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Tough Times in the Heartland: The State of Working Iowa 2009 Glimmers of Positive Signs, But Persistent Economic Challenges

IOWA CITY, Iowa (Sept. 6, 2009) — Labor Day brings little to celebrate but hopes of better economic times in Iowa, where policy makers could do more to make work pay for low- and moderate-income working families and to insist upon job-quality requirements in economic development strategies.

In the annual “State of Working Iowa” review from the Iowa Policy Project, researchers Colin Gordon and Christine Ralston noted that hard hits to industrial and housing sectors during the national recession have not hurt Iowa as much as other states. The report is available at www.iowapolicyproject.org.

Still, wage stagnation, declining job-based health and pension benefits and both short- and long-term losses of good jobs remain obstacles to a strong recovery in Iowa.

“Although the national recession has not hit Iowa as hard as other states, we are scarcely unscathed,” the report stated. “Unemployment has doubled in 18 months. Iowans have lost hundreds of millions in home equity and retirement savings.”

In addition, the difficult economy puts heavier burdens on families facing higher out-of-pocket costs in education and health care, and the reality or threat of unemployment or underemployment, the researchers said.

As Iowa’s unemployment rate has climbed to 6.5 percent in July, its highest level in almost 23 years, the Labor Day report found the following behind the numbers:

- Manufacturing jobs declined by over 9 percent from 2000 to 2008, by 23,600 — a number that has more than doubled by adding in losses during 2009. In the same period, financial activities, construction and education/health services jobs increased by 14-15 percent.

- Underemployment — people working part time for economic reasons, people not reflected in the unemployment rate because they hadn’t looked for jobs in the previous four weeks and those seeking but unable to find work — was 7.6 percent in 2008, even before the marked job losses for Iowa since the start of 2009.

- Iowa ranks near the middle — fifth of eight — among Midwestern peer states on median wage, but is 32nd nationally at \$14.97 in 2008, 77 cents below the U.S. average.

- Iowa, which was quicker than most states to adopt the \$7.25 minimum wage, ranks in the top half only in pay for low-wage workers (23rd, at \$9.88 per hour at the 20th percentile). Meanwhile, Iowa is 39th among the states at the high-wage comparison (\$23.82 per hour at the 80th percentile).

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“For some economic sectors the recession has hardened longstanding employment trends; for others the damage is new,” the report stated.

“For families, the consequence are concrete: Just to survive paycheck to paycheck, a second paycheck is needed for many households,” Gordon said. “Health care, housing and child care costs leave families vulnerable to any disruption in earnings, and we're seeing it in personal bankruptcies.”

The report noted that while Iowa’s median wage rose by only 5.4 percent from 1999-2008, median Iowa housing costs have risen by almost 43 percent over the period, while average tuition at the state's Regent universities has more than doubled, as has health spending nationally. Likewise, median Iowa costs for child care range between about \$5,300 and \$7,400 a year — compared with average state university tuition of about \$5,100.

“It might surprise some Iowans to realize that child care in Iowa can easily cost more than tuition at state universities,” Ralston said. “Meanwhile, eligibility for child care assistance is severely curtailed by Iowa's restrictions limiting access to only very low-income families. We need to expand that to more people at the margins, to encourage them to work and improve the economy.”

Personal bankruptcies have increased steadily in Iowa since law changes in 2005 made filing more difficult. At 4,533 in 2006, that figure rose to 6,621 and 7,516 in the next two years, and is on a pace in 2009 to far exceed last year's number. Through the first two quarters, already 5,046 bankruptcy filings had been made in Iowa.

Among recommendations noted in the report:

- cost-of-living increases for the state's \$7.25 per hour minimum wage,
- expansion of the state's Earned Income Tax Credit for low-income working families,
- enhanced access to the state's Child Care Assistance program, with protection against a loss of benefits in response to small income increases,
- expansion of Medicaid to protect more low-income workers,
- better access to post-secondary education, and
- economic development strategy focused on quality jobs, as opposed to “any” new investment.

The Iowa Policy Project is a nonpartisan, nonprofit research and policy analysis organization in Iowa City, with its reports on economic opportunity, budget and tax policy, and energy and environmental issues on the web at www.iowapolicyproject.org.

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