure, Iowa does well because of relatively low housing costs: Iowa's housing wage for 2009 is \$12.10, ranking eighth-lowest among the states (North Dakota's \$10.88 is the lowest among the states while California

and Hawaii are at the top of the list at \$24.83 and \$29.53, respectively).<sup>42</sup> It would take 1.7 full-time jobs paying Iowa's minimum wage of \$7.25 in order to afford a two-bedroom apartment at fair market rent.<sup>43</sup>

In 2007, Iowa ranked 43rd in the nation for the rate of renters cost-burdened with rents taking up more than 30 percent of their incomes. The state also compares well to the rest of the region in terms of lower levels of housing cost burden (Figure 15, right).

**Figure 15. Iowa Fares Well on Rent Burdens as Share of Income**  
*Rate of Renters Burdened by Rents Costs Greater than 30 Percent of Income*



*Source: IPP Analysis of American Community Survey 2007.*

This sounds much more reassuring

than it is in reality, as there were still 38.4 percent of Iowa renters paying greater than 30 percent of income on rents that year. Florida topped the list with a whopping 52.7 percent of renters paying above this level while Wyoming brought up the tail with 28.3 percent of renters spending more than 30 percent of income on rent. Iowa homeowners did better than the rest of the nation; Iowa ranked 6<sup>th</sup> nationally for median monthly owner costs as a percentage of income for units with a mortgage (21.5 percent). West Virginia had the lowest median costs (20.0 percent of income) and California had the highest median costs (31.6 percent of income).<sup>44</sup>

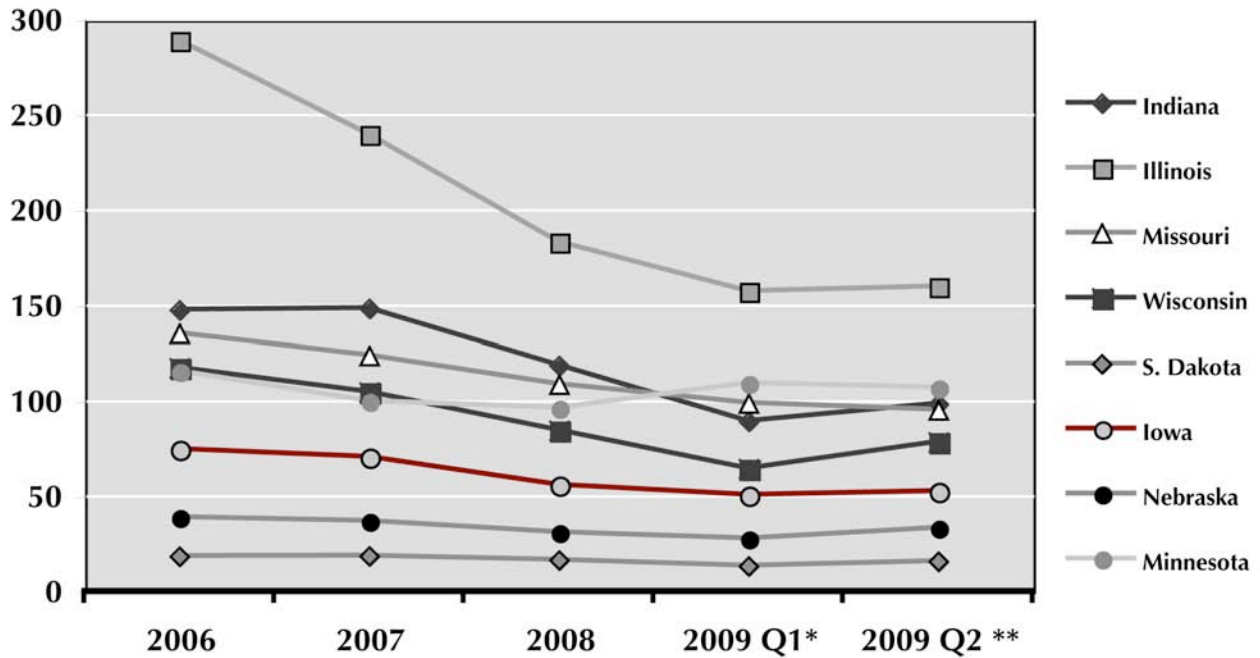
Existing homes sales are a common measure of the performance of the housing market. Sales in Iowa in the second quarter of 2009 were down 29.8 percent compared to 2006 and up 4.0 percent compared to the first quarter of 2009.<sup>45</sup> That is similar to changes in existing home sales nationally. This measure places Iowa right in the middle of the region in terms of change over 2006 (ranging from 7.5 percent decrease in Minnesota to 44.8 percent decrease in Illinois). Though Iowa is beginning to recover from the drop off in home sales, the state has a long way to go toward recovering. Figure 16 (next page) illustrates these trends across the region.

Iowa was not at the front of the foreclosure crisis nationally.<sup>46</sup> Foreclosure rates in Iowa in 2008 were 4.1 per 1,000 mortgages. This compares with highs of 72.9 per 1,000 in Nevada, 45.2 in Florida and 39.7 in California and lows of 0.4 in Vermont, 1.1 in South Dakota, and 1.2 in North Dakota. Regionally, foreclosure rates are highest in Illinois (19.1 per thousand).<sup>47</sup>

Foreclosures, commonly thought of as a problem affecting the nation's homeowners, actually harm both homeowners and renters as investment properties are foreclosed upon, displacing renters. The National Low-Income Housing Coalition estimates that 40 percent of foreclosures lead to the displacement of renters nationally.<sup>48</sup> The U.S. Department of Housing and Urban Development Neighborhood Stabilization Program provides foreclosure estimates at the Census Tract level.<sup>49</sup> For 2007 and the first half of 2008, rates varied dramatically throughout the state. Reported foreclosure rates ranged from zero to 12.8 percent.<sup>50</sup> The median rate in Iowa was 4.53

**Figure 16. Regional Home Sales Declining to Steady**

Existing Home Sales in Iowa and Region, 2006-2009 (Seasonally adjusted rate in 000s)



\* revised \*\* preliminary

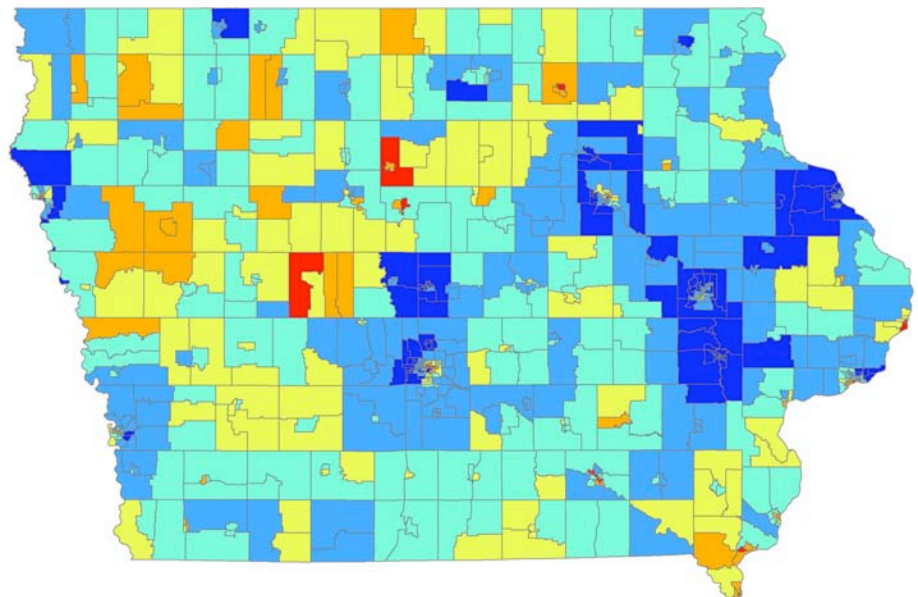
Source: IPP analysis of [National Association of Realtors](#) data.

percent; meaning that nearly one in 22 homes statewide will be foreclosed.<sup>51</sup> Map 2 illustrates the distribution of housing distress across the state as measured by foreclosure rates from 2007 and the first six months of 2008. As shown, rates are lowest in central and east-central Iowa.

**Map 2. Iowa Foreclosure Rates, 2007-08**

Percentage of mortgages entering foreclosure, 2007 and first six months of 2008

- under 2 percent
- 2 to 4 percent
- 4 to 6 percent
- 6 to 8 percent
- 8 to 10 percent
- over 10 percent



Source: HUD, Neighborhood Stabilization Program (October 2008)

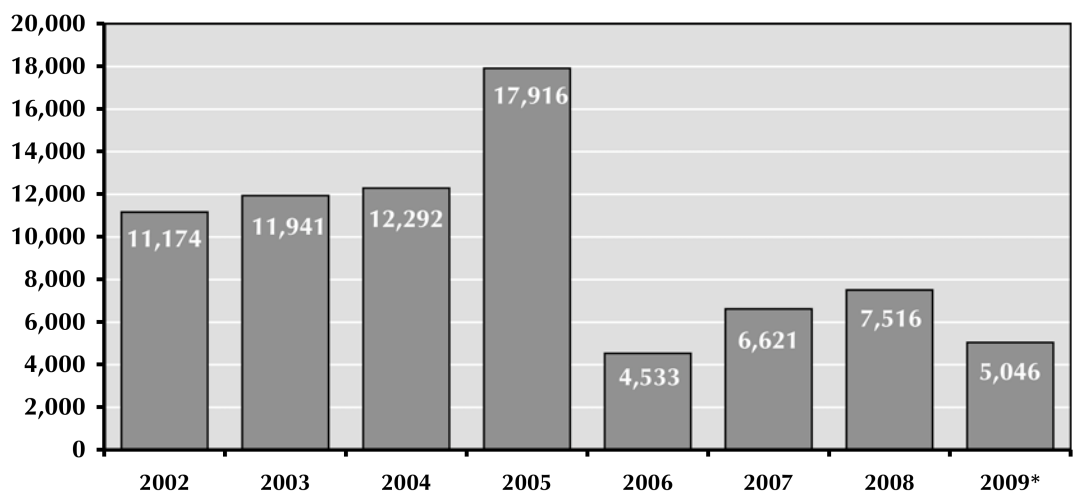
## Debt and Bankruptcy

Debt is pervasive in American society. A February 2009 report by the Federal Reserve analyzed changes in consumer finances in the United States from 2004 to 2007. Seventy-seven percent of families had at least some debt in 2007, up 0.6 percent from 2004. It found that nationally both assets and debt increased at about the same rate during the study period. Though only slightly more families used their credit cards for borrowing, their account balances increased by a median of 25 percent. While the median ratio of loan payments to income was 18.6 percent in 2007, 14.7 percent of debtors' loan payments exceeded 40 percent of income (this measures total debt payments to total family income).<sup>52</sup> Further, credit card debt increased in all regions between 2000 and 2008. The largest increases were observed in the Midwest and West, from \$2,200 in 2004 to \$3,000 in 2007.<sup>53</sup>

Debt, exposure to financial risk (medical problems, collapse in housing value), and loss of income during hard times can, of course, lead to bankruptcy. Laws implemented nationally in October 2005 that made bankruptcy filing more difficult arguably caused a record number of filings in 2005 (as people rushed to declare bankruptcy

under the old law) followed by a substantial drop in 2006.<sup>54</sup> Total bankruptcy filings are on the rise again. Here in Iowa, bankruptcies increased slightly from 2003 to 2004 before a huge increase in 2005, which corresponds with the change to the bankruptcy law.<sup>55</sup> Since that time, bankruptcy filings have been increasing steadily, and are on track to approach 2002 levels by the end of 2009, even with the 2005 change that made filing more difficult (see Figure 17, above).<sup>56</sup>

**Figure 17. Iowa Bankruptcy Filings Rising in Wake of Law**  
*Iowa Consumer Bankruptcy Filings, 2002-2009*

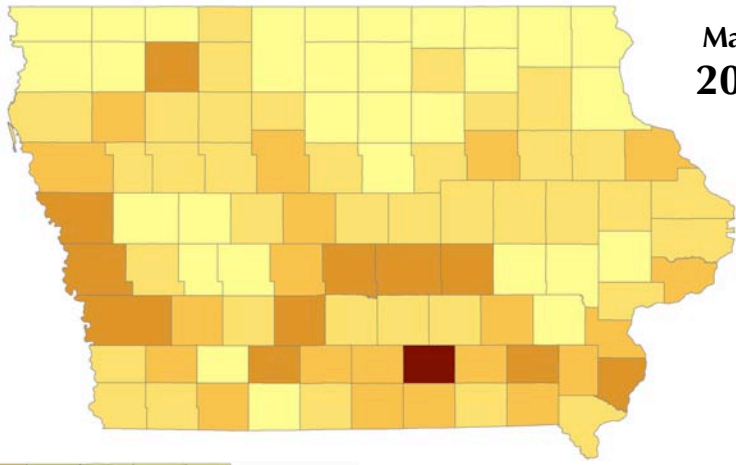
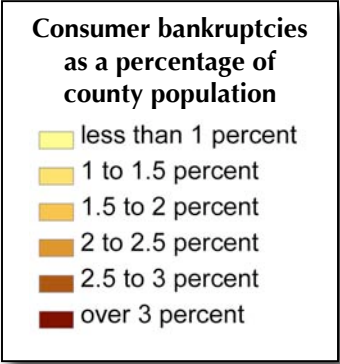


\* Quarters 1 and 2, 2009

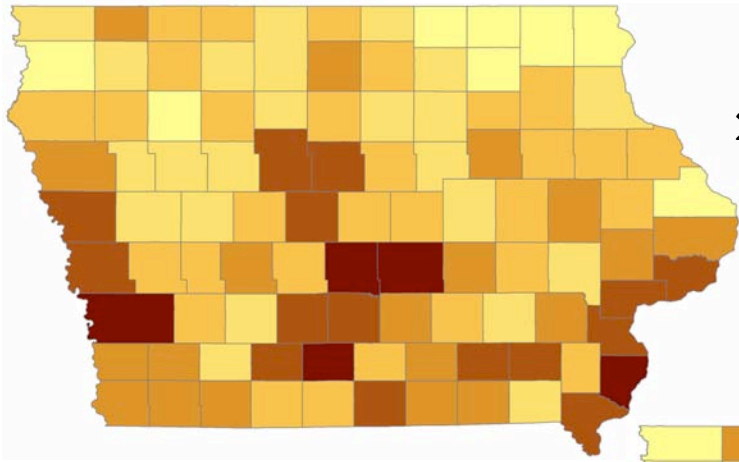
Source: Court Statistics for IA Bankruptcy Courts (Northern and Southern Districts).

Maps 3 through 6 (next page) show the dramatic increase in per capita consumer bankruptcy filings by county in Iowa from 2006 to 2009. Large increases hit the center of the state first, before spreading throughout most of central and southern Iowa from west to east. If the rest of 2009 follows the pattern of the first two quarters, bankruptcy filings throughout the state will range from a low of 0.83 filings per 1,000 residents in Allamakee County to 5.81 filings per 1,000 residents in Monroe County.<sup>57</sup> The vast majority of bankruptcies in Iowa are filed by consumers, rather than businesses.<sup>58</sup> As such, this measure is a telling indicator of the economic hardships facing Iowa's workers.

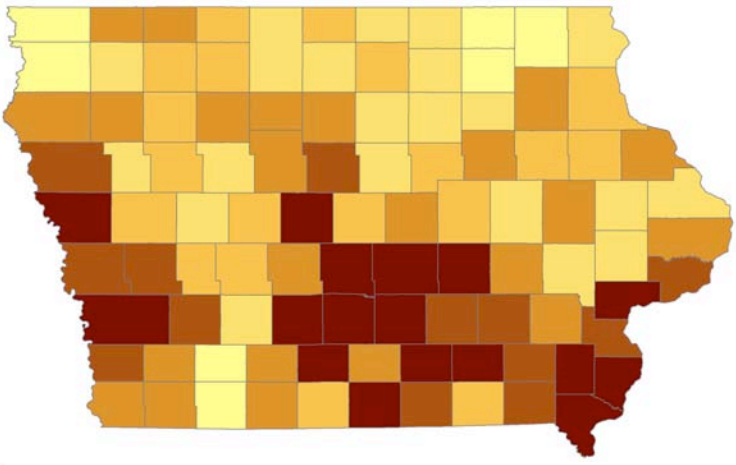
**Maps 3-6. Iowa Consumer Bankruptcy Filings, 2006-09**



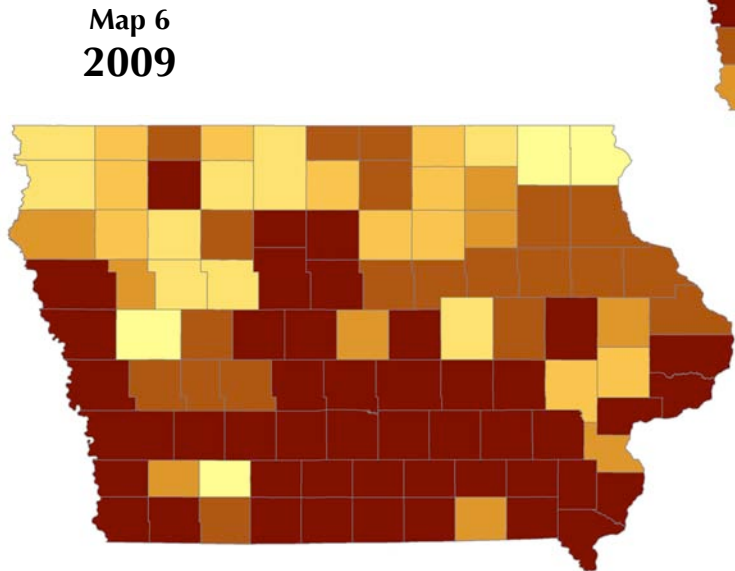
**Map 3  
2006**



**Map 4  
2007**



**Map 5  
2008**



**Map 6  
2009**

*Source: Court Statistics for Iowa Bankruptcy Courts (Northern and Southern Districts).*

Compared to the rest of the nation, Iowans fared relatively well last year. The state ranked 35<sup>th</sup> when looking at number of filings in 2008 and only slightly worse (34<sup>th</sup>) when looking at filings per capita.

With 2.72 filings per 1,000 residents, Iowa's 34<sup>th</sup> place ranking (where first place was the highest level of bankruptcy filings) was far better than Tennessee's least favorable ranking (7.73 filings per thousand), and worse than Alaska's most-favorable ranking (1.30 filings per thousand).<sup>59</sup> Historically, Iowa has hovered around the same ranking (36<sup>th</sup> in 2000, 33<sup>rd</sup> in 2005, 34<sup>th</sup> in 2006 and 33<sup>rd</sup> in 2007).<sup>60</sup>

## Conclusion

The conditions and circumstances documented in this installment of *The State of Working Iowa* underscore the urgency of this moment in our economic and political history. Iowa's working families face a range of challenges — including ongoing wage stagnation, declining job-based benefits, and both immediate and long-term losses in our base of good jobs. Although the national recession has not hit Iowa as hard as it has many other states, we are scarcely unscathed. Unemployment has doubled in 18 months. Iowans have lost hundreds of millions in home equity and retirement savings. And as economic prospects wane, the burdens (soaring educational and out-of-pocket health costs, the reality or threat of unemployment and underemployment) weigh more heavily.

There is, most starkly, a yawning chasm between the expectations of a “new economy” — that hard work, education and innovation will be rewarded — and our collective experience. As our current recession rivals the worst downturns since the 1930s, we are reminded how much we have lost in the last generation in real wages and in job-based health coverage. Iowa's working families are more vulnerable and less secure than at any time in recent memory.

Yet, while the challenges are immense, we remain cautiously optimistic. We have assets and advantages we can build upon as well as a toolbox of policy options that could make a real difference both in responding to the economic crisis and in building longer-term prosperity and security. We survey these options here as a cursory set of policy principles — and as a way of closing an unavoidably dismal survey of economic conditions on a more hopeful note. Recent work by IPP researchers and others have explored these options in greater detail; we encourage you to follow the links in the footnotes for a fuller discussion.

**Raise the Wage Floor:** Our January 2008 increase in the state minimum wage was a start, but it has since been matched by the federal increase. Indexing the Iowa minimum wage to increases in cost of living would help support this essential wage floor and close the growing gap between incomes and family budgets.<sup>61</sup>

**Make Work Pay:** Work supports can also help to close these gaps. A modest increase in the Earned Income Tax Credit (an income tax credit for low-wage families that effectively increases take-home pay) could lift thousands out of poverty.<sup>62</sup> More generous eligibility for the state's child care assistance program would enhance security and opportunity for many working families.<sup>63</sup> And more careful attention to the eligibility thresholds would eliminate the “cliff effect” which pushes families out of work support programs as incomes rise.<sup>64</sup>

**Secure Health Care:** Perhaps the most important of these work supports is decent health care. Iowa has led the nation in expanding coverage for children, ensuring that kids are unharmed by the uneven coverage of job-based plans. We should do the same for working families by expanding Medicaid, thereby taking health care out of the equation for low-income workers and

their families. The greatest improvement in this area would be witnessed through reform at the federal level.<sup>65</sup>

**Seek Good Jobs:** Iowa runs a wide variety of economic development or business incentive programs (tax credits, tax abatements, direct financial assistance) in the hope of attracting new business investment or holding on to existing investment. These programs should resist the temptation (especially acute in hard times) to engage in bidding wars for any new investment and focus instead on job quality.<sup>66</sup>

**Invest in Education:** Skills and knowledge — especially in an economy marked by rapid technological change — are key determinants of economic growth and family well-being. Yet post-secondary opportunities are slipping beyond our reach even as they become more essential. The return on investments in education and workforce training ripple throughout the economy — showing up not just in worker's pocket, but in state revenue and growth as well.<sup>67</sup>

Iowa's working families faced a broad and deep range of challenges in 2008, and those difficulties are not magically disappearing in 2009. Good policies can help mitigate the effect of historic levels of economic hardship on Iowans.

## NOTES

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<sup>1</sup> See Bureau of Labor Statistics, [Job Openings and Labor Turnover Survey](#) (August 12, 2009 release).

<sup>2</sup> Heidi Shierholz, [Jobs Picture for August 7, 2009](#) (Economic Policy Institute, August 2009).

<sup>3</sup> Lawrence Mishel, [“The job isn’t done: More jobs and family supports needed”](#) (Economic Policy Institute, July 2009)

<sup>4</sup> Under the American Recovery and Reinvestment Act, States qualify for federal funding of extended benefits from 20 to 53 weeks. Because our unemployment rate is relatively low, Iowans qualify only for the 20 week extension. For estimations on exhaustion, see National Employment Law Project, [“Number of Workers Exhausting Federal Extensions”](#) (July 2009).

<sup>5</sup> Iowa Workforce Development, [News Release](#), August 21, 2009; IPP/EPI analysis of Current Population Survey Data.

<sup>6</sup> IPP/EPI analysis of Current Employment Statistics survey data; wages from Quarterly Census of Employment and Wages (Iowa Workforce Development).

<sup>7</sup> Ditsler and Pearson, [“The Cost of Living in Iowa”](#) (Iowa Policy Project, January 2008).

<sup>8</sup> Shawn Fremstad, Rebecca Ray, and Hye Jin Rho, [“Working Families and Economic Insecurity in the States”](#) (Center for Economic and Policy Research, May 2008) 3.

<sup>9</sup> Shawn Fremstad, Rebecca Ray, and Hye Jin Rho, [“Working Families and Economic Insecurity in the States”](#) (Center for Economic and Policy Research, May 2008) 3.

<sup>10</sup> Iowa ranked 38<sup>th</sup> nationally for cost of living in the first quarter of 2008. Economic Policy Institute Data.

<sup>11</sup> Ditsler and Pearson, [“The Cost of Living in Iowa”](#) (Iowa Policy Project, January 2008).

<sup>12</sup> Heather Boushey, [“Equal Pay for Breadwinners”](#) (January 2009).

<sup>13</sup> Jacob Hacker, [The Privatization of Risk and the Growing Economic Insecurity of Americans](#) (Social Science Research Council, June 2006).

<sup>14</sup> Elizabeth Warren, [Rewriting the Rules: Families, Money and Risk](#) ((Social Science Research Council, June 2006).

<sup>15</sup> Shawn Fremstad, Rebecca Ray, and Hye Jin Rho, [“Working Families and Economic Insecurity in the States”](#) (Center for Economic and Policy Research, May 2008); see also Ditsler and Pearson, [“The Cost of Living in Iowa”](#) (Iowa Policy Project, January 2008).

<sup>16</sup> Algernon Austin, [“What Does the Recession Mean for Young People”](#) (Demos and EPI, July 2009)

<sup>17</sup> Iowa Policy Project, [State of Working Iowa, 2008](#) (September 2008), 3.

<sup>18</sup> Iowa Board of Regents, [Access and Affordability: Part I](#) (September 2008).

<sup>19</sup> Kaiser Family Foundation, [“Employer Health Benefits: 2008 Annual Survey”](#) (September 2008), Exhibit 1.9, page 71. These are national figures. Estimates by Families USA for Iowa show the same trend: family health insurance premiums for Iowa’s workers (2000 through 2009) rising by 80 percent — or more than three times more quickly than median earnings. See [Costly Coverage: Premiums Outpace Paychecks in Iowa](#) (Families USA, August 2009). For estimates of future premiums, see Cathy Schoen et al, [Paying the Price: How Health Insurance Premiums are Eating Up Middle Class Incomes](#) (Commonwealth Fund, August 2009).

<sup>20</sup> See Kaiser Family Foundation, [“Employer Health Benefits: 2008 Annual Survey”](#) (September 2008); Carol Pryor, [“The Linn County, Iowa Small Employers Health Insurance Survey Results”](#) (The Access Project, January 2008);

<sup>21</sup> Kaiser Commission on Medicaid and the Uninsured, [“Snapshots from the Kitchen Table: Family Budgets and Health Care”](#) (February 2009)

<sup>22</sup> Carol Pryor et al, [“The Illusion of Coverage: How Health Insurance Fails People When they Get Sick”](#) (The Access Project, 2007)

<sup>23</sup> David U. Himmelstein, Deborah Thorne, Elizabeth Warren and Steffie Woolhandler, "Medical Bankruptcy in the United States, 2007: Results of a National Study" *American Journal of Medicine* 122:8 (August 2009).

<sup>24</sup> U.S. Department of Health and Human Services, Agency for Healthcare Research and Quality, Medical Expenditure Panel Survey, 1999-2008.

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- <sup>25</sup> Elise Gould, [“The Erosion of Employer Sponsored Health Insurance”](#) (Economic Policy Institute, October 2008).
- <sup>26</sup> Timothy McBride and Leah Kemper, [Impact of the Recession on Rural America: Rising Unemployment Leading to More Uninsured in 2009](#) (Rural Policy Research Institute, University of Nebraska, June 2009); Elise Gould, [“The Erosion of Employer Sponsored Health Insurance”](#) (Economic Policy Institute, October 2008).
- <sup>27</sup> Nayla Kazzi, [“More Americans Are Losing Health Insurance Every Day: An Analysis of Health Coverage Losses During the Recession”](#) (Center For American Progress, May 2009).
- <sup>28</sup> John Holahan and Bowen Garrett, [“Rising Unemployment, Medicaid, and the Uninsured”](#) (Kaiser Commission on Medicaid and the Uninsured (January 2009)
- <sup>29</sup> Families USA, [“The Clock is Ticking: More Americans Losing Health Coverage”](#) (July 2009); Todd P. Gilmer and Richard G. Kronick, [“Hard Times and Health Insurance: How Many Americans Will Be Uninsured by 2010?”](#) Health Affairs Web Exclusive (May 28, 2009): 573-577.
- <sup>30</sup> John Holahan and Bowen Garrett, [“Rising Unemployment, Medicaid, and the Uninsured”](#) (Kaiser Commission on Medicaid and the Uninsured (January 2009)
- <sup>31</sup> The California budget debacle is a cautionary example: The July 2009 budget deal included huge cuts to the State’s SCHIP program, and deep cuts to the State’s Medicaid reimbursement rates.
- <sup>32</sup> See [Variations on Health Systems Performance: A State Scorecard](#) (Commonwealth Fund, accessed August 2009).
- <sup>33</sup> Jacob Hacker, [The Privatization of Risk and the Growing Economic Insecurity of Americans](#) (Social Science Research Council, June 2006).
- <sup>34</sup> Weller, [“The Retirement Crisis in the Labor Market”](#) (Center for American Progress, July 2009).
- <sup>35</sup> See Iowa Policy Project, [Putting Federal Stimulus Dollars to Work: Iowa Stands to Gain from Unemployment Insurance Modernization](#) (March 2009).
- <sup>36</sup> For estimations on exhaustion, see National Employment Law Project, [“Number of Workers Exhausting Federal Extensions”](#) (July 2009).
- <sup>37</sup> French and Fisher, [“Strengthening Child Care Assistance in Iowa: The State’s Return on Investment”](#) (Iowa Policy Project, March 2009).
- <sup>38</sup> French and Fisher, [“Strengthening Child Care Assistance in Iowa: The State’s Return on Investment”](#) (Iowa Policy Project, March 2009).
- <sup>39</sup> Federal Reserve Board, [Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances](#).(February 2009) 33.
- <sup>40</sup> Federal Reserve Board, [Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances](#).(February 2009).
- <sup>41</sup> EPI data.
- <sup>42</sup> National Low Income Housing Coalition, [“Out of Reach 2009”](#) 15.
- <sup>43</sup> National Low Income Housing Coalition, [“Out of Reach 2009”](#) 20.
- <sup>44</sup> Rental housing numbers from 2007 American Community Survey.
- <sup>45</sup> Seasonally adjusted annual rate of home sales. [National Association of Realtors](#) 2009.
- <sup>46</sup> Data are moving targets, with different sources reporting rates in different formats at different geographical levels. Further, interested parties — such as realtors and mortgage companies — often participate in reporting. As a result, some data may be skewed, but the bias is presumably even across markets.
- <sup>47</sup> CBS News [Interactive Map of 2008 Foreclosure Data](#) by RealtyTrac (accessed on August 26, 2009).
- <sup>48</sup> National Low Income Housing Coalition, [“Out of Reach 2009”](#) 9.
- <sup>49</sup> HUD makes these foreclosure starts estimates based on data from the Mortgage Bankers’ Association National Delinquency Survey (MBA NDS) as of June 2008. Because MBA NDS data are not available at the sub-state level, HUD combines these data with other statistical indicators provided by federal agencies to apportion foreclosures among smaller geographical areas. HUD believes the estimates are reliable after analysis showed high levels of correlation (0.835 in California, for example) between the HUD-generated

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estimates and Equifax county-level delinquency rates. Correlations tested highest in counties with more than 15,000 households. US Department of Housing and Urban Development, [Neighborhood Stabilization Program](#), Methodology Paper 2008.

<sup>50</sup> The maximum foreclosure rate was observed in Charles City, in Floyd County. US Department of Housing and Urban Development, [Neighborhood Stabilization Program](#), State Estimates 2009.

<sup>51</sup> US Department of Housing and Urban Development, [Neighborhood Stabilization Program](#), State Estimates 2009.

<sup>52</sup> Bucks et al., [“Changes in U.S. Family Finances from 2004-2007: Evidence from the Survey of Consumer Finances”](#) (Federal Reserve, February 2009) 37-52.

<sup>53</sup> Bucks et al., [“Changes in U.S. Family Finances from 2004-2007: Evidence from the Survey of Consumer Finances”](#) (Federal Reserve, February 2009) 38-42.

<sup>54</sup> Thorne et al. [“Generations of Struggle”](#) (AARP Public Policy Institute, June 2008).

<sup>55</sup> [US Bankruptcy Court, Northern District of Iowa](#) (accessed 8.20.2009); [US Bankruptcy Court, Southern District of Iowa](#) (accessed 8.20.2009).

<sup>56</sup> [US Bankruptcy Court, Northern District of Iowa](#) (accessed 8.20.2009); [US Bankruptcy Court, Southern District of Iowa](#) (accessed 8.20.2009).

<sup>57</sup> [US Bankruptcy Court, Northern District of Iowa](#) (accessed 8.20.2009); [US Bankruptcy Court, Southern District of Iowa](#) (accessed 8.20.2009); [Iowa State Data Center](#) (Accessed 8.20.2009).

<sup>58</sup> In 2006, consumer bankruptcies made up 95.8 percent of all Iowa bankruptcy filings. That percentage was 96.6 percent in 2007, and 95.8 percent in 2008. [American Bankruptcy Institute](#) 2009.

<sup>59</sup> [American Bankruptcy Institute](#) 2009; American Community Survey 2007 1-yr population estimates.

<sup>60</sup> Based on number of filings. EPI data.

<sup>61</sup> Ditsler and Pearson, [“The Cost of Living in Iowa”](#) (Iowa Policy Project, January 2008).

<sup>62</sup> Fisher and French, [“Expanding Iowa’s Earned Income tax Credit: The Long-Term Benefits to the State”](#) (Iowa Policy Project, June 2009).

<sup>63</sup> French and Fisher, [“Strengthening Child Care Assistance in Iowa: The State’s Return on Investment”](#) (Iowa Policy Project, March 2009).

<sup>64</sup> Fass et al., [“Making Work Pay for Iowa’s Families”](#) (National Center for Children in Poverty, September 2008).

<sup>65</sup> Pearson et al., [“A Healthier Iowa Labor Market: Medicaid Expansions and the Impact on Incomes and Work Choices”](#) (Iowa Policy Project, June 2009).

<sup>66</sup> Ralston and Gordon, [“Wage and Benefit Standards: An Analysis of Proposed Changes in the Iowa Values Fund”](#) (Iowa Policy Project, March 2009); Colin Gordon, [“EZ Money: Assessing Iowa’s Enterprise Zone Program”](#) (Iowa Policy Project, April 2008).

<sup>67</sup> French and Fisher, [“Education Pays in Iowa: The State’s Return on Investment in Workforce Education”](#) (Iowa Policy Project, May 2009).