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## What recovery? Research finds enduring Iowa recession

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By Peter Fisher and Colin Gordon

While economists may argue that the recession has ended, it is difficult to find evidence of that in the figures on job growth and unemployment. The labor market has stalled, unemployment is largely unchanged, hours worked continue to decline, and involuntary part-time work is actually on the increase. If we are indeed in a recovery, it is a weak and largely jobless one thus far.

The recession, whether it is over or not, brought to a grinding halt a nearly decade-long boom. Despite its underlying weaknesses (including continued deindustrialization, persistent poverty and inequality, and a long-term decline in job quality), the nearly full-employment economy of the late 1990s brought – to Iowa and the nation – sustained income growth for working and wealthy families alike. By all early indications, recovery from this recession is unlikely to restore the full employment that made the wage gains of the late 1990s possible.

Lawrence Mishel, president of the Economic Policy Institute, noted this difference for the eve of Labor Day 2002. “The tight labor markets of the late 1990s brought the first persistent, broad-based prosperity in decades,” Mishel said. “But now, with the boom gone bust, American workers are headed back to an economy marred by slow wage growth and no job growth, with wage and income disparities widening again.”

These are the key findings of a new report, *The State of Working America, 2002*, co-authored by Mishel and EPI economists Jared Bernstein and Heather Boushey. These findings – available at [www.economicpolicyinstitute.org](http://www.economicpolicyinstitute.org) <<http://www.economicpolicyinstitute.org/>> – provide the national backdrop for *The State of Working Iowa, 2003*, to be released by The Iowa Policy Project in mid-2003. For working families, as *The State of Working America* shows, the recession has exposed weaknesses that were masked by the 1995-2000 boom.

EPI found these trends vary considerably by state and region. Preliminary findings for The Iowa Policy Project’s *State of Working Iowa, 2003*, suggest Iowa – like much of the upper Midwest – enjoyed many of the fruits of the 1990s boom, but has also proven vulnerable in our recent downturn. Consider:

- The median wage in Iowa rose to \$12.31 in 2001, but it continues to lag behind the national median wage (\$12.88). Taking inflation into account, the median wage in 2001 was only 68 cents higher than the 1979 median wage (\$11.63).
- Non-farm employment in Iowa declined about six-tenths of a percent from 2000 to 2001, a loss of about 9,000 jobs.

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■ Iowans depend more on manufacturing and retail jobs than other Americans. In 2001, manufacturing jobs represented 17.1 percent of all jobs in Iowa, down from 19.6 percent in 1989 but still higher than the national average of only 13.4 percent. The retail employment share was 18.3 percent, just a little above the national average of 17.8 percent.

■ Iowans depend less on service and government employment than other Americans. Service sector jobs accounted for 26.9 percent of all Iowa jobs, compared with 31.0 percent nationally. Finally, government jobs accounted for only 15.5 percent of employment in Iowa, much lower than the 22.8 percent for the country as a whole.

■ The unemployment rate in Iowa for 2001 was 3.3 percent, lower than in the nation as a whole (4.8 percent). Still, the increase in the unemployment rate from 2000 to 2001 was about the same in Iowa as elsewhere in the Midwest and in the country as a whole (an increase of seven-tenths of a percentage point). The Iowa unemployment rate had risen another seven-tenths, to 4.0 percent, by July of 2002, while the national rate reached 5.9 percent. (These are seasonally adjusted rates.)

As further evidence that the recession is far from over in Iowa, the average number of unemployed from April through July of 2002 was 60,000, compared with 47,000 over the same period of 2001, when the recession was just getting under way, and about equal to the level in November and December of last year.

Taken together, the just-released *State of Working America, 2002*, and the forthcoming *State of Working Iowa, 2003*, provide a comprehensive roadmap to our recent economic history – good and bad. Both reports look beyond the abstractions – stock values, gross domestic product, consumer confidence – that often dominate the business pages, and focus instead on what matters most to working families: jobs and paychecks. Policymakers, and folks who vote for policymakers, shouldn't miss them.

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