
The State of Working Iowa 2001

Peter Fisher
Colin Gordon

May, 2001

The Iowa Policy Project

318 2nd Avenue North, Mt. Vernon, Iowa 52314
319-895-8731 (phone) – 319-895-0022 (fax)
www.iowapolicyproject.org

The Iowa Policy Project

The Iowa Policy Project was founded in the summer of 2000 to produce and disseminate research on a broad set of issues of importance to the citizens of Iowa. We are a non-profit and non-partisan organization. We engage scholars to produce sound, independent research.

The Iowa Policy Project is affiliated with the Economic Analysis Research Network, which includes similar policy groups in about two dozen states. EARN was initiated by and is supported by the Economic Policy Institute, a well-respected think tank in Washington, D.C. that focuses on national policy issues.

The Iowa Policy Project sponsors a variety of research efforts. Short term research projects on topics of immediate concern are published as Policy Briefs, designed to better inform public debate. Longer term research projects on broader areas of public policy lead to major reports. Research notes are shorter pieces that take data that may have been recently released, or research produced for other purposes, and present it in a concise and accessible format. Researchers for the Iowa Policy Project also write guest opinions from time to time, often in conjunction with a research report or policy brief.

Authors

Colin Gordon is Associate Professor of History at the University of Iowa and Research Associate of the Iowa Policy Project.

Peter Fisher is Professor of Urban and Regional Planning at the University of Iowa and Research Associate of the Iowa Policy Project.

Acknowledgements

The authors would like to acknowledge the assistance and advice of Edie Rasell, Heather Boushey, and Chauna Brocht of the Economic Policy Institute, Nick Johnson of the Center for Budget and Policy Priorities, and David Swenson of Iowa State University.

Contents

Executive Summary	v
How Are We Doing?	1
1 An Overview of the Iowa Economy.....	5
Iowa and Its Region.....	5
Iowa's Economic Growth.....	6
Iowa's Population	8
Changing Patterns of Employment.....	9
The Labor Shortage	15
2 Wages and Jobs in Iowa.....	19
Wages and Wage Trends.....	19
Job Quality	22
The Professional Gap.....	27
The Gender Gap	28
The Union Gap.....	30
The Education Gap	32
The Rural Gap.....	32
3 Income and Poverty	35
Trends in Family Income.....	35
Poverty in Iowa.....	40
The Working Poor and the Minimum Wage	43
4 What Should We Do? Policies for Working Iowa	49
Taking the High Road.....	49
Policies for Working Iowa	51
Fields of Opportunity?	55
Appendix	57
Wages and the Cost of Living	57
Projections of the Labor Force, Employment and Labor Shortages	61
Data Sources and Notes	65

Executive Summary

Since the early 1990s, the American economy has done very well. The last decade marks one of the longest sustained economic booms in American history, and the last six years of that boom (since 1995) have yielded real gains for working Americans and their families. Unemployment is down, median family incomes are up, and—for the first time in a generation—low-wage workers have made up ground. But the news is not all good news: wage inequality persists, consumer debt and hours worked continue to rise, job quality remains a serious issue, and recent recessionary anxieties suggest that our recovery from the misery of the 1980s might be fragile.

The State of Working Iowa, 2001 traces the experience of working Iowans and their families in this larger national story. How have we fared against national averages, other states in the region, and our own recent experience? In our regional comparisons, we consider eight “peer states”: Minnesota, Wisconsin, Illinois, Indiana, Missouri, Kansas, Nebraska, and South Dakota.

We draw on a wide variety of data, including the most recent Census figures, employment and wage data collected by the Bureau of Labor Statistics, the Bureau of Economic Analysis, and Iowa Workforce Development, and state-level analyses produced by the Economic Policy Institute and the Center for Budget and Policy Priorities. Our findings, summarized below, are laid out in detail in the full report.

Key Findings

Despite recent growth in manufacturing in the State, Iowa’s employment trends mirror the national pattern of “deindustrialization.”

Iowa’s manufacturing economy has grown little since the late 1970s, suffering heavy losses in the 1980s and showing only modest gains in the 1990s. Over this period, farm employment has fallen by nearly half (to just under 6% of total employment) and service employment has steadily increased its share (from around 19% in the late 1970s to about 27% in 1999). Services and retail trade, both low-wage sectors, together accounted for 71 % of the increase in non-farm employment in Iowa from 1979 to 1999. These trends have occurred unevenly across the state: the bulk of recent job growth has been concentrated in the State’s more urbanized counties.

Iowa’s low unemployment rate is the product of steady economic growth accompanied by sluggish population growth.

Employment grew almost 20% in Iowa from 1989 to 1999, a rate that placed Iowa ahead of most of its regional peers. And because this growth in jobs was accompanied by sluggish population

growth (just 5.4%, by far the lowest in the region), Iowa led the region with a historically low unemployment rate of just 2.3% in 2000. The unemployment rate in Iowa stands at about two percentage points below the national rate. Low unemployment no doubt contributed to substantial improvement in wages in the latter 1990s, but it is also a formula for labor shortages.

Labor shortages will be smaller than recent predictions indicated.

While we do not question the likelihood of labor shortages over the next several years, the magnitude of the problem has been considerably overstated. For the period 2000 to 2010, population projections suggest that the labor force will increase by somewhere between 63,000 and 126,000 workers. This is about 91,000 to 154,000 short of the number needed to fill the new jobs that are forecast for the decade.

Iowa's wage performance has been mixed, but overall we remain a low-wage state.

In Iowa, low-wage workers have made recent gains that outpaced national wage gains and raised average wage rates slightly above their inflation-adjusted 1979 level. For median-wage workers (half of workers earn more, half less), the gains were smaller. Median wages by the end of the 1990s remained 5% below 1979 levels; Iowa ranks near the low-end of the scale in the region and 31st in the nation on this measure. And higher-wage workers in Iowa fall well behind national and regional standards; only 20% of Iowa's wage and salary workers over the age of 18 earned more than \$17.35 per hour in 1999. For the U.S., 20% earned over \$19.93.

A substantial share of working Iowans remain locked in to poverty-level employment.

Fully a quarter of working Iowans—about the same share as in 1979—work at jobs that do not pay enough to keep a family of four out of poverty. This reflects the growth of low-wage jobs in recent years, a trend that is likely to continue; state employment projections indicate that nearly one-third of the job openings will be for jobs that typically pay less than the poverty level wage.

Iowa's low wages are explained both by the employment shift towards lower-paying economic sectors and by lower pay for a given occupation.

The increasing share of jobs in the low-wage trade and service sectors is only part of the explanation for low-wage employment in Iowa. The other part of the explanation is that, regardless of sector, many occupations pay lower wages in Iowa than in the nation or in our peer states. Iowa ranks 40th in the nation in the pay of elementary school teachers, and 50th in pay for nurses. Wages are particularly low in a variety of other occupations as well, including food preparation workers, secretaries, several clerical occupations, accountants, telemarketers, auto mechanics, carpenters, and machinists.

The incomes of most Iowa families have not improved in the past 20 years and the distribution of income in Iowa has become more unequal.

Family income data for the 1980s and the 1990s shows that the incomes of the bottom 60% of Iowa families, when corrected for inflation, actually declined between the 1978-80 period and

1996-98. Incomes of the richest fifth of Iowa families, on the other hand, increased about 20% over that same period. Income inequality, measured by the spread between the richest and the poorest, or by the spread between the rich and the middle, increased in Iowa in the 1980s and the 1990s. Still, there is less inequality in Iowa than in the country.

Poverty rates in Iowa have fallen but many Iowa families remain among the working poor.

Iowa's poverty rate fell from 14.7% in the early 1980s to about 8.7% in the late 1990s, and is one of the lowest in the region. Women and children are more likely to be poor; this is in large part because many children live in single-parent families headed by women, who face the dual challenge of being sole provider and facing much lower wages than men. Of the 246,000 Iowans living in poverty in the late 1990s, about 150,000 or 61% were in working poor households. These families and individuals work a significant part of the year—the average number of weeks worked per year was more than 40—yet they remain poor.

The gender gap in earnings persists.

In Iowa, as elsewhere, increased labor market participation by women has been accompanied by the “feminization” of poverty. Occupational segregation and familial responsibilities continue to crowd women into lower-wage (and often part-time and no-benefit) service employment. While Iowa ranked 9th in the nation in 1998 in terms of the ratio of women's to men's earnings (76%), we ranked 31st in terms of the median annual earnings of women. This is because the narrowing of the earnings gap between men and women over the past 20 years was due largely to declining male wages rather than female wage gains: Iowa ranks 38th in the median annual earnings of men. Furthermore, Iowa ranks 39th in terms of the percent of women in managerial and professional occupations. And the high labor force participation rates of women are deceptive; much of that participation is in part time employment (women in Iowa are twice as likely as men to work part time), which in turn reflects the low wages in many “female occupations” combined with the high cost of child care.

Region and education continue to shape economic opportunities and wages.

There also remains a persistent income gap between the state's rural and urban counties, reflecting both the continued decline of the agricultural economy and the preponderance of low-wage manufacturing growth in rural counties. The education gap—the difference in earnings between those with high-school education or less, and those with a four-year college degree or more—is less pronounced in Iowa, in part because low-wage workers have made recent gains while higher-wage and professional workers have not. The opportunities for college graduates to get a good-paying job in Iowa are not very good, which helps explain why we do not do better in retaining graduates.

Policies for Working Iowa

The five states that led the region in population growth and in growth in state personal income in the 1990s were the five with the highest rates of unionization and the highest wage rates; they also tended to have higher levels of taxation. The four lowest growth states (Iowa, Kansas,

Nebraska and South Dakota) were the four low-wage, right-to-work states. Iowa need not pursue a policy of low wages, weak unions, and an underfunded public sector to attain growth. A “high road” strategy of higher wages, a strong labor movement, and well-funded and modernized schools and public services is a workable strategy for attaining economic prosperity.

To reduce the number of workers earning poverty level wages, to reduce the number of people who are working but poor, and to counteract the trend towards an increasing share of low-wage employment, we recommend increasing the minimum wage, enacting a living wage law, and expanding the earned income tax credit. To increase the potential earnings of college graduates we recommend increasing public sector professional wages. To increase job opportunities at the higher end of the wage scale we recommend reforming business incentive programs to target high wage employment. To address the problem of labor shortages we argue for a series of policies aimed at making Iowa a more worker-friendly state in order to keep young people here, to attract skilled in-migrants where needed to fill critical job shortages, to make it possible for more Iowans to work, and to allow more Iowans to move from part-time to full-time work. These policies include better health insurance coverage, more family-friendly workplaces, and better job training and education.

- **Increase the state minimum wage** and index it to inflation in order to reduce wage inequality and ensure that gainful employment does not leave workers and their families in poverty.
- **Enact a state “living wage” law** that would ensure that firms receiving state contracts or state economic development subsidies pay decent wages.
- **Target business incentives** exclusively to firms paying high wages and providing good benefits.
- **Expand the Earned Income Tax Credit** and make it refundable, in order to reward working Iowans, compensate for the increasing share of lower-wage jobs, and reduce the incidence of poverty among Iowa workers and their families.
- **Increase public sector professional wages** in an effort to close the professional wage gap between Iowa and its peers and ensure that education is rewarded in the labor market.
- **Ensure access to health insurance** for all Iowans, regardless of age or employment status; drop all premiums, expand eligibility, and step up enrollment efforts for the Hawk-I Child Health Insurance Plan
- **Build family friendly workplaces** by expanding access to high quality, professional and affordable child care.
- **Enhance training and education** in order to make it easier for workers to adjust to changes in the economy, and to make it easier for employers to find the skilled employees increasingly expected by the “new economy.”

How Are We Doing?

As we write this, anxiety about a national recession and a shortfall in state revenues have interrupted what had become a steady stream of economic good news. Over the past ten years, the national and local economies have boasted sustained prosperity. Wages have risen and unemployment has fallen. Technological innovation and entrepreneurial genius have created, by some accounts, a generation of “dot.com” millionaires. We have escaped from the economic doldrums of the 1970s and 1980s, and have ensured that the economic expansion of the early 1990s (the famous “jobless recovery”) lasted long enough to yield real gains for ordinary Americans.

The reality of the past decade, not surprisingly, is more uneven and more complicated. In some respects we do have reason to celebrate: Sustained growth and low unemployment (and, to a lesser extent, modest increases in the minimum wage) have borne fruit for working Americans—especially in the lower income brackets and especially in the upper Midwest. Labor productivity is up, and wage inequality has lessened. Indeed, this is the first glimmer of sustained progress for working Americans since the collapse of the postwar boom in the early 1970s. But, in many other respects, we must exercise caution. Relatively few Americans have benefited from either the much-heralded boom in stock prices or the “new” high-tech economy. Higher family incomes reflect not only recent wage gains but also substantially longer working hours. A substantial share of the workforce continues to labor in poor-quality, low-wage jobs without private pensions and without employment-based health insurance. Wage inequality persists. Household debt is near record levels. And, despite the economic boom, poverty (in a “post-welfare” world) has fallen only slightly.

The national dimensions of this story are detailed in *The State of Working America, 2000-2001*, the latest version of the Economic Policy Institute’s biennial report. *The State of Working Iowa, 2001* examines the same range of issues and concerns in an Iowa context. How have working Iowa families fared, historically and in recent years? How do we measure up against both national and regional trends and our own practical standards for sustainable and equitable economic growth? How can we both sustain the gains of recent years and ensure that economic growth benefits all Americans?

In order to answer such questions, we need to do three things. First, we need to correct some false assumptions about the economy and our place in it; this is taken up in the remainder of this introduction. Second, we need to measure and assess our economic well being; towards this end, chapters 1 through 3 detail the strengths and weaknesses of the Iowa economy, trends in wages and job growth, and persistent patterns of poverty and inequality. Finally, we need to think about the implications of all of this for public policy; chapter 4 suggests political solutions to address some of our most persistent economic problems.

Evasions

Many observers explain persistent inequality or stagnant wages as inevitable consequences of a changing economy—arguing, for example, that technological change has created skill gaps, that low wages are concentrated among those “left behind,” and that such problems will address themselves as the labor force catches up to the demands of “the new economy.”

There are three fundamental problems with this view. First, the pace and impact of technological change is vastly overstated. By any measure, the labor market impact of new technology is no greater today than it was in the 1960s or early 1970s—eras in which wages did not suffer as a result. Second, the movement of workers over time from one sector of the economy to another does not fully account for either long-term wage stagnation or recent wage gains: indeed, as service employment has displaced higher-wage manufacturing employment, wages in *both* sectors have fallen. And third, there is little evidence to support the argument that low-wage workers will eventually climb into the prosperous jobs offered by the new economy. Since the 1970s, that kind of occupational mobility—the share of workers who increase their earnings over time—has fallen dramatically.

Those actually benefiting from the “high-tech boom” are few. The persistent growth in stock values has not, even via stock-based retirement plans, been of any broad benefit: 5 percent of families own 50 percent of all stocks and over half of American families own no stock at all directly (as always, a booming stock market *increases* inequality). And it is dangerous to measure our progress by consumption rather than income: this generalizes the experience of middle-class stereotypes (the suburban, SUV-driving, soccer mom) and ignores the ballooning household debt that increasingly underwrites our standard of living.

Observers of the Iowa economy routinely mistake our low unemployment for an index of overall economic health. The common assumption here—often buttressed by scattered evidence of fast-food restaurants paying recruitment bonuses—is that the tight labor market has solved all our problems; that few Iowans work at or near the minimum wage or that they can easily escape such jobs if they want to. This is demonstrably false. Tight labor markets have yielded some wage gains in the 1990s, particularly for low-wage workers in Iowa, who now earn more than their counterparts in the country as a whole. But *despite* historically low rates of unemployment (just over 2 percent in early 2001) Iowa maintains its dubious status—by national and regional standards—as a low wage state overall; low unemployment has failed to produce significant wage gains in the better-paying occupations. Indeed, Iowa’s low unemployment rate is in part a result of the steady out-migration of Iowans seeking decent jobs at decent wages.

Finally, some observers of the Iowa economy cite the state’s low cost of living as an explanation or allowance for its relatively low wages. This too is a dangerous assumption. Calculating costs of living on a state-by-state or region-by-region basis is a tricky proposition (see Appendix), but it is clear that Iowa’s cost of living is only marginally lower (5 to 8 percent) than the national average and—more importantly—it is about the same as most other states in the region. Adjusting for cost of living differences has no effect on Iowa’s ranking among peer states in the Midwest in terms of wage rates.

Explanations

We cannot account for the “state of working Iowa” by reasoning from a series of hazy assumptions about aggregate prosperity, economic change, unemployment, or living costs. Indeed, we will argue that the driving force behind the “new economy” is essentially political; that what shapes the lives of working Iowans is less the ebb and flow of the economy itself than the choices we (or others) make about managing that economy and distributing its rewards.

This is true, for example, of the broadest organizational premises of the modern economy. We live, as we are constantly reminded, amidst the promise and pressures of a global economy. But globalization did not just happen. Reliance on imports and exports, the hollowing out of our industrial base, and deference to multinational corporations reflect a long and complex history of which recent debates over “free” trade are only the latest chapter. And our approach or response to such pressures is intensely political: we have not hesitated to globalize production, for example, but we balk at globalizing environmental or labor standards. In this respect, attempting to solve the state’s troubles by advertising for immigrants puts the cart before the horse. What Iowa lacks is a job base that is sufficiently attractive to either stem the exodus of those born here or encourage foreign or domestic immigration. If you pay them, they will come (or stay).

The global setting, in turn, has become the political foundation for national economic policies aimed, with few exceptions, at making us “more competitive.” Exemplified by “Reaganomics” in the 1980s but running essentially unbroken since the mid-1970s, the common denominator of these policies has been to lower business costs by deregulating economic activity, paring back the business share of the tax burden, and—by a variety of means—cutting labor costs. By and large, local and state governments have concluded that this is the world in which they must live, and have pursued or promoted low-wage industry in an often futile effort to sustain local economies and tax bases.

Finally, such policies have abetted and complemented changes in the private organization of work, including the strategy of deindustrialization, a sustained attack on organized labor (and a precipitous decline in union membership), increased use of subcontractors and contingent workers, and the persistent refusal (recent gains aside) to raise the minimum wage or index it to increases in the cost of living. These strategies, in part, reflect the competitive pressures that employers face. But they also reflect the latitude granted employers by local, state and national economic policies that are at best indifferent and at worst hostile to the plight of working Americans.

We can do better. The chapters that follow detail some of the consequences (wage stagnation, economic insecurity, and persistent inequality) of past and present economic policies. At the same time, they suggest new approaches—some of which have been debated in the Statehouse, some of which are not yet on the radar screen. The choice, in this respect, is clear. We can take “the low road” by subsidizing low-wage economic development, squandering budget surpluses on shortsighted tax breaks, and letting working Iowans fend for themselves in a low-wage “right to work” environment. Or we can take “the high road” by supporting family friendly workplaces, sustaining a higher minimum wage, and demanding good jobs with benefits as a condition of public subsidies.

1. An Overview of the Iowa Economy

As a necessary backdrop (and because this is the first installment in the *State of Working Iowa* series), this chapter offers a basic sketch of Iowa's economic structure of its economic performance in recent years. What are our strengths and what are our weaknesses? How has Iowa fared against both national averages and states in the surrounding region?

Iowa and its Region

Throughout this report, we compare Iowa both to national averages and to a set of states that we call our regional peers. While it is important to assess Iowa against national trends or figures, the peer states offer the more important point of comparison. These states have similar economic and demographic profiles (see Table 1.1 below) and often stand apart as a group against national measures. Ranking Iowa among its peers offers a more telling measure of the state's economic standing or performance.

Table 1.1
Iowa and its Regional Peers: Demographic and Economic Comparisons

	2000 Popu- lation (mill.)	Percent of Population		Percent of those age 25 or older, 2000		Percent of Total Employment (1999)					
		Urban (1990)	White, non- Hispanic (2000)	At least high school educ.	College grad (4-yr.)	Farm	Manu- facturing	Trade	Ser- vices	Govern- ment	Other
Illinois	12.4	84.6%	67.8%	85.5%	27.1%	1.4%	13.3%	20.7%	32.0%	12.1%	20.5%
Indiana	6.1	64.9	85.8	84.6	17.1	2.2	19.3	22.1	26.8	11.6	18.1
Iowa	2.9	60.6	92.6	89.7	25.5	5.7	13.9	21.8	27.4	12.9	18.3
Kansas	2.7	69.1	83.1	88.1	27.3	4.6	12.3	21.6	27.0	15.5	19.1
Minnesota	4.9	69.8	88.2	90.8	31.2	3.1	13.8	21.7	31.2	11.7	18.6
Missouri	5.6	68.7	83.8	86.6	26.2	3.6	12.2	21.4	29.3	13.1	20.4
Nebraska	1.7	66.1	87.3	90.4	24.6	5.9	10.3	21.7	28.5	13.7	20.0
South Dakota	0.8	50.0	88.0	91.8	25.7	7.6	10.3	21.6	28.1	13.6	18.8
Wisconsin	5.4	65.7	87.3	86.7	23.8	3.0	18.7	21.5	27.6	11.7	17.4
Mean	4.7	66.6	84.9	88.2	25.4	4.1	13.8	21.6	28.6	12.9	19.0
Iowa's rank	6	7	1	4	5	3	3	2	6	5	6
United States		75.2	69.1	84.1	25.6	1.9	11.8	21.0	31.5	13.6	20.2

Source: U.S. Census, Bureau of Labor Statistics

As a region, for example, the upper Midwest has (in recent years) enjoyed very low rates of unemployment. On this score, Iowa's low rate of unemployment is both a reflection of the regional economy and a measure of how well (at least on this measure) the state is doing within it. As a region, to offer one more example, the upper Midwest enjoys a cost-of-living that runs slightly below the national average. Iowa's cost of living appears to be similar to its regional peers. Cost of living differences, therefore, do not explain Iowa's position among its peer states on measures of wages and income.

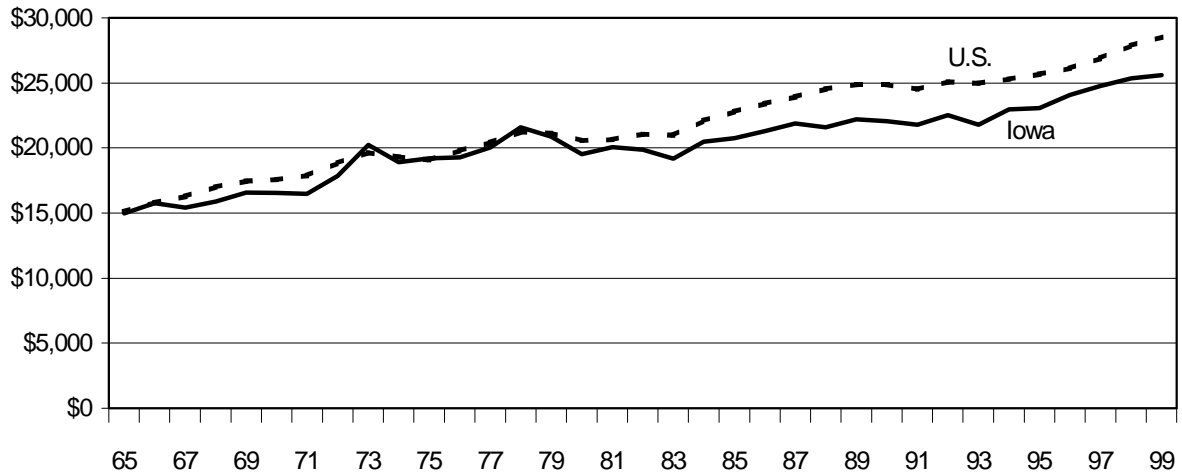
The peer group used throughout this report includes the six states that border Iowa—Illinois and Wisconsin to the East, Missouri to the South, Nebraska and South Dakota to the West, and Minnesota to the North. We have also included Kansas to the Southwest because, while not bordering Iowa, it occupies a geographic position essentially similar to that of South Dakota to the Northwest. These seven states are typically used in state policy discussions for comparison purposes. We have extended the region east to encompass Indiana as well; Indiana is in many respects more like Iowa than is Illinois, and it falls within the same geographic area as the other peer states (that is, a circle centered in Iowa that includes Missouri and Minnesota would include most of Indiana as well). As Table 1.1 suggests, Iowa sits close to regional means for urban settlement and educational attainment and employment distribution by sector, but is significantly less racially diverse than its peers. On these and other measures, Illinois (as a relatively populous and urbanized state) and South Dakota (as a relatively poor and rural state) tend to be the statistical outliers.

The measure of economic performance by nation and region and state allows us to consider both economic boundaries and political boundaries. The modern economy is a densely interwoven fabric of metropolitan and regional dimensions—defined more by economic characteristics (labor or product markets, resource distribution, transportation networks, etc) than by state or national boundaries. The economic life of Davenport and Bettendorf in eastern Iowa, for example, is shaped more by the Illinois cities (Moline and Rock Island) they border than it is by the rest of Iowa. At the same time, political boundaries remain important because cities, counties, states and nations make the rules for the economy even as it spills across and beyond their borders. On some issues, national politics and comparisons are most relevant. On other issues, state politics and regional comparisons are most relevant.

Iowa's Economic Growth

The Iowa economy has grown less rapidly than the U.S. economy as a whole since the mid-1960s. Real per capita income (which echoes the more conventional measures of gross product) in the United States has grown by nearly 90% since 1965. Real per capita income in Iowa has grown just over 70% over the same span. As Figure 1.1 suggests, the trajectory of growth in per capita income in Iowa fell off during the recession of the early 1980s and has never fully recovered.

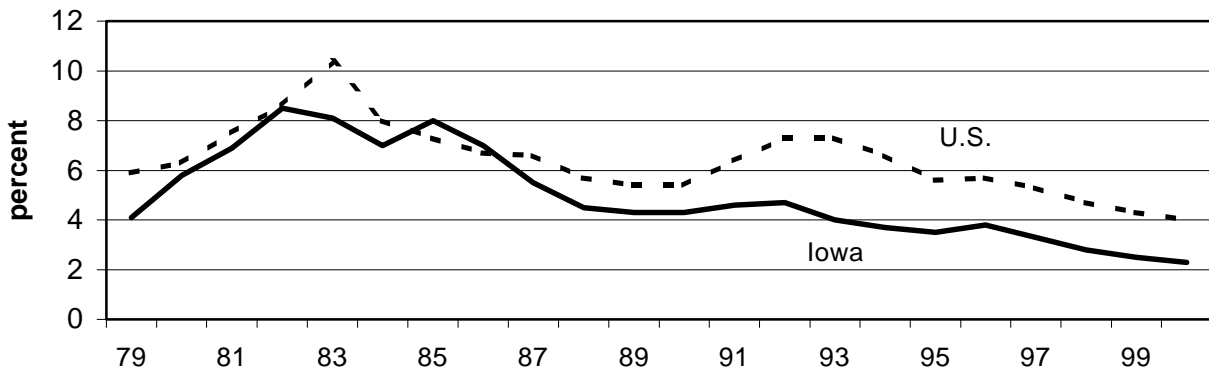
Figure 1.1
Per Capita Personal Income: U.S. and Iowa, 1965-1999
 (1999 dollars)



Source: Bureau of Economic Analysis; Bureau of Labor Statistics

Employment offers another measure of recent economic growth. Employment grew almost 20% in Iowa from 1989 to 1999. Because this growth in jobs was accompanied by sluggish population growth (just 5.4%, the lowest in the region), Iowa led the region with a historically low unemployment rate of just 2.3% in 2000 (annual average rate). The unemployment rate in Iowa stands at about two percentage points below the national rate, an advantage, as Figure 1.2 suggests, the state has enjoyed since 1991. While the unemployment rates in more urban and industrial Midwestern states are higher, the entire region has boasted steady job growth—led by Minnesota, Iowa and Wisconsin with job growth of 20% or more (slightly ahead of the 18% national growth) since 1989.

Figure 1.2
Unemployment Rate: Iowa and U.S., 1979-2000



Source: Bureau of Labor Statistics

Iowa's low unemployment rate, a product of slow population growth and steady economic growth, is also a recipe for a labor shortage. In the last section of this chapter, we examine this issue, and find that the shortage is likely to be much smaller than some have predicted. We also argue, in Chapter 4, that the problem is best addressed by making Iowa a better place for workers and that immigration should not become a tool for reintroducing labor surpluses.

Iowa's Population

Iowa's population grew modestly between 1990 and 2000 (about 150,000 new residents). As Table 1.2 shows, this rate of growth lagged significantly behind both the national rate and the growth of Iowa's regional peers; Iowa ranked 43rd among all states in percentage population growth in the 1990s, and last in the region. Iowa's population growth in the 1990s was the result of about 101,000 more births than deaths, plus a net migration into the state of about 49,000. The growth rate, while lowest in the region, was higher than anticipated by the U.S. Census Bureau, which had projected a net migration of only about 6,000. (It is not yet clear whether analysts underestimated the extent of in-migration or overestimated the extent of out-migration, or both.) Furthermore, the growth rate was an historic high; not since the 1910s has Iowa grown this fast, and in the intervening decades we grew 3.3% or less every decade but the 1950s (5.2%).

Table 1.2
Population Growth: U.S., Iowa, and Peer States

	1990	2000	Change	Percent Change
United States	248,709,873	281,421,906	32,712,033	13.2%
Minnesota	4,375,099	4,919,479	544,380	12.4
Indiana	5,544,159	6,080,485	536,326	9.7
Wisconsin	4,891,769	5,363,675	471,906	9.6
Missouri	5,117,073	5,595,211	478,138	9.3
Illinois	11,430,602	12,419,293	988,691	8.6
Kansas	2,477,574	2,688,418	210,844	8.5
South Dakota	696,004	754,844	58,840	8.5
Nebraska	1,578,385	1,711,263	132,878	8.4
Iowa	2,776,755	2,926,324	149,569	5.4

Source: U.S. Census

Even more striking is the regional variation in population and population growth. Of Iowa's 99 counties, 54 gained population in the 1990s and 45 lost population. Growth was concentrated in a small number of urban counties; 86% of the growth occurred in just ten counties. In fact, 46% of the growth is accounted for by Polk County and three adjoining counties (Dallas, Warren and Story) and another 25% occurred in Johnson and Linn Counties. Population decline, on the other hand, was common among the rural counties. Such trends have substantial social, economic and political implications not only for the retention and recruitment of labor, but also for regional equity and (especially in the state's rural counties) community survival.

In part, this is a reflection of agricultural economics and agricultural policy. Iowa and other midwestern states have experienced a long-term decline in the population base of the agricultural economy spurred by technological advances, increased agricultural productivity, and low commodity prices. At the same time, such losses have been exacerbated by policies such as the 1996 “Freedom to Farm” Act that have hastened (or even embraced) corporate consolidation while doing little to sustain the independent or family farm—a trend underscored in Iowa by the collapse of independent hog production.

In part, this is a reflection of broader economic development policies. Even in the most rural counties, less than a quarter of the workforce works directly in the agricultural sector. But non-agricultural employment in these counties offers little relief. Indeed the state and these counties, desperate to diversify local economies, have subsidized and encouraged low-wage economic development as a solution. Such development did little to provided sustained economic opportunity. And, by encouraging the in-migration of new (often new immigrant) workers, it creates new political and cultural challenges for communities already under stress.

Despite dramatic growth in minority populations over the last decade, Iowa remains predominantly—even overwhelmingly—white in its racial composition (see Table 1.3). According to the 2000 census, over 92.6% of Iowans are non-Hispanic whites, as against 82% nationally. This too creates substantial challenges for local and state public policy—in rural counties, in schools, and in the workplace. Increasing racial, ethnic and cultural diversity will demand new attention to civil rights law, resources for public education, and sustained efforts to accommodate both professionals and the lesser skilled among our new immigrants.

Table 1.3
Iowa’s Population by Race and Ethnicity, 1990 and 2000

	1990 Population	1990 Share	2000 Population	2000 Share
Non-Hispanic (by Race)				
White	2,663,840	95.9%	2,710,344	92.6%
Black or African American	47,493	1.7	60,744	2.1
American Indian or Alaskan Native	6,765	0.2	7,955	0.3
Asian or Pacific Islander	24,926	0.9	37,233	1.3
Other Race	1,084	0.0	2,103	0.1
Two or more races	NA		25,472	0.9
Hispanic Origin (any race)	32,647	1.2	82,473	2.8
Total	2,776,755	100.0	2,926,324	100.0

Source: U.S. Census

Changing Patterns of Employment

There were just over 1.9 million jobs in Iowa in 1999; about 1.5 million were wage and salary jobs and about 400,000 represented self-employment. Although by character and history Iowa is an agricultural state, fewer than 6% of the state’s jobs (109,000) are in farming, down from 11%

in 1979. Table 1.4 shows the distribution of jobs by economic sector, and the growth in jobs since 1979. These figures represent the total number of jobs, part-time and full-time, in Iowa. Note the slow growth of manufacturing and government, two sources of historically high-wage employment. Overall, employment has grown 24% since 1979. Over the same period, manufacturing employment tailed off dramatically in the 1980s, and by 1999 had recovered to just above its 1979 level. Government employment also shrank as a share of total employment. Another high-wage sector, construction, is highly cyclical; employment fell dramatically during the slow years of the 1980s and rose dramatically in the boom of the late 1990s, but the sector ended the twenty-year period with about the same share of total jobs as it began. Enthusiasm for the new “high-tech” economy overstates its contribution to the employment base. Fewer than 40,000 Iowans (2-3% of the workforce) work in high-tech industries.¹

Table 1.4
Employment Change in Iowa by Sector, 1979-1999

	Employment (thousands)			Percent Change		Percent of Total	
	1979	1989	1999	1979-89	1989-99	1979	1999
Total employment	1,557.0	1,611.1	1,928.9	3.5%	19.7%	100.0%	100.0%
Farm employment	172.0	136.6	109.8	-20.6	-19.6	11.0	5.7
Farm proprietors	126.0	109.7	96.6	-12.9	-12.0	8.1	5.0
Non-farm employment	1,385.0	1,474.5	1,819.1	6.5	23.4	89.0	94.3
Non-farm proprietors	198.1	221.0	288.2	11.6	30.4	12.7	14.9
Non-farm wage & salary	1,186.9	1,253.5	1,530.8	5.6	22.1	76.2	79.4
Non-farm sectors*							
Agricultural services	9.8	17.5	24.0	78.2	37.1	0.6	1.2
Mining	3.4	2.8	2.8	-17.3	-1.9	0.2	0.1
Construction	83.6	65.8	101.4	-21.3	54.2	5.4	5.3
Manufacturing	264.9	240.7	267.4	-9.1	11.1	17.0	13.9
Transport. & utilities	69.5	68.6	88.4	-1.2	28.8	4.5	4.6
Wholesale trade	83.9	84.7	91.5	0.9	8.0	5.4	4.7
Retail trade	256.8	273.4	329.0	6.4	20.3	16.5	17.1
FIRE	102.6	104.9	137.2	2.3	30.8	6.6	7.1
Services	293.8	386.7	527.6	31.6	36.4	18.9	27.4
Government	216.7	229.4	249.8	5.9	8.9	13.9	12.9

*Includes proprietors and wage and salary employment

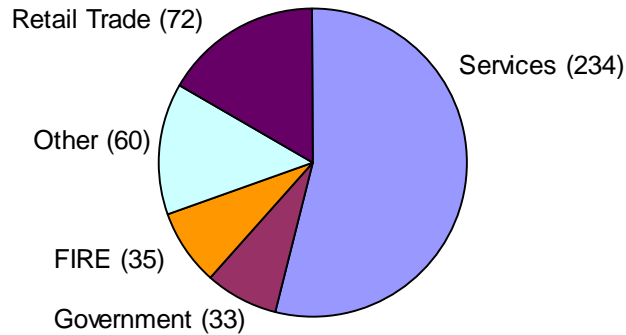
Source: Bureau of Economic Analysis

The leading sectors of the Iowa economy, in terms of their contribution to job growth, are the services—especially business and health services—followed by retail trade. These two sectors both grew substantially even in the 1980s, and together accounted for 71% of the total growth in non-farm employment from 1979 to 1999. Their share of the Iowa economy grew from 35% to 44% over that 20-year period. The FIRE (Finance, Insurance and Real Estate) sector also increased its share of employment slightly. Note that even though the growth rate of the retail sector in the 1990s was just 20%, which is less than the overall rate of growth in non-farm

¹ Iowa Workforce Development, *Condition of Employment 2000*, pp. 25-27. "High-tech" here refers to the 10 industrial classifications defined by the Bureau of Labor Statistics (based on employment of technical, scientific, and engineering personnel) as "high-technology" employers.

employment, the sector is so large that this growth represented a substantial share of the total increase in jobs. Figure 1.3 below shows which sectors accounted for most of the growth in non-farm employment from 1979 to 1999.

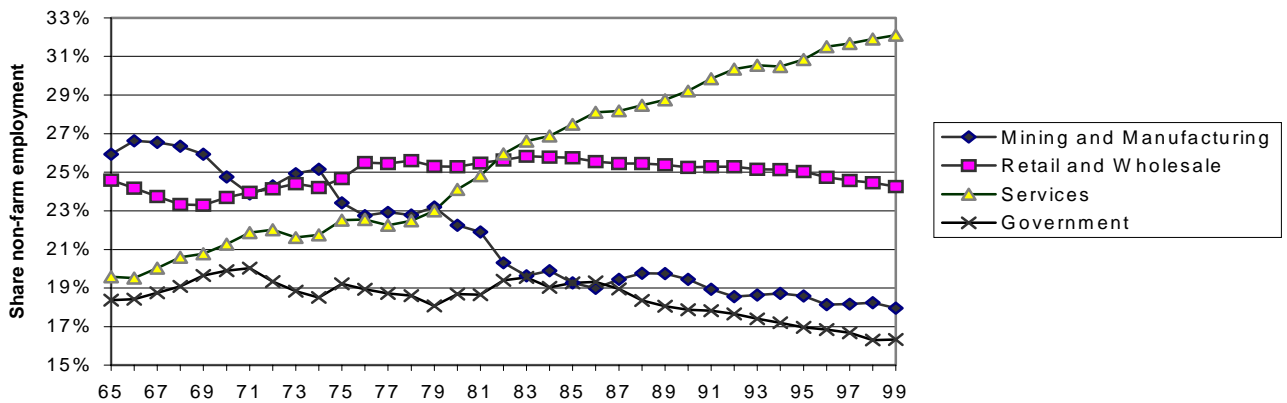
Figure 1.3
Growth in Non-Farm Employment in Iowa, 1979-1999
 (Thousands of Jobs)



Source: Bureau of Economic Analysis

The changing structure of the Iowa economy is apparent in Figure 1.4, which shows employment in the four largest sectors as a share of total non-farm employment. Service employment has increased its share dramatically, while the trade share has remained about the same and the other two sectors—manufacturing and, to a much lesser extent, government—have declined. The prominence of retailing and services is reflected in the list of the state’s ten leading private employers: three are retail stores (Hy-Vee, Wal-Mart, and Fareway), two are hospitals (Mercy Medical and Central Iowa Health Systems), and one is a telemarketing firm (APAC Teleservices).

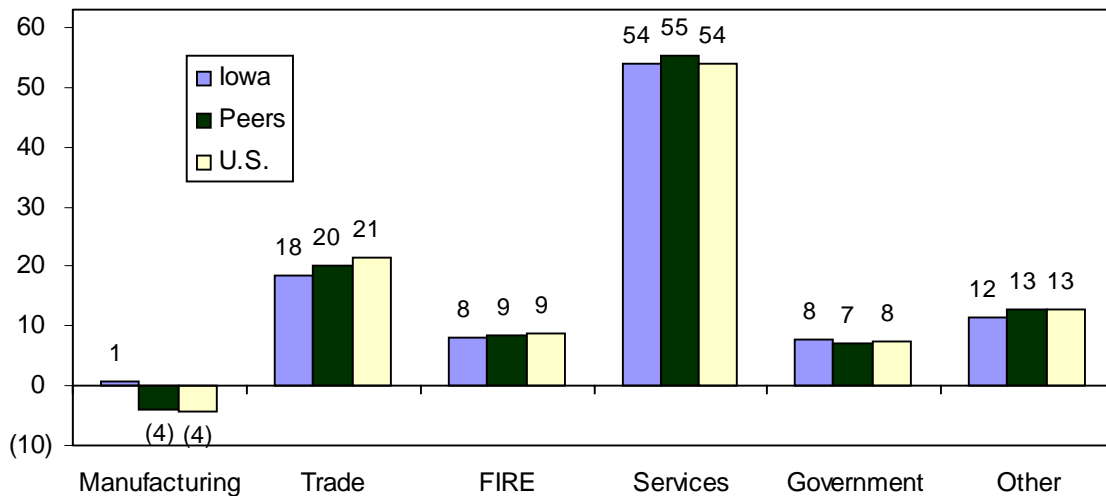
Figure 1.4
State Employment Trends, 1965-1999



Source: Iowa Department of Economic Development

This changing distribution of jobs in Iowa mirrors national and regional trends, for the most part, as shown in Figure 1.5. The only exceptions are that, for the country and for Iowa’s peer states, manufacturing employment declined, while it increased slightly in Iowa, and the growth of retail and wholesale trade employment in Iowa lagged slightly behind that of the region and the nation.

Figure 1.5
**Sectoral Employment Growth as a Percent of Total Growth
 in Non-Farm Employment, 1979-1999**



Source: Bureau of Economic Analysis

There are many explanations for the long-term shift in employment in the U.S. economy from manufacturing to trade and services. Many manufacturing jobs have been moved to low-wage locations overseas; the nature of retail trade and most services makes job exporting impossible. Productivity gains are easier to come by in manufacturing, so that over time fewer jobs are needed to produce a given output. Increasing affluence and greater labor force participation of women has meant that we are more likely to pay other people to provide services that we used to do ourselves. And some of the shift is a statistical artifact: as manufacturing firms outsource things like custodial services, the statistics record a decline in manufacturing employment and an increase in service employment.

This pattern of “deindustrialization” is important for a number of reasons. As we shall see in Chapter 2, the fruits of job growth and low unemployment depend a great deal on the kinds of jobs being created. As service employment crowds out manufacturing it also tends to crowd out “good” jobs. Service workers are paid less, they receive fewer benefits, and they are less likely (outside the public sector) to enjoy union representation.

Service workers are also, for a variety of reasons, much more likely to be women. Service sector growth has meant greater job opportunities for women but it has not challenged—and in some respects has reinforced—patterns of occupational segregation and persistent wage inequity. This process has often been helped along by economic development strategies (such as property tax abatements and tax increment financing) that subsidize low-wage, part-time, no-benefit employment.

The stagnation of Iowa's industrial base should also be considered across industries. As Table 1.5 suggests, only a few of the state's leading industries can boast of meaningful growth in the long-term (since 1979) or in the short-term (since 1994). Wood products (lumber, wood and furniture), transportation equipment, and a few others have done well since 1979; metal fabrication, wood products, transportation equipment, and a few others have done well since 1994. At the same time, employment in many of the state's core industries—including food products, farm machinery, meatpacking, and grain processing—has shown either negligible growth or (sometimes dramatic) decline.

Table 1.5
Manufacturing Growth and Decline in Iowa
 Wage and salary employment in thousands; ranked by 1999 share of manufacturing jobs

	Employment (thousands)				Percent Change		
	1979	1989	1994	1999	79-89	94-99	79-99
Food Products	48.9	46.9	50.9	51.1	-4	0	4
<i>Meat</i>	24.4	24.9	26.9	26.0	2	-3	6
<i>Grain</i>	11.5	9.8	9.7	9.6	-17	-1	-20
Machinery	68.4	43.8	42.6	43.6	-56	2	-57
<i>Construction Equipment</i>	23.2	10.6	10.1	12.2	-119	17	-90
<i>Farm Machinery</i>	28.8	15.6	13.8	10.6	-85	-30	-172
Fabricated Metals	20.4	18.2	15.9	20.7	-12	23	1
Printing & Publishing	17.7	21.3	20.9	20.5	17	-2	14
Lumber, Wood & Furniture	10.2	13.0	15.3	20.4	22	25	50
Electrical Equipment	26.0	16.2	19.6	18.3	-60	-7	-42
Transportation Equipment	10.1	12.2	13.9	17.4	17	20	42
Instruments & Miscellaneous	11.1	17.3	15.8	16.5	36	4	33
Rubber & Plastics	11.6	13.8	14.4	16.5	16	13	30
Primary Metals	9.2	7.7	7.8	8.6	-19	9	-7
Stone, Clay & Glass	7.8	5.7	6.3	7.7	-37	18	-1
Chemicals	8.1	6.4	7.6	7.3	-27	-4	-11
Paper	4.1	5.4	6.2	6.7	24	7	39
Apparel	4.2	5.2	5.7	4.0	19	-43	-5
Other Nondurables	2.3	1.7	2.2	2.1	-35	-5	-10

Note: Rows in italics are sub-categories.

Source: Iowa Department of Economic Development

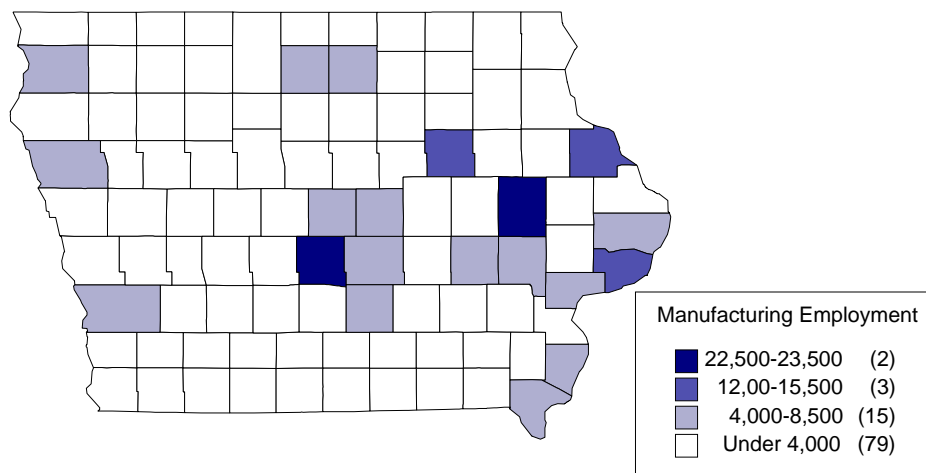
Finally, we need to recognize that the quality of jobs can change dramatically within an economic sector or industry. For example, average hourly earnings of manufacturing production workers in Iowa peaked at \$18.35 (in year 2000 dollars) in 1981, and then fell by 20% in the next 10 years. (They have remained about the same since then.) The decline in the 1980s can be attributed to (among other factors) the collapse of "master contract" bargaining and high-wage employment in meatpacking, and the loss of jobs in some of the other higher wage manufacturing industries, most notably farm machinery and construction equipment.

The combination of growing service sector employment and declining manufacturing earnings, in turn, helps to explain Iowa's high rate of female labor force participation. Women are both "pulled" into the labor force by the gender-specific opportunities of the service economy and "pushed" into the labor force by the familial pressures of declining male earnings.

Statewide measures of manufacturing employment conceal significant in-state variation. Manufacturing employment is concentrated in the eastern half of the state, from the I-80 corridor north to Black Hawk and Dubuque counties (see Figure 1.6). Five counties account for one-third of the jobs in manufacturing, and the next 15 counties contain almost another third.

Through the national employment boom of 1994-1999, the state's 11 most rural counties netted barely 2000 new jobs (1.4% of the state total). By contrast, nearly half of the state's 1994-1999 total job growth occurred in its five most urban and industrial counties (Polk, Scott, Johnson, Linn, and Black Hawk). Growth in manufacturing jobs in these counties varied, ranging from 11% (Johnson) to -4% (Polk), while each showed steady growth in trade and services. Service, wholesale/retail, and government employment are more evenly distributed, although they are more prominent in the local economies of the state capital (Des Moines) and the homes of the three state universities (Iowa City, Ames, Cedar Falls).

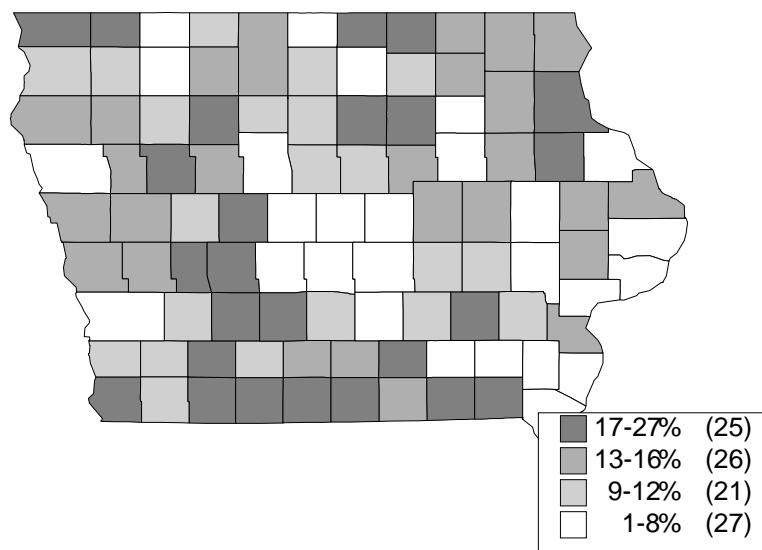
Figure 1.6
The Geography of Manufacturing Employment, 1999
(Jobs in manufacturing in Iowa's 99 counties)



Source: Bureau of Economic Analysis

While farm employment accounts for less than 6% of total state employment, it accounts for over 20% of employment in 11 counties and over 17% in 25 counties, especially in the south and southwest of the state (see Figure 1.7). These rural counties, as we discuss elsewhere, tend to have lower median wages, higher rates of poverty, and persistent population losses.

Figure 1.7
The Geography of Farm Employment
 (Farm employment as a percentage of County employment, 1999)



Source: Bureau of Economic Analysis

In all, the unevenness or weakness of employment in Iowa reflects a number of factors. Job quality is worse in the service sector than it is in manufacturing. It is worse for women than it is for men. It is worse in rural counties than it is in urban counties. And it is much worse (as is the case for rural women, for example) when these factors overlap.

The Labor Shortage

Much has been made of the labor shortage in Iowa in the 1990s and of projections of increasing shortages in the coming decade. Some have called for policies to expand the labor force through increased in-migration from other states and from abroad. Let us look closely at the projections of future employment and population growth, and at the assumptions behind the claims that the state must do something to increase the number of working age Iowans.

Labor shortage estimates are based on a comparison of projected jobs with the projected labor force. It is important to understand, however, that there is not a one-to-one correspondence between jobs and workers. All of the employment figures cited thus far in this report are based on data from Iowa establishments; they show the number of jobs of all kinds—full and part-time, permanent and temporary, wage and salary jobs, and self-employment—located in the state of Iowa. The data on the Iowa labor force, on the other hand, come from surveys of Iowa residents. The Iowa labor force represents the number of civilian Iowa residents age 16 and older who are employed or looking for work. The labor force is much smaller than the number of jobs for several reasons, including: (1) many members of the labor force hold more than one job, (2) jobs

held by 14-15 year olds are counted as jobs, but 14-15 year olds are not counted as part of the labor force, (3) employment figures include the military while the labor force is civilian only. In Iowa in 2000, the resident labor force was 82.9% of the total number of jobs in the state.

According to the most recent population projections available, Iowa's working age population will grow in the coming decade. The U.S. Bureau of the Census in 1995 projected a 3.5% increase in Iowans age 18 to 64 between 2000 and 2010, while the Woods and Poole Economics projections released in 2001 show a 6.9% increase in the population age 20 to 64. There are two reasons to give more weight to the Woods and Poole forecast. First, it is much more recent than the census projection. Second, since both these projections were prepared before the 2000 census results were available, results that showed a larger population growth in Iowa than anticipated, it is likely that they err on the low side. A reasonable assumption, then, would be that the working age population will grow between 4% and 8% between 2000 and 2010.

It is also reasonable to assume that the labor force will grow at about the same rate as the working age population (that is, we assume that labor force participation rates will stay roughly the same). Applying a growth rate of 4% to 8% to the actual resident labor force in Iowa in 2000 yields a projected increase in the labor force of 63,000 to 126,000 for the decade (see Table 1.6). Note that even the higher figure is below the growth of about 130,000 in the decade of the 1990s.

Table 1.6
**Projections of Growth in Jobs and in the
 Labor Force: 2000 – 2010**

Jobs and Labor Force, 2000	
Actual resident labor force ¹	1,579,000
Approximate total jobs in Iowa ²	1,904,000
Labor force as a percent of jobs	82.9%
Growth in Labor Demand, 2000 - 2010	
Projected net increase in jobs 2000-2010 ³	262,000
Times labor force as a percent of jobs	X .829
Equals net increase in labor force needed by 2010	217,000
Projected Labor Force Growth, 2000 - 2010	
Low estimate:	1,579,000 X 4.0% = 63,000
High estimate:	1,579,000 X 8.0% = 126,000
Projected Labor Shortage	
Low estimate:	217,000 - 126,000 = 91,000
High estimate:	217,000 - 63,000 = 154,000

¹ Civilian Iowa residents age 16 and over who are employed or looking for work.

² Jobs by place of employment; includes all full-time and part-time jobs and the self-employed, but excludes the military and those under 16.

³ From Iowa Workforce Development.

Will 63,000 to 126,000 additional workers be enough to fill the new jobs expected to be created by 2010? Probably not. Iowa Workforce Development projected a net increase in jobs of about 19,800 per year based on their 1996 survey of employers; this led to projections of 198,000 new

jobs over the decade 2000-2010. This is the figure used in the Governor's New Economy paper of 2000, for example. More recently, based on the 1998 biennial employer survey, Iowa Workforce Development projections were increased to 26,200 per year. These projections (unpublished as of this writing) were relied upon by the Iowa Business Council in their report "A Case for Change" in April of 2001. Here we use these more recent estimates of annual job growth, which imply net job growth of 262,000 over the decade 2000-2010. These projections are still below the actual annual job growth we saw from 1990 to 1999 (about 31,800 annually).

These job projections, like other employment estimates based on surveys of Iowa establishments, include all jobs located in the state, including part time jobs and self-employment. In 2000, the labor force was 82.9% of the number of jobs. If we assume that this ratio will continue to hold, then 82.9% of 262,000 is 217,000, the net increase in the labor force needed to fill the 262,000 jobs. Based on all the above assumptions, the labor shortage by the year 2010 will probably be in the range of 91,000 to 154,000.

Even using the more recent, higher job projections, our estimates of the labor shortage are much smaller than the figures of "310,000 working people" needed in this decade according to the Iowa 2010 report, or the 450,000-worker gap between job openings and population growth according to the governor's office. Apparently, the issue became clouded early on when discussion focused on the large projected "attrition" (people exiting the workforce due primarily to retirement or out-migration) without recognizing the offsetting effect of thousands of young Iowans entering the labor force each year. Even the census projections showing very slow overall population growth in Iowa from 2000 to 2010 indicate that more than 40,000 18-year-olds will be added to the working age population each year, compared to job attrition of about 37,000 per year previously forecast by Iowa Workforce Development (recently revised to 38,600). The error has been compounded as figures get bandied about; the Iowa Business Council, for example, in the report *A Case for Change*, asserts that "the Governor's Strategic Planning Council report shows the state's population needs to increase by 310,000 in the next 10 years just to replace workers who have left the workplace." (Please refer to the appendix for a more complete discussion of the attrition issue and why previous estimates were too high.)

Even careful estimates of worker shortages should be viewed with considerable caution. The population projections now available were made without benefit of detailed 2000 census data showing the age distribution of the population and migration patterns. It will be some time before these data are released and revised projections can be made. In the meantime, the 2000 census population totals indicate that recent population and migration estimates for Iowa were off by a considerable margin (total population growth and net migration being much larger than anticipated) casting doubt on projections based in part on such estimates. In particular, the census projections for net out-migration of 12,000 in this decade might well change in light of the 49,000 net in-migration we actually experienced in the 1990s. Furthermore, the projections of job growth are based on employer surveys conducted during the boom of the late 1990s. Employer projections of job needs may change dramatically during the slowdown of 2001.

Whatever the actual "need" for additional workers over the next ten years, we should ask where these workers might come from. There are only a limited number of possibilities: (1) reduced mortality rates, (2) increased domestic and/or international in-migration, (3) reduced out-

migration, (4) higher labor force participation rates (that is, a larger share of the population is actually working or seeking work), including higher participation rates of women or of those over 65, (5) lower unemployment rates among certain population subgroups, or (6) continued movement from farm to non-farm employment.²

We assume that state policy will not be able to affect mortality rates sufficiently to have an impact on the size of the labor force, though certainly health policies and workplace safety are important issues. As for migration, the census projections for Iowa for 2000-2010 show domestic in-migration of about 750,000, international immigration of about 35,000, and total out-migration of 804,000. To gain 91,000 to 154,000 more workers we must gain about 165,000 to 290,000 total population, with a middle estimate of 227,000 (the labor force was about 54% of the total population in 2000). A population gain of 227,000 would require a 30% increase in domestic in-migration, a 28% reduction in out-migration, or a 649% increase in international immigration (or some combination of the three), compared to the projections. Put another way, net in-migration would have to be 4.5 times as large as the 49,000 we saw in the 1990s.

There may still be room to increase the extent of labor force participation, particularly for women, who are much more likely than men to work part time. As for drawing labor from the farm population, the job projections already assume a continued steady decrease in the number of farmers in Iowa. However, the dwindling numbers remaining on the farm may become even more dependent on off-farm employment, increasing the participation of farmers and farm spouses in the non-farm labor market. Finally, it may be possible to reduce the unemployment rate among population subgroups such as the disabled.

So the questions become: What could the state do to make Iowa a more appealing destination for in-migrants? What could the state do to retain its working age population and stem out-migration? How can we increase rates of labor force participation? We can adopt family friendly workplace policies that make it easier to balance work and family, including affordable day care that makes it easier for parents to enter the labor force and makes it easier for women to move from part-time to full-time work. We can try to expand the employment opportunities for adults with disabilities, who face an exceptionally high unemployment rate. We can work to reduce the incidence of workplace accidents that produce disabilities. Higher wages, of course, may be the most effective tool for increasing labor force participation and keeping Iowans at home.

* * * * *

By most aggregate measures (including job growth, income growth, and unemployment), Iowa seems to be doing quite well. But such measures tell only part of the story. They tell us very little, for example, about the quality and the security of jobs being created; about the circumstances and experiences of the working families collected in statistical averages and aggregates; or about the ways in which the benefits of economic growth are distributed across regions or occupations or incomes. In the next two chapters, we look at these and other questions in some detail.

²The labor force consists of persons age 16 or over who are working or actively seeking work. The labor force participation rate is the labor force divided by the civilian, non-institutionalized population age 16 or over. The unemployment rate is the number of unemployed divided by the labor force.

2. Wages and Jobs in Iowa

In a democracy, the health of an economy is measured not just by its ability to grow, to produce goods and services, or to create jobs, but also by the experience and the economic well being of its workers and its working families. In this sense, economic growth is less important than the ways in which its benefits are distributed. And job creation is less important than the kinds of jobs that are being created and the wages that they pay. This is especially true in the United States, a nation that has always relied heavily upon private employment to ensure economic security. And it is especially true in recent years, as even basic social assistance is increasingly organized around the assumption or expectation of gainful employment.

This raises some obvious questions. What kinds of jobs do we have? What are we paid? How are we, and our families, faring in the “new” economy? And how do we, as a state, compare with the nation and our regional peers?

Wages and Wage Trends

In many respects, the answers to these questions bring better news than we have been accustomed to in recent years. For Iowa and the nation, the median wage (half earn more than the median, half earn less) has grown steadily in the 1990s (and impressively since 1995), reversing (but not erasing) nearly 15 years of wage stagnation. Nationally, the median wage is still marginally below the 1979 level; for Iowa, it remains a full 5 % lower (see Table 2.1).

Table 2.1
Median Hourly Wage: Iowa and Peers, 1979-1999 (in 1999 dollars)

	1979	1989	1999	Percent changes		
				1979-89	1989-99	1979-99
U.S.	\$11.89	\$11.60	\$11.87	-2.4%	2.4%	-0.2%
Minnesota	12.39	11.92	13.45	-3.7	12.8	8.6
Illinois	13.33	12.39	12.43	-7.0	0.3	-6.7
Missouri	11.53	10.73	11.89	-7.0	10.8	3.1
Wisconsin	12.43	11.07	11.84	-11.0	6.9	-4.8
Indiana	11.78	10.66	11.69	-9.5	9.7	-0.8
Iowa	11.59	10.35	11.01	-10.7	6.4	-5.0
Kansas	11.34	10.90	10.89	-3.9	-0.1	-4.0
Nebraska	10.89	9.78	10.43	-10.2	6.7	-4.2
South Dakota	9.54	8.92	10.05	-6.5	12.6	6.1

Source: Economic Policy Institute

In Iowa, low-wage workers (those at the 20th percentile—that is, 20% of workers earned less, 80% earned more) outpaced national gains for this group *and* made up for their losses in the 1980s. Nationally, the inflation-adjusted hourly wage for these workers in 1999 was still 3.3% lower than in 1979; for Iowa, it was 4.1% higher (see Table 2.2), though a gain of 31 cents per hour in 20 years is hardly cause for celebration. Iowa has remained about in the middle within the region on this measure.

Table 2.2
20th Percentile Wage: Iowa and Peers, 1979-1999 (in 1999 dollars)

	1979	1989	1999	Percent change		
				1979-89	1989-99	1979-99
U.S.	\$7.61	\$6.97	\$7.35	-8.5%	5.6%	-3.3%
Minnesota	7.85	7.43	8.44	-5.3	13.6	7.5
Wisconsin	7.85	6.74	7.89	-14.1	17.1	0.6
Indiana	7.60	6.60	7.80	-13.2	18.1	2.5
Missouri	7.37	6.54	7.77	-11.2	18.8	5.5
Iowa	7.46	6.40	7.77	-14.1	21.3	4.1
Illinois	8.44	7.29	7.75	-13.7	6.4	-8.1
Nebraska	7.25	6.33	7.22	-12.6	14.1	-0.3
Kansas	7.59	6.63	7.12	-12.6	7.3	-6.3
South Dakota	6.83	5.82	7.10	-14.8	21.9	7.1

Source: Economic Policy Institute

Higher paying jobs in Iowa—those that pay above the median wage—pay less than elsewhere. The 80th percentile wage in Iowa (the wage rate that separates the highest 20% of workers from the lowest 80%) was \$17.35 in 1999, compared to the national average of \$19.93 (see Table 2.3). Nationally, the 80th percentile wage rose almost 5% from 1979 to 1999, but in Iowa it fell

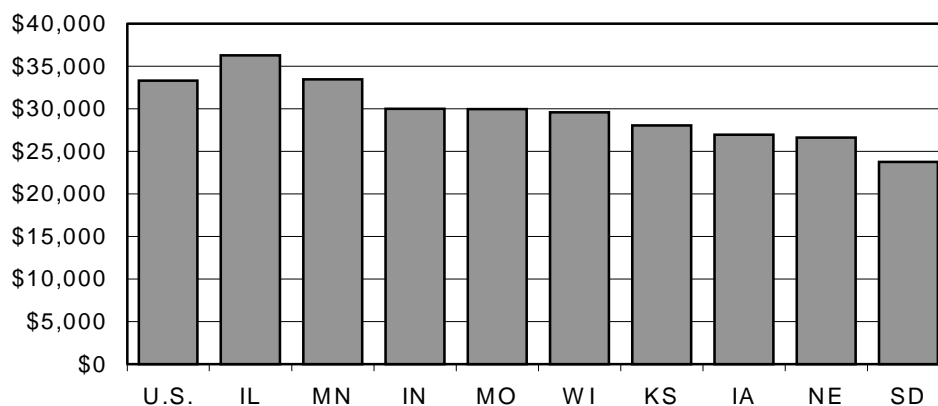
Table 2.3
80th Percentile Wage: Iowa and Peers, 1979-1999 (in 1999 dollars)

State	1979	1989	1999	Percent changes		
				1979-89	1989-99	1979-99
U.S.	\$18.99	\$19.28	\$19.93	1.5%	3.4%	4.9%
Minnesota	19.20	20.07	21.75	4.6	8.4	13.3
Illinois	20.97	20.17	21.15	-3.8	4.9	0.8
Missouri	18.84	17.72	18.85	-5.9	6.3	0.0
Wisconsin	18.57	17.71	18.79	-4.6	6.1	1.2
Indiana	18.12	17.19	18.78	-5.1	9.3	3.7
Kansas	17.37	17.54	18.05	1.0	2.9	3.9
Iowa	18.04	16.29	17.35	-9.7	6.5	-3.9
Nebraska	16.86	16.25	16.95	-3.6	4.3	0.5
South Dakota	15.68	14.25	15.93	-9.1	11.8	1.6

Source: Economic Policy Institute

almost 4%. This helps to explain why average annual earnings in Iowa, which were just under \$27,000 in 1999, are nearly \$6,000 below the national average and rank 7th in the region (see Figure 2.1). The lower pay in Iowa for jobs with wages above the median brings down the overall Iowa average. A lower cost of living in Iowa accounts for only about a third of the \$6,000 earnings gap. (The cost of living is discussed more fully in the appendix.) Furthermore, the gap is not due to lower average number of hours worked per year; Iowa differs little from national averages in this regard.

Figure 2.1
Average Annual Pay in 1999: Iowa, U.S., and Peers



Source: Bureau of Labor Statistics

All of this underscores the unhappy reality behind Iowa's low unemployment and recent economic growth: Despite pockets of improvement (particularly for low-wage workers), working Iowans generally earn less than do their national or regional peers. This is not just a statistical curiosity, but a stark reality that ripples through the social and economic life of the state and its citizens. Working Iowans must either accommodate themselves to a slipping standard of living, or work more hours. Increased working hours, often among multiple family members, compromises the stability and quality of family life. And many workers (particularly the states' younger and more mobile workers) are more likely to look outside Iowa for employment.

Finally, we should note that the wage picture—across the income spectrum—is complicated by shifts in other forms of compensation, especially pensions and health insurance. Total compensation (wages plus benefits) is dampened as employers reduce the value of health insurance and pension benefits and force workers to shoulder more of their direct costs. When this is taken into account, the 2.6% annual rate for wage growth since 1995 (national figures) falls to just 1.9%. While the real value of pension and health coverage grew steadily (5-7% annually) between 1948 and 1979, this growth slowed to just over 1% in the 1980s, and since 1989, has *fallen* at just over .5% annually (with most of the losses in the last five years).

Private sector health coverage peaked at just over 70% of the workforce in the late 1970s (again, these are national figures). It is now about 63%, a slight increase since 1995 but essentially the same as it was in 1989. Private sector pensions covered just over 50% of workers in 1979; this percentage dipped to 45% in the late 1980s, and is now just under 50%.

Such developments are often hard to untangle because they involve aggregate measures of coverage, volatile costs, complex mechanisms for cost sharing between employers and employees, and both quantitative and qualitative measures of the value of various kinds of health provision. We can say, however, that both the scope and value of employer coverage has stagnated or slipped in the last decade, and that the direct cost to workers of such benefits (especially health care) has risen steadily.

Job Quality

Despite the modest improvement in 20th percentile wages in recent years, over one-quarter of Iowa’s workers still toil at poverty level wages, as Table 2.4 attests. This rate is close to the national average but higher than that of most of Iowa’s regional peers—and certainly much higher than one would suspect of a state boasting an unemployment rate of less than 3%. As in the region as a whole, Iowa’s share of poverty-level jobs grew dramatically in the 1980s, encompassing well over one-third of all workers by 1989. This share dropped just as dramatically in the 1990s. Once again, the recent gains claimed by low-wage workers are impressive only when using the misery of the 1980s as a benchmark; compared to 1979, we are little better off.

Table 2.4
Share of Workers Earning Below the Poverty Level Wage*: Iowa, U.S. and Peers

	1979	1989	1999	Percentage change		
				1979-89	1989-99	1979-99
U.S.	23.7%	28.5%	26.8%	4.9%	-1.7%	3.1%
Minnesota	21.9	26.2	18.7	4.3	-7.5	-3.2
Wisconsin	21.6	30.3	22.7	8.7	-7.5	1.1
Illinois	17.6	25.5	23.9	7.8	-1.6	6.3
Indiana	24.2	34.8	24.3	10.5	-10.4	0.1
Missouri	26.2	33.0	24.7	6.8	-8.4	-1.5
Iowa	25.7	35.4	25.1	9.6	-10.3	-0.7
Kansas	24.6	32.1	29.9	7.5	-2.2	5.3
Nebraska	28.4	38.4	30.6	10.0	-7.8	2.2
South Dakota	37.4	43.5	32.2	6.1	-11.3	-5.2

*The hourly wage needed by a single earner working full time, year round in order to keep a family of four above the poverty line. In 1999, this was \$8.20/hour.

Source: Economic Policy Institute

The low-wage labor market is disproportionately a female labor market; over 60% of the workers earning below the poverty level wage in Iowa are women (see Table 3.5 on page 45). We explore this issue later in this chapter. Race is also a factor; non-whites represent about 7% of all workers in Iowa, but almost 10% of those working below the poverty wage.

The current low-wage economy is in part a product of the longstanding national drift from high-wage manufacturing employment to lower-wage (and often no-benefit) service employment. In Iowa and the nation, this pattern of “deindustrialization” slowed in the 1990s. In Iowa, manufacturing’s share of total employment continued to decline (see Figure 1.4 on page 11). Services accounted for 53% of non-farm wage and salary job growth between 1979 and 1999 (see Table 2.5), and most of the increased service employment was in sectors paying well below the average weekly pay, which was \$519 in Iowa in 1999.

Retail trade, a very low wage sector, contributed 19% of the job growth over the twenty-year period. The only sectors that accounted for more than 5% of job growth and that paid *above* the average weekly pay were FIRE (Finance, Insurance and Real Estate) and government. As we shall see later in this chapter, the persistence of the low wages reflects in part the weakened bargaining power of workers. Note that, in Table 2.4 above, the region’s highest poverty-level wage shares belong to its four right-to-work states: Iowa, Kansas, Nebraska, and South Dakota.

Table 2.5
Growth in Non-farm Wage and Salary Employment in Iowa, 1979-1999

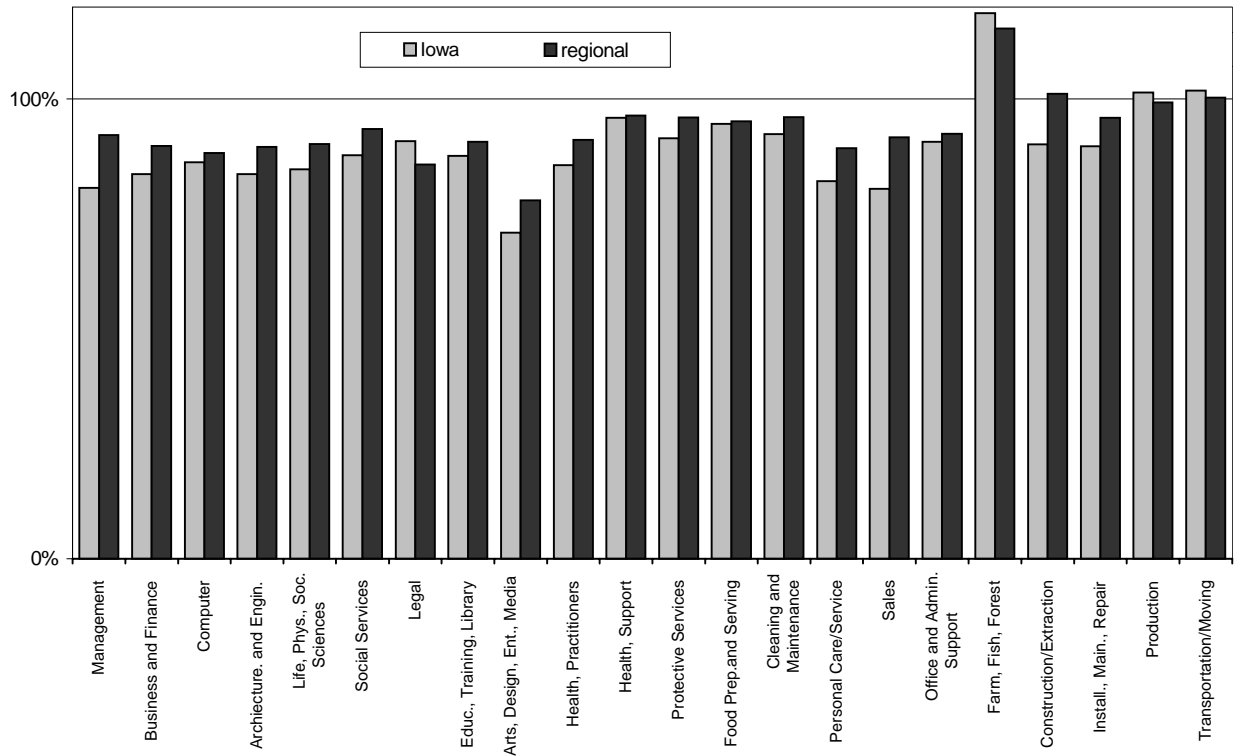
	Ave. Weekly Pay, 1999	Employment (thousands)			Job Growth		Share of Job Growth 1979-99
		1979	1989	1999	1979-89	1989-99	
Total Nonfarm	\$519	1,186.9	1,253.5	1,530.8	66.5	277.4	100.0%
Agricultural services	347	5.2	7.9	12.4	2.7	4.5	2.1
Mining	690	2.6	2.0	2.1	-0.6	0.1	-0.2
Construction	612	61.7	42.7	68.6	-19.0	25.9	2.0
Manufacturing	674	262.1	236.3	261.6	-25.8	25.3	-0.2
Transport. & utilities	648	59.2	56.7	73.3	-2.5	16.6	4.1
Wholesale trade	692	78.9	81.1	86.4	2.1	5.3	2.2
Retail trade	272	214.9	235.8	280.1	21.0	44.3	19.0
FIRE	708	60.4	70.6	88.3	10.2	17.8	8.1
Services	443	225.2	291.0	408.2	65.8	117.2	53.2
Business services	422	21.7	36.2	79.3	14.4	43.1	16.7
Health services	550	77.1	95.7	118.9	18.6	23.2	12.2
Social services	287	14.0	22.1	37.0	8.1	14.9	6.7
Amusement & rec.	291	8.6	11.3	24.7	2.7	13.4	4.7
Education services	416	13.7	23.3	29.5	9.6	6.2	4.6
All other services	431	90.1	102.4	118.8	12.3	16.3	8.3
Government	560	216.7	229.4	249.8	12.7	20.4	9.6

Source: Bureau of Economic Analysis; Bureau of Labor Statistics

To what extent are Iowa’s low average earnings and relatively low median wage a result of lower wage rates for the same occupation, rather than a disproportionate share of lower wage industries? Figure 2.2 shows the average annual earnings for the 22 major occupational groupings used by the Bureau of Labor Statistics. It is clear that Iowa’s average annual wage for a wide range of occupations is below the average for the region, and that the regional average itself is well below the national average (with a few exceptions). This is particularly true for occupations generally requiring education beyond high school, and is probably a substantial part of the explanation for the exodus of college graduates—they are paid better elsewhere.

The picture remains the same if one looks at median hourly wage rates rather than average annual earnings. Wage rates in Iowa are below the national median wage in 19 of the 22 occupational categories, and for 10 of these occupations, wages are more than 10% below the national wage. For 12 occupational groupings, Iowa ranks 7th or lower in the region.

Figure 2.2
Average Annual Earnings in Iowa and its Region as a Percent of National Average, by Major Occupational Group, 1999



Source: Authors' calculation from Occupational Employment Wage Estimates (BLS)

A look at specific occupations within these 22 occupational groupings reveals considerable variation. Table 2.6 shows the median hourly wage, for Iowa and the U.S., for the 40 non-supervisory occupations that accounted for the most employment in Iowa in 1999. It also shows how Iowa's wage ranks nationally, and the Iowa wage as a percentage of the national median wage for each occupation. A few occupations in Table 2.6 stand out because Iowa ranks well and the wage is significantly above the national median: some truck drivers, meat packers, team assemblers, laborers and freight handlers, and packers and packagers. But for many other occupations, Iowa fares poorly. Registered nurses faced a median wage in Iowa of just \$16.76 in 1999, which placed Iowa 50th among the 50 states. For a number of other occupations, Iowa ranked 30th or below and the Iowa wage was less than 92% of the national: cooks and food preparation workers, licensed practical and vocational nurses, elementary school teachers, teacher assistants, secretaries, several clerical occupations, accountants, customer service representatives, telemarketers, auto mechanics, carpenters, and machinists.

Table 2.6
**Median Hourly Wage for the 40 Largest Non-Supervisory Occupations:
 Iowa and the U.S., 1999**

Occupation	Iowa Employment	Median hourly wage			Iowa's Rank
		Iowa	U.S.	Ratio: Iowa/U.S.	
Retail Salespersons	43,630	\$7.32	\$7.66	0.96	38
Cashiers	36,100	6.32	6.68	0.95	44
Waiters and Waitresses	21,450	5.98	6.07	0.99	34
Cooks, Institution and Cafeteria	7,230	7.52	7.89	0.95	35
Cooks, Restaurant	7,530	7.24	8.05	0.90	41
Food Preparation Workers	13,490	6.55	7.23	0.91	39
Combined Food Preparation and Serving Workers	20,500	6.29	6.30	1.00	24
Counter Attendants, Cafeteria, Food Concessions	8,440	6.24	6.46	0.97	33
Janitors and Cleaners, Except Maids and Housekeepers	20,620	7.99	7.90	1.01	22
Maids and Housekeeping Cleaners	10,300	7.02	7.03	1.00	23
Registered Nurses	26,860	16.17	20.33	0.80	50
Licensed Practical and Licensed Vocational Nurses	7,060	12.00	13.39	0.90	38
Nursing Aides, Orderlies, and Attendants	19,310	8.13	8.29	0.98	26
Elementary School Teachers, Except Special Education**	7,910	32,180	37,070	0.87	40
Teacher Assistants**	18,670	14,960	16,420	0.91	33
Sales Representatives, Wholesale and Manufacturing	9,390	16.37	17.91	0.91	34
Customer Service Representatives*	18,860	9.81	11.30	0.87	38
Accountants and Auditors	8,750	16.76	19.16	0.87	40
Executive Secretaries and Administrative Assistants*	11,690	12.62	14.21	0.89	31
Secretaries, Except Legal, Medical, and Executive	16,380	9.96	11.18	0.89	34
Office Clerks, General	29,700	9.32	9.77	0.95	28
Bookkeeping, Accounting, and Auditing Clerks	22,260	9.98	11.53	0.87	41
Shipping, Receiving, and Traffic Clerks	7,840	9.86	9.99	0.99	27
Production, Planning, and Expediting Clerks	7,420	14.60	14.47	1.01	17
Receptionists and Information Clerks	10,530	8.32	9.26	0.90	38
Stock Clerks and Order Fillers	17,530	7.57	8.35	0.91	43
Telemarketers*	11,320	7.65	8.91	0.86	40
Industrial Truck and Tractor Operators	10,610	11.74	11.49	1.02	23
Truck Drivers, Heavy and Tractor-Trailer	25,950	15.94	14.74	1.08	5
Truck Drivers, Light Or Delivery Services	12,260	10.64	10.33	1.03	16
Maintenance and Repair Workers, General	13,110	11.39	11.99	0.95	30
Automotive Service Technicians and Mechanics	7,170	11.63	13.62	0.85	44
Carpenters	8,150	13.13	15.35	0.86	30
Machinists*	7,040	11.85	14.30	0.83	44
Welders, Cutters, Solderers, and Brazers	7,960	12.24	12.58	0.97	30
Slaughterers and Meat Packers***	11,470	9.82	9.18	1.07	5
Construction Laborers*	8,640	10.50	10.85	0.97	22
Team Assemblers	24,050	10.86	9.95	1.09	5
Laborers and Freight, Stock, and Material Movers, Hand	24,980	9.36	8.75	1.07	15
Packers and Packers, Hand	13,080	7.80	7.20	1.08	8

*Rank is out of 49 states (data for one state not available)

**Average annual pay rather than hourly wage. Rank is out of 48 states for teachers, 49 states for teachers' assistants (data for one or two states not available)

***Rank is out of 34 states (data for 16 states not available)

Source: Bureau of Labor Statistics

Equally troubling are the State of Iowa's projections for future job growth. Of the 25 occupations with the largest number of projected annual job openings over the 10 year period 1998-2008, 14 paid less than \$10 per hour in Iowa in 1998 (see Table 2.7). Indeed, 11 of these occupations, accounting for over half of the job openings in Table 2.7, paid less than \$8.01, the hourly wage needed to keep a family of four above the poverty line in 1998. If we look at all occupations instead of just the top 25, we find that Iowa Workforce Development projects about 65,700 annual job openings in total. Of these, 48% are in occupations that paid less than \$10.00 per hour in 1998, 41% paid less than \$9.00, 32% paid less than the poverty level wage of \$8.01, and 17% paid less than \$7.00.

Table 2.7
Projected Job Growth in Iowa, 1998-2008
 Top 25 Occupations Ranked by Median Hourly Wage

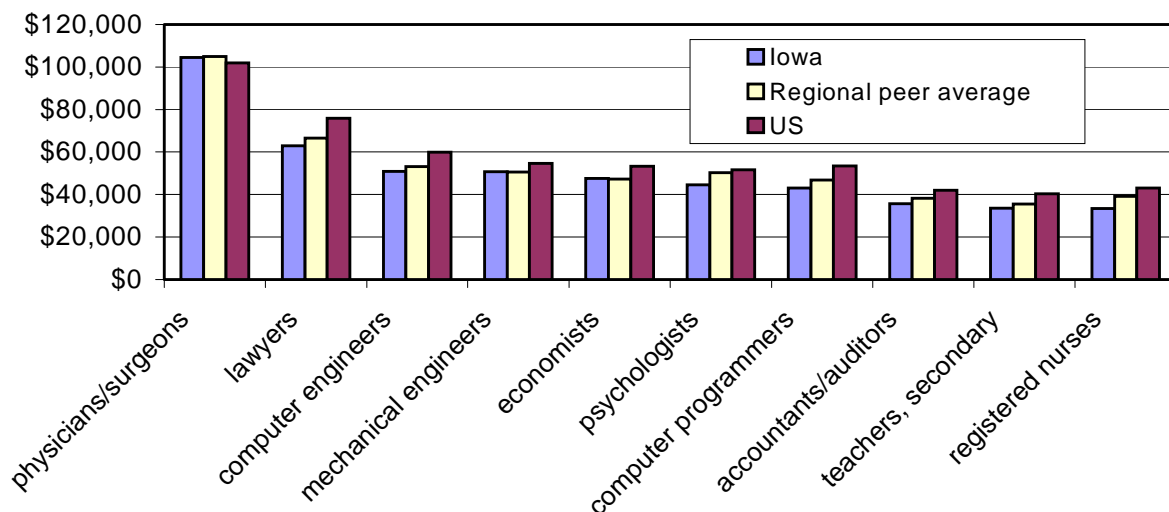
Occupation	Annual Job Openings		Median Hourly Wage, 1998
	Number	Rank	
Waiters and Waitresses	1,685	3	\$5.80
Counter Attendants, Lunchroom or Cafeteria	535	25	5.97
Food Service Workers, Fast Food	1,215	7	6.01
Child Care Workers	1,010	9	6.12
Food Preparation Workers	975	11	6.25
Cashiers	2,400	1	6.32
Retail Salespersons	2,365	2	7.12
Hand Packers and Packagers	595	22	7.50
Telemarketers Related Workers	1,560	5	7.64
Nursing Aides, Orderlies, and Attendants	610	20	7.78
Janitors and Cleaners	780	15	7.90
<i>Poverty wage in 1998</i>			<i>8.01</i>
Laborers, Landscaping and Groundskeeping	545	24	8.24
Helpers, Laborers, and Material Movers	1,090	8	8.65
Office Clerks, General	1,435	6	8.84
Assemblers and Fabricators	990	10	10.07
Truck Drivers, Light	725	18	10.23
Carpenters	765	16	11.41
Truck Drivers, Heavy	840	13	12.10
Marketing and Sales Workers Supervisors	855	12	12.56
Office and Administrative Support Managers	730	17	13.92
Registered Nurses	820	14	15.53
Managers and Administrators, NEC	565	23	18.53
Teachers, Elementary School	675	19	18.90
Teachers, Secondary School	600	21	19.92
General Managers and Top Executives	1,595	4	21.16

Source: Iowa Workforce Development; Bureau of Labor Statistics

The Professional Gap

Professional incomes provide another important index of Iowa's recent wage and employment record. A comparison of professional incomes in Iowa with national and regional averages is especially apt given the recent political attention devoted to the question of teachers' salaries. As Figure 2.3 shows, only Iowa physicians outpace their national peers, and in only three of the selected professions (physician, mechanical engineers, and economists) do Iowans approach or surpass their regional peers.

Figure 2.3
Selected Annual Professional Incomes
Iowa, U.S., and Regional Average, 1998



Source: Iowa Workforce Development

Salaried professionals, of course, are not as easily targeted by public policy. Certainly, efforts can and should be made in the public sector (education, for example) where professional wages both lag significantly behind national and regional norms and pose serious recruitment and retention problems. Teachers' salaries in Iowa rank 35th in the nation. More seriously, in a state-by-state comparison of teaching salaries in rural school districts, Iowa ranks a dismal 43rd—a reflection of both low statewide salaries and the gap (nearly \$12,000 according to the national Rural School and Community Trust) between rural and urban salaries. Little wonder that fully a quarter of Iowa's new teachers leave the profession within three years—a rate of attrition nearly twice the national average.

Low professional incomes in Iowa means that both income inequity (the gap between low- and high-wage workers) and income differentials generated by educational attainment are lesser in Iowa. But it also means that the rewards of education are less pronounced in Iowa, increasing the likelihood that Iowa's college graduates will leave the state.

The Gender Gap

In Iowa, as in the nation, women have dramatically increased their participation in the labor force since the 1960s and—not nearly as dramatically—narrowed the gap between male and female earnings. Increased labor force participation is a matter of both need and opportunity. Given the coincidence of the “second wave” feminist movement and economic decline in the 1970s, it is hard to unravel how many women have moved into the labor force as a matter of right (or have been enticed by higher wages), and how many have been pressed into the labor force by declining male earnings and family incomes.

While the states in our comparison region generally have high participation rates, they also have somewhat low median annual earnings for women and relatively low ratios of women’s to men’s earnings (see Table 2.8). Iowa and Missouri are notable exceptions on the last measure; women in Iowa earn 76.4% of men, ninth best in the nation. The labor force participation rate for Iowa ranks 10th in the nation, but women’s median annual earnings in Iowa rank ahead only of Indiana, Nebraska and South Dakota in the region and 31st in the nation. More women are working but at lower rates of pay in Iowa, and only 28% are in managerial and professional occupations, where Iowa ranks 39th.

Table 2.8
Women’s Labor Force Participation and Wages,
 Iowa and Peers, 1998

	Median annual earnings, full-time, year-round workers	Percent of women in the labor force	Women’s annual earnings as a percent of men’s	National rankings			
				Median annual earnings, full-time, year-round workers	Percent of women in the labor force	Women’s annual earnings as a percent of men’s	Percent of women in managerial and professional occupations
Minnesota	\$26,241	70.1%	72.4%	11	1	24	5
Illinois	25,874	61.5	68.7	12	25	42	17
Missouri	24,421	62.7	75.4	21	20	11	8
Wisconsin	24,387	69.0	68.6	22	2	44	30
Kansas	23,403	65.5	70.2	25	11	34	26
Iowa	23,226	65.7	76.4	31	10	9	39
Indiana	22,082	61.5	66.7	39	25	48	44
Nebraska	21,651	66.6	71.4	41	7	29	43
South Dakota	20,171	68.1	70.9	49	3	31	44
United States	25,370	59.8	73.5				

Annual earnings for men and women are an average of 1996-1998, in 1998 dollars.
 Source: Institute for Women’s Policy Research.

How could Iowa rank so high on the ratio of women’s to men’s earnings (9th) and so low in terms of the median annual earnings of women (31st)? The answer is that Iowa ranks even lower in terms of the median annual earnings of men: at \$30,401 (the national average was \$34,517),

Iowa ranked 38th. This reflects the fact that much of the improvement in the earnings ratio since the late 1970s, in Iowa and the nation, was due to declining male wages rather than real gains made by women.

The gap between male and female wages reflects a number of factors, including patterns of occupational segregation, gender pay gaps within occupations, lower rates of unionization, and lesser or interrupted work experience. In Table 2.8, comparisons were made between men and women who worked full-time (at least 35 hours per week), year-round (50 weeks or more per year). Thus, the much higher rates of part-time work among women are not a factor in explaining the annual earnings differences in those tables. Occupational segregation, on the other hand, is a major factor. In Iowa, almost 70% of working women work in service, retail, or government employment; male employment is more evenly distributed across sectors, but is anchored in manufacturing. Indeed, those jobs with the highest concentration of female workers are also the jobs with the lowest wages (Table 2.9).

Table 2.9
Occupational Segregation and Wages in Iowa, 1998

Male Occupations	Percent Male	Hourly Wage	Female Occupations	Percent Female	Hourly Wage
Auto mechanic	98.9%	\$12.14	Child care worker	99.5%	\$6.52
Carpenter	98.6	12.24	Secretary	98.9	10.16
Electrician	97.9	16.55	Registered nurse	96.5	16.04
Construction labor	97.4	10.50	Receptionist	95.7	8.33
Mechanic	96.5	14.57	Hairdresser	95.7	8.67
Machinist	95.3	13.57	Typist	95.7	10.35
Truck driver	94.1	13.09	Bank teller	94.0	7.91
Welder	93.7	11.39	Bookkeeper	91.5	10.17
Farm manager	91.5	n/a	Data entry	90.9	8.75
Material handler	89.9	9.84	Nursing aide	89.8	7.94
Weighted Average		12.26	Weighted Average		10.28

Source: Iowa Commission on the Status of Women

Marked wage discrepancies persist within occupational and educational categories as well, although there is significant variation. Full-time, year-round women workers with Associate of Arts Degrees from Community Colleges, for example, earn only about 75% of the wages of men with the same educational background. Iowa women with professional degrees earn just 61% of comparable male wages.

The annual earnings of all women (not just full-time, year round workers) are brought down further by the fact that women are about twice as likely as men to work part time. In 1998, 27% of working Iowa women worked fewer than 29 hours per week, and 38% worked fewer than 35 hours. Of working Iowa men, on the other hand, just 13% worked fewer than 29 hours, and 20%

worked fewer than 35.¹ To the extent that women’s work hours reflect involuntarily part-time or temporary work, or are necessitated by the high cost of child care (which can consume most or all of a low-wage worker’s hourly take-home pay, particularly if more than one child is involved), there is still room for substantially increasing the labor contributions of Iowa women. The high labor force participation rate of Iowa women, in other words, is deceptive in that much of that participation is at a lower level, and could be increased with better jobs and more affordable child care

The Union Gap

Low wages are closely related to union status. Union representation and a stable collective bargaining relationship not only raise wages for organized workers, but also have a “spillover” effect on the wages of non-union workers. The benefits of unionization are not difficult to measure. In 1999, workers belonging to unions claimed a substantial wage advantage—30% for all full-time workers, even more for female, black, and Hispanic workers (see Table 2.10). The wage gap, in turn, tells only part of the story. Since unionized workers are much more likely to enjoy employment-based fringe benefits, the compensation gap between union and non-union workers is actually much larger.

At the same time, Table 2.10 also overstates the union advantage, because it does not allow for other factors (region, occupation, age, education, experience) that might contribute to higher wages for union workers. If we control for all of these factors—that is, if we narrow our comparison to workers in the same industry, in the same region of the country, at similar stages in their careers, with similar education and work experience—the union advantage is still about 15%, or just over \$1.40/hour.²

Table 2.10
Median Weekly Earnings (U.S.) by Union Affiliation, 1999

	Non-union workers	Union workers	Union advantage
All workers over 16	\$516	\$672	30%
Men	599	711	19
Women	449	608	35
White	534	692	30
Black	415	575	39
Hispanic	363	561	55

Source: Authors’ analysis of U.S. Census Data

Union density—the percentage of wage and salary workers who belong to a labor union—and right-to-work status are closely associated with wage levels. Median hourly wages range from \$10.05 to \$13.45 among the nine peer states (Table 2.11) and the lowest wages belong to the

¹ Bureau of Labor Statistics, *Geographic Profile of Employment and Unemployment, 1998*, Table 18.

² Economic Policy Institute, *The State of Working America 2000/2001*, page 183.

region's four right-to-work states.³ The same pattern holds for wages at the 80th percentile. For low-wage workers, the only exception to this pattern is that Iowa's 20th percentile wage is slightly higher than Illinois'. Furthermore, Iowa has much higher union density than the other three right-to-work states, and it has the highest wages among the four.

Table 2.11
**Selected 1999 Wage Percentiles, Ranked by Right-to-Work Status
 and Union Density: Iowa and its Peers**

	Wage at this percentile			Right-to-work?	Union density (1999)
	20 th	50 th	80 th		
Minnesota	\$8.44	\$13.45	\$21.75	no	19.3%
Wisconsin	7.89	11.84	18.79	no	18.7
Illinois	7.75	12.43	21.15	no	18.0
Indiana	7.80	11.69	18.78	no	15.7
Missouri	7.77	11.89	18.85	no	13.7
Iowa	7.77	11.01	17.35	yes	13.8
Nebraska	7.22	10.43	16.95	yes	8.8
Kansas	7.12	10.89	18.05	yes	7.9
South Dakota	7.10	10.05	15.93	yes	6.0

Source: EPI, *State of Working America*; Bureau of Labor Statistics

The fact that wages are higher in Iowa than in the three states to the west (Kansas, Nebraska and South Dakota) may also be due in part to the fact that Iowa labor markets are in closer proximity to the higher-wage labor markets of Minnesota, Wisconsin, and Illinois and Iowa employers must compete to an extent in those markets. Evidence of this effect can be found in the pattern of wages in the construction industry.⁴ Calculated as a percentage of a 30-city regional average, the wage rate for skilled construction trades in Iowa falls as one moves across the state from east to west. In Davenport, on the Illinois border and occupying the same labor market as Moline and Rock Island, Illinois, the average wage for skilled trades is over 91% of the regional average. In Cedar Rapids, 60 miles to the west, the wage falls to 84.5% of the average. In Des Moines, 100 miles further along the 1-80 corridor, the wage ratio falls to 80.9%. And in Council Bluffs and Sioux City, both on the Nebraska border, the wage falls to 71% and 68.1% of the average, respectively. It is also true that as one moves west across the state more of the construction jobs are non-union.

³ The National Labor Relations Act established basic representational and bargaining rights for workers in 1935, leading to a flurry of organizational gains. In 1947, a political backlash undermined workers' rights and opened the door for state-level right-to-work legislation. Iowa was one of 21 states to pass a right-to-work law. Such laws prohibit employers and unions from negotiating a union security clause, which requires (at a minimum) that every worker in the bargaining unit pay a fee to the union for services received. It is important to note that such clauses are not "automatic" in non-right-to-work states; it is simply legal in these states to negotiate such a clause.

⁴ Consultants (as a service to bidding contractors) generate a rich body of wage data for the construction industry. Data cited here come from R.S. Means *Labor Rates for the Construction Industry 2000*.

Nationwide, union membership has fallen steadily since the early 1970s, from a post-1945 high of nearly 30% of the labor force to the current level of just under 14%. The sources of this decline are complicated, and include deindustrialization, employer hostility, labor law administration, and organizing strategies. The consequences, however, are clear: the labor movement leans heavily on the public sector (where 38% of workers are organized) and claims barely 9% of the private workforce. As a result, blue-collar workers have lost relatively more ground—measured by union membership and by the lost “union wage” advantage.

The Education Gap

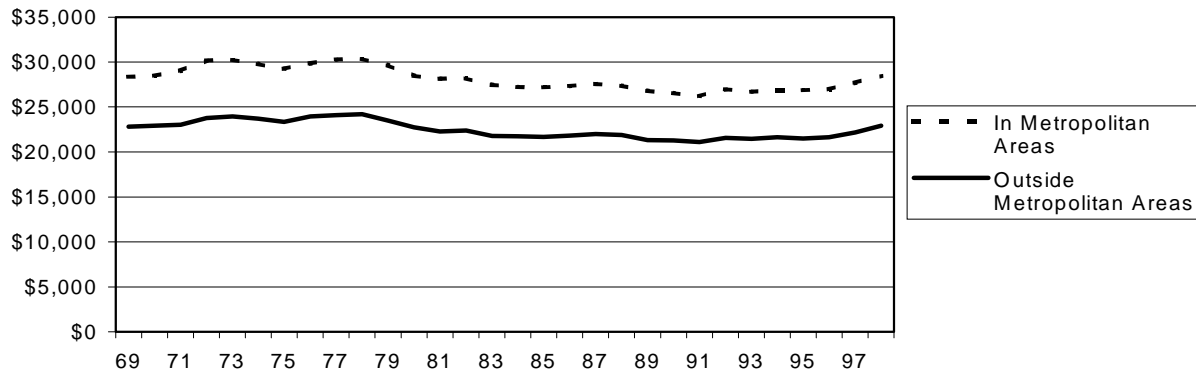
Education pays. In Iowa, median hourly wages are \$8.39 for those without a high school degree, \$10.00 for those with a high school degree, \$15.00 for those with a four-year college degree, and \$20.19 for those with an advanced degree. Higher education, however, appears not to be as well rewarded in Iowa as elsewhere. Iowa’s median wages for those with a high school education or some college work run close to national averages, while median wages for college graduates and those with advanced or professional degrees run well behind national averages. The gap between men and women narrows somewhat for those with a bachelor’s degree, but widens both for those with just a high school degree or less, and for those with advanced degrees.

As we have seen (Table 1.1), almost 90% of Iowa’s workers claim at least a high school education—a percentage that ranks well nationally and in the region. Only about 25.5% of Iowa’s workers, however, claim a four-year college degree or more—a rate that is about equal to the national average and sixth in the region. The relatively weak payoff for higher education in Iowa contributes to low average earnings and low wages at the 80th percentile. It is part of the reason why a state that is well educated on one measure—it graduates students from high school at a high rate—does not have more college graduates in its labor force.

The Rural Gap

As we set Iowa’s wage record against the regional and national experience, we should not lose sight of income variations within the state. As Figure 2.4 suggests, incomes in rural Iowa have trailed “metropolitan” incomes consistently and substantially. Adjusted to current dollars, the gap in annual per capita personal income has remained between \$5,000 and \$7,000. The income gap between non-adjacent rural counties (those not bordering a metropolitan county) and metropolitan counties is even greater, close to \$10,000 annually. And if we look at the percentage of each county’s workforce that is working at or near poverty wages, the rural counties stand out.

Figure 2.4
**The Rural Income Gap: Annual Per Capita Personal Income
 in Rural and Metropolitan Iowa, 1969-1999 (1999 dollars)**



Source: Bureau of Economic Analysis

*

*

*

*

*

These factors—occupation, gender, education, union status, and urbanization—generate both wage inequities within the Iowa workforce and telling points of comparison for the Iowa experience. And, of course, they do not exist in isolation. In different ways, different workers—a single mother working a non-union service job, a rural farm wife with just a high school education—face compound disadvantages.

In turn, each of these issues pose significant challenges for public policy. And, of course, the target is not just good jobs at good wages but the quality of life—job satisfaction, leisure and family time, the provision of public goods, and community health—that such jobs help to sustain.

3. Income and Poverty

In the last chapter, we learned that wages in Iowa improved substantially in the 1990s, particularly for those at the lower end of the wage scale. The median wage in 1999, however, was still below the 1979 median when corrected for inflation. We also found that Iowa remains among the lower-wage states within the nine-state region we use for comparisons. Even if some rough indication of cost of living differences is accounted for, Iowa places sixth or seventh on most measures of wages and annual earnings within the region (the exception being the wage of workers at the 20th percentile, where Iowa is tied for fourth).

In this chapter, we look at income from all sources: wages and salaries, government transfers (such as welfare payments, social security income, workers' compensation and unemployment benefits), and income from property (rent, interest, dividends and capital gains). As was the case with wages, incomes rose substantially in Iowa in the 1990s, but, for the majority of families, real income (income corrected for inflation) remains below what it was in 1979. Incomes of four-person families in the middle of the income distribution by 1999 had risen to the point that Iowa ranked fifth among the nine states. Income inequality continued to increase in Iowa, as in the U.S., during the 1990s; still, Iowa has less inequality and poverty than the country as a whole.

Trends in Family Income

When we look at trends in income, we must compare similar groupings. We cannot compare the median income of a single person with the income of a family of five, for example. It is standard practice, then, to focus on the incomes of families. About 81% of the Iowa population lives in families, where a family is defined as two or more related persons sharing a household. Table 3.1 shows how families at various points in the income distribution have fared in Iowa during the 1980s and 1990s. We divide families into five equal parts according to family income, and then compute the average income of families in each fifth of the population.

Who received most of the gains from the economic growth of the past two decades? In Iowa, as in the entire U.S., it was the richest portion of the population. During the past two decades, when most Iowa families were falling behind or treading water, the richest 20% of Iowa families increased their average incomes by nearly 20%, from \$93,498 in 1978-80 to \$111,852 in 1996-98. The average income of the poorest 20% of Iowa families in the late 1990s, on the other hand, was still 7.2% *below* what it was in the late 1970s, when corrected for inflation. Income inequality, in other words, has continued to increase here as it has in the country as a whole.

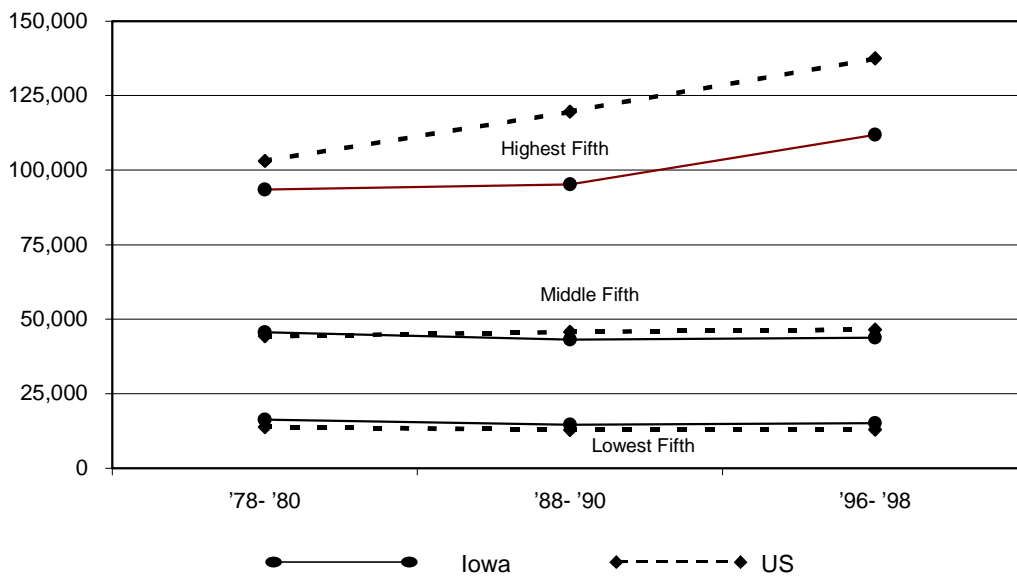
Table 3.1
Average Incomes of Iowa Families, Late 1970s to Late 1990s
 Inflation-adjusted family income, in 1997 dollars

	1978-80	1988-90	1996-98	Percent change: 1978-80 to 1996-98
Poorest fifth	\$16,316	\$14,584	\$15,143	-7.2%
Next-to-bottom fifth	32,900	30,397	30,020	-8.8
Middle fifth	45,657	43,182	43,780	-4.1
Next-to-highest fifth	60,043	57,596	61,416	2.3
Richest fifth	93,498	95,254	111,852	19.6
Ratio: Richest to Poorest	5.7	6.5	7.4	

Source: Center on Budget and Policy Priorities and Economic Policy Institute

How did Iowa families compare with those in the country as a whole? As shown in Figure 3.1, incomes of the poorest fifth and the middle fifth of Iowa families remained very close to the national average for those groups. For Iowa and for the U.S., incomes of these groups stagnated. The richest fifth of the U.S. population, however, is much richer than the richest fifth in Iowa. Income inequality, measured by the spread between the richest and the poorest, or by the spread between the rich and the middle, increased in Iowa and the U.S., but there was less inequality in Iowa.

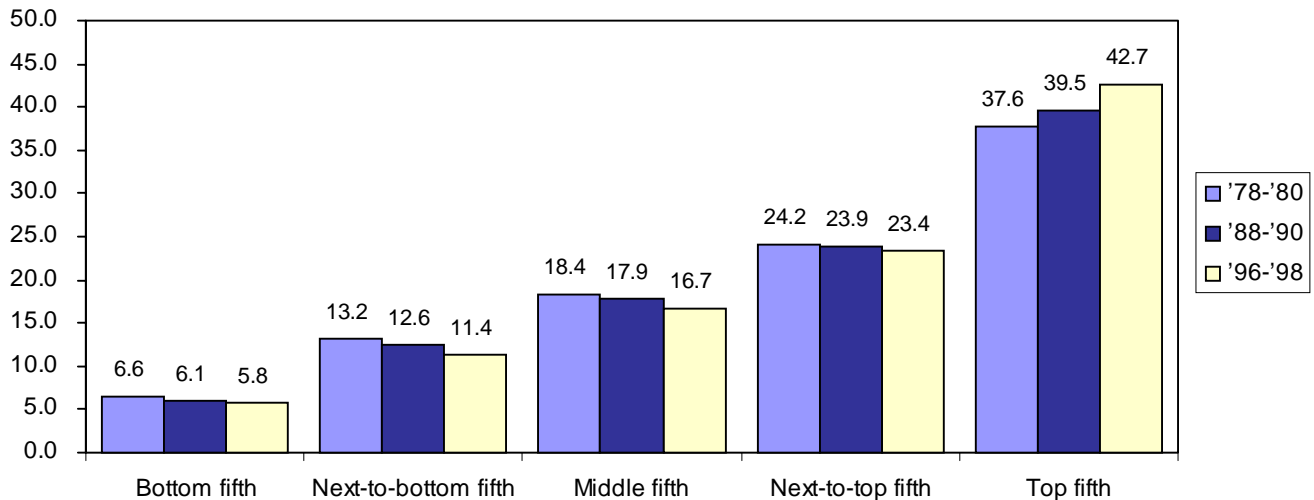
Figure 3.1
Average Income of Fifths of Families in Iowa and the U.S. (1997 dollars)



Source: Center on Budget and Policy Priorities and Economic Policy Institute

In the 1980s and again in the 1990s, the top fifth of Iowans increased their share of the income pie, moving from 38% to 43% of the total (see Figure 3.2). For all other groups (the poorest fifth, middle fifth etc.) income shares declined in the 1980s, and declined further in the 1990s. The result is that the average rich family earned about 7.4 times the average family in the bottom fifth of the population in the late 1990s, compared to about 5.7 times as much in the late 1970s. The degree of income inequality in Iowa remains below that in the country as a whole, where the average income of the richest families was 10.6 times that of the poorest in 1996-98.¹

Figure 3.2
Percentage Share of Income Earned by Each Fifth of the Population in Iowa



Source: Center of Budget and Policy Priorities and Economic Policy Institute

Four-Person Families

The problem with comparing incomes of all families is that family size has been falling. Consequently, a given income on average supports a slightly smaller number of people now than it did in 1990 or 1980. One way of getting around this problem is to compare the median income of four-person families.² The Census Bureau now publishes these figures for all states; they use the median rather than the average because averages are skewed upwards by a few very high incomes. The median tells us the income level of the middle-income family in Iowa—half of all families have higher incomes, half have lower incomes.

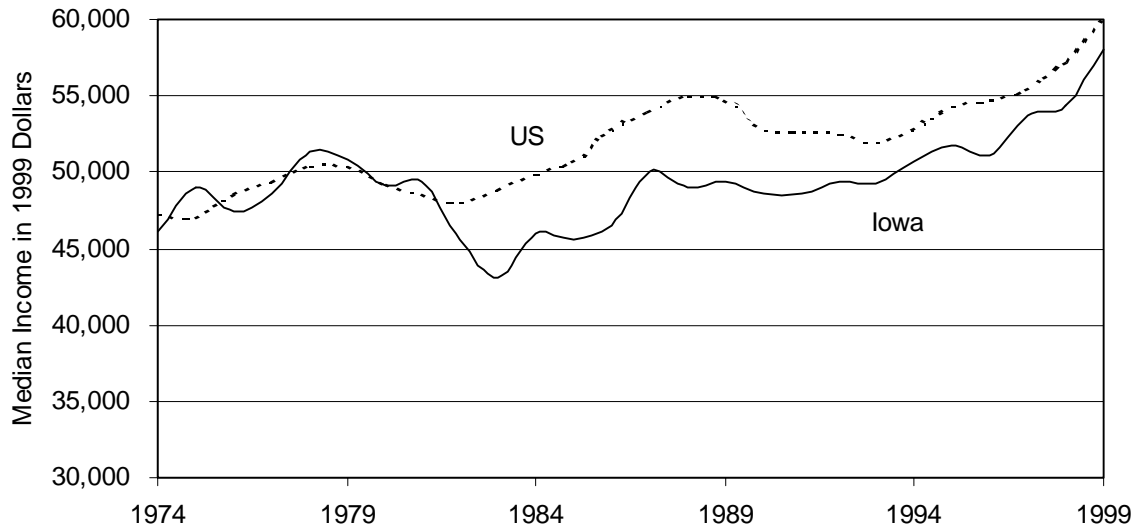
Median income of four-person families in Iowa remained very close to the median for the country as a whole from 1974 into the early 1980s. However, the 1980's were hard on Iowa; the prolonged agricultural crisis in particular prevented the state from experiencing a quick recovery from the recession that began that decade. As a result, median income in real terms declined and

¹ Economic Policy Institute, *The State of Working America 2000-2001*.

² The data are not limited to married-couple families, but include single parents with three children, multi-generational families, etc. The census does not publish such data for other family sizes or for unrelated individuals.

a sizeable income gap opened up between Iowa and the nation. In the 1990s, on the other hand, Iowa has participated fully in the national economic boom and has even begun to narrow the gap between Iowa and the nation's median income. Even so, it was only in 1995 that the median income of four-person families in Iowa reached the level it had attained in 1978.

Figure 3.3
Median Income of Four-Person Families, Iowa and U.S., 1974-1999



Source: U.S. Census

Iowa was hit harder in the 1980s than other midwestern states; as a result, income in Iowa lagged behind the other states in the region. Whereas Iowa ranked sixth among the nine neighboring states in the late 1970s, in terms of median income for four-person families, it ended the 1980s in eighth place, ahead only of South Dakota (see Table 3.2).

Table 3.2
Median Income of Four-Person Families: Iowa, Peer States, and U.S.

	Median Income (1999 dollars)			Annual Growth Rate	
	1979	1989	1999	1979-89	1989-99
Minnesota	\$54,953	\$56,919	\$66,677	0.4%	1.6%
Illinois	54,629	57,247	66,356	0.5	1.5
Wisconsin	52,947	54,490	63,436	0.3	1.5
Indiana	50,912	51,325	58,519	0.1	1.3
Iowa	50,806	49,357	58,075	(0.3)	1.6
Kansas	51,439	50,972	57,195	(0.1)	1.2
Missouri	47,940	51,697	56,673	0.8	0.9
Nebraska	46,713	50,923	55,693	0.9	0.9
South Dakota	43,246	44,107	52,246	0.2	1.7
United States	50,419	54,767	59,981	0.8	0.9

Source: U.S. Census

In the 1990s, incomes for four-person families in Iowa rose more rapidly than in many other states and Iowa's rank rose to fifth among the nine states. Note that Table 3.1 shows real median income of all families stagnating even through the late 1990s, while median income of four-person families in Iowa increased substantially in the latter 1990s. There are several possible explanations. It is quite possible that incomes of smaller families or larger families increased less rapidly in the 1990s. Most single-parent families, for example, are smaller and incomes of such families may well have risen more slowly. Also, if family sizes shrank significantly in the 1990s, comparisons of the median for all families is deceptive, as explained earlier; the same median income in 1998 may be supporting fewer persons on average. More precise information on incomes for families of all sizes must await release of detailed census data in 2002.

Why Has Inequality Increased?

Income inequality in the U.S. began to increase sometime in the 1970s, reversing a long post-war trend towards greater equality, and continued to increase in the following decades. Mirroring these national trends, income inequality in Iowa has increased since 1979 and continued to increase during the prosperity of the latter 1990s. Figure 3.1 shows one way of measuring these trends: the share of income accruing to the bottom 80% of the families in Iowa declined in the 1980s and 1990s, while the highest income fifth of families increased their share substantially. An alternative measure is the ratio of the average incomes of the highest income families to the average incomes of the lowest income families, as shown in the last line of Table 3.1; this ratio has increased substantially. As can be seen in Figure 3.1, however, the increase in this ratio is due mostly to a widening of the gap between the richest fifth and the middle fifth of families, in both Iowa and the U.S. The gap between the middle fifth and the bottom fifth has remained about the same.

To understand these trends in Iowa we look to explanations for increasing inequality in the nation. Part of the explanation, at least of trends from the mid-70s to the mid-90s, has to do with increasing inequality of wages. During this period, the wage premium for education, particularly for a college degree, widened considerably. This was due more to slack demand for lower skill workers than to rising real wages for college graduates, however. Wages for those with less than a high school education and for those with a high school degree, but no more, declined in real terms, and the gap between their incomes and the incomes of college graduates widened.³

The shift in employment from manufacturing to services, which entailed also a shift from higher wage union jobs to lower wage non-union jobs, is also part of the explanation for increasing wage inequality in the U.S., particularly during the 1980s. From 1979 to 1989, while 1.6 million manufacturing jobs were being lost, two of the lowest paid sectors—retail trade and services—accounted for 79% of the net job growth in the U.S. as a whole.⁴ At the same time, there was an increase in inequality *within* each economic sector as well. That is, wage inequality within manufacturing and within services (and other economic sectors) increased.

The trends in the 1990s, however, were different. The shift from manufacturing to service occupations was much less pronounced (particularly in Iowa, where manufacturing jobs actually

³ Economic Policy Institute, *The State of Working America, 2000-01*, (henceforth "EPI") pages 152-160.

⁴ EPI, page 168.

increased). Inequality of wages at the low end actually decreased in the latter part of the decade; the gap between the lowest-wage workers and the median-wage workers narrowed, in Iowa and in the country as a whole. The wage gap between the median and the highest-wage workers continued to widen in the U.S. as a whole. In Iowa, the wage of workers at the 80th percentile dropped precipitously in the 1980s and ended the 1990s at \$17.35, well below the 80th percentile wage for the country as a whole (\$19.93).⁵ Thus part of the explanation for Iowa's lesser degree of income inequality is not a happy one: the state has not gained sufficient higher paying jobs in the 1990s to offset the losses of the previous decade, and the average wage for higher paying occupations in Iowa is below the wage for comparable occupations elsewhere.

Perhaps most troubling when looking at the overall trends in wages and income in the U.S. is the fact that wage gains over the past two decades have not come close to matching the substantial gains in productivity that have occurred; instead, most of the increased productivity has gone into higher rates of profit. In the 1970s, average and median compensation rose along with productivity. Starting in the early 1980s, the link between productivity and wages appears to have broken. From 1979 to 1998, productivity rose 36%, yet average compensation remained stagnant until the late 1990s, and by 1998 was only 10% higher than in 1979. Real median compensation actually declined during the 20-year period.⁶

The ratio of executive compensation to compensation of production workers has increased dramatically in recent years. Still, it is the increase in profits and in property income (dividends, rents, interest and capital gains) that are largely responsible for the spectacular rise in incomes of the rich and the widening disparity between the top and the middle. The run up of the stock market in the 1990s has showered most of its benefits on a small segment of the American population. While property income accounts for just 10% of the incomes of the bottom 80% of households, it accounts for 31% of the income of the top 20%, and 58% of the income of the richest 1%. From 1973 to 1999, capital income has increased from 14.5% of all personal income to 20.3%, while labor income (wages, salaries and fringe benefits) has declined from 74.4% to 70.5%. (The remaining share is the income of proprietors—the self-employed—which declined slightly over this period.)⁷

Poverty in Iowa

The 1990s did see a drop in the poverty rate in Iowa as in the U.S. overall. By 1997-99, the U.S. rate had declined to 12.6% while the Iowa rate had fallen to 8.7% (Figure 3.4 and Table 3.3). We use the three-year average rates because the population surveyed for one year in a small state such as Iowa is too small for accurate estimates. In Iowa, as in the country as a whole, poverty rates for children are higher than overall poverty rates, because poverty tends to be concentrated among families with children. In the U.S., 19% of children lived in poor families in the late 1990s; in Iowa, the figure was 12%.⁸

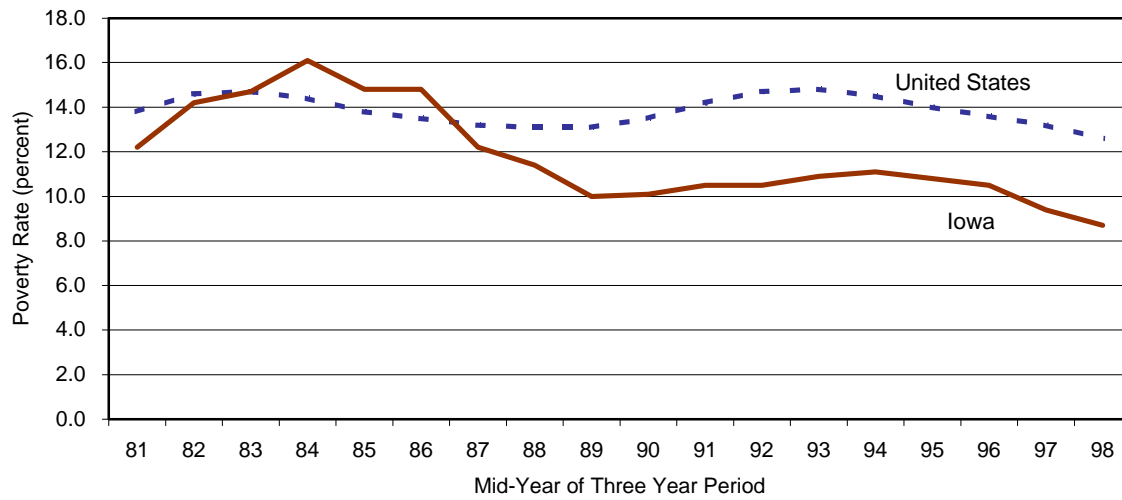
⁵ EPI, page 350-51.

⁶ EPI, pages 150-151.

⁷ EPI, pages 85-87.

⁸ Center on Budget and Policy Priorities, *The Poverty Despite Work Handbook*, April 2001, Table 15.

Figure 3.4
Poverty Rates in Iowa and the United States, Three-Year Averages, 1980-1999



Source: U.S. Census

In the early 1980s, Iowa's poverty rate of 14.7% was one of the highest in the region; only Missouri and South Dakota had higher rates. But in the ensuing years, the poverty rate fell more in Iowa than in any of the neighboring states, and by the end of the 1990s Iowa was one of the three states with the lowest incidence of poverty (Table 3.3).

Table 3.3
**Three-year Average Poverty Rates:
 Iowa, Peer States, and the U.S.**

	1982-84	1987-89	1992-94	1997-99
Indiana	13.7%	11.6%	12.6%	8.3%
Wisconsin	11.8	8.4	10.9	8.5
Iowa	14.7	11.4	10.9	8.7
Minnesota	11.4	11.4	12.1	9.1
Illinois	14.0	13.3	13.9	10.4
Kansas	11.5	9.4	13.0	10.5
Nebraska	13.9	11.6	9.9	11.0
Missouri	15.2	13.1	15.8	11.1
South Dakota	16.5	14.2	14.6	11.7
United States	14.7	13.1	14.8	12.6
Iowa's rank	7	4	3	3

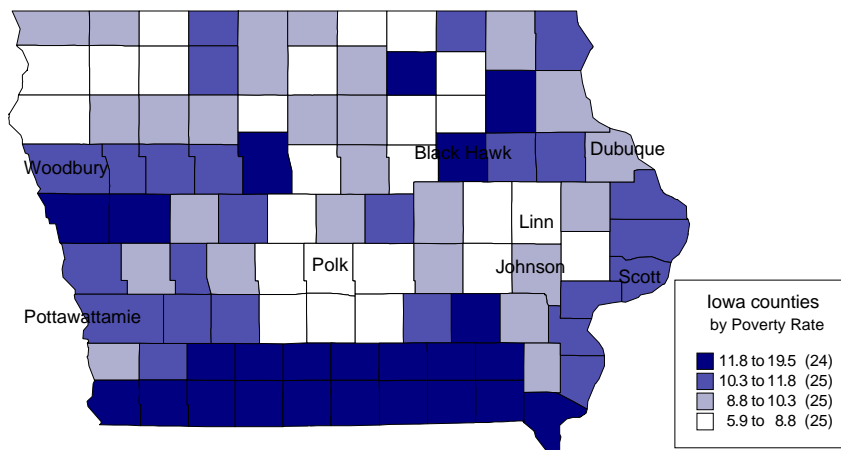
Source: U.S. Census.

Many of the poor are employed most of the year, and many others seek work when jobs become available. Thus, part of the explanation for the falling poverty rate in the 1990s is undoubtedly the tight labor market, the increasing availability of jobs, and the rise in real wages for low-wage jobs (the 20th percentile wage in Iowa rose from \$6.40 to \$7.77).

Who Are the Poor in Iowa?

Poverty in Iowa is not primarily a big city phenomenon, nor is it primarily a rural phenomenon. The poverty rate in 1997 was about 10% in Iowa's eight largest counties: Woodbury, Pottawattamie, Polk, Black Hawk, Dubuque, Linn, Johnson and Scott. About 41% of the state's poor can be found in these counties, which contain about 42% of the state's population. The poverty rate in the remainder of the state was also about 10%.⁹ However, of the 15 counties with the highest rates of poverty in the state, 14 comprise a rectangular block of rural counties in the southern two tiers where the poverty rate averages 15% (it reaches 19.5% in Decatur County). The remaining county among the 15 poorest is Black Hawk, with a poverty rate of 12.8%. The lowest poverty rates tend to be in more rural northwest and north central counties and in the urban counties of Linn and Polk and some of the counties surrounding them.

Figure 3.5
Poverty Rates in Iowa Counties, 1997



Source: U.S. Census

In Iowa, as in the U.S. as a whole, poverty affects non-whites, women and children disproportionately. While we must await release of 2000 census data in 2002 and 2003 to determine the demographics of poverty in Iowa in 1999, we do know much about the poor in Iowa in 1989 and in the U.S. in 1999. (The source of the 1999 data is the Current Population Survey, which does not include a large enough sample from smaller states like Iowa to determine poverty rates by race, age or sex). Poverty rates are higher among children than among the

⁹ The latest estimates of poverty rates for counties are for the year 1997. For the state as a whole, the latest published figures, shown in Table 3.3, are an average of 1997 through 1999 poverty rates. The poverty rate declined substantially in 1998 and 1999.

general population or among the elderly. Poverty rates are 35% to 40% higher among working-age women than among working-age men. Both phenomena are in turn related to the high rates of poverty among female-headed single-parent families; 39% of such families were poor in Iowa in 1989, while in the U.S., the poverty rate was 37% in 1989 and fell to 30% by 1999. In Iowa as in the country generally, there has been a sharp rise in the proportion of children living in single-parent families over the last 30 years, and single-parent families are overwhelmingly headed by women. Such families have the dual burden of having to be supported by just one wage earner, and being supported by a woman, when women's wages in general are much lower than men's.

While poverty rates among the elderly have fallen dramatically in the post-war era, women age 65 and over in Iowa in 1989 still faced poverty rates of 14.3%, compared to 6.7% for elderly men. Whites in Iowa in 1989 faced poverty rates of about 11%, compared to rates of 37% among blacks and 27% among other non-whites. In fact, the disparity in poverty rates between whites and non-whites was more pronounced in Iowa than in the country as a whole. Still, 91% of the poor in Iowa were white (while 95% of all Iowans were white).

The Working Poor and the Minimum Wage

A person working full time for minimum wage earns just \$206 per week; 52 weeks of work would produce an annual income of \$10,712. In 1999, this was not enough to support two non-elderly people above the poverty level (see Table 3.5). The income required to support a family of four at the poverty level in 1999 was \$17,029. A person would have to earn much more than minimum wage—\$8.20 per hour—to reach this income level working 40 hours per week, 52 weeks per year.

Table 3.5
Poverty Thresholds, 1999

One person	
Under 65	\$8,667
65 or older	7,990
Two persons	
Householder under 65	11,214
Householder 65 or older	10,075
Three persons	13,290
Four persons	17,029
Five persons	20,127
Six persons	22,727

Of the 246,000 Iowans living in poverty in the late 1990s, about 150,000 or 61% were in working poor households (Table 3.6). These families and individuals work a significant part of the year yet remain poor. Among families or individuals where the adults worked *at any time* during the year, the average number of weeks worked per year was 40 (for individuals or families without children) to 44 (families with children).

Table 3.6
The Working Poor in Iowa, 1996-1998

Poor Families With Children¹	
Number of families	44,000
Working Poor Families With Children²	
Number of families	32,000
Working poor as a percent of all poor families	72%
Number of people in working poor families	110,000
Number of children in working poor families	66,000
Family type	
Married couples	23%
Single parent, female	68%
Single parent, male	10%
Age of family head	
Under 25	32%
25-34	29%
35-44	29%
45 or older	10%
Non-elderly Poor Without Children³	
Number of individuals and families	53,000
Working Poor Without Children⁴	
Number of individuals and families	40,000
Working poor as a percent of all poor without children	78%
Number of people in working poor households	43,000
Average Number of Weeks Worked Per Year:	
Poor Households with a Worker⁵	
Families with children	44
Individuals and families without children	40
Total number of people in working poor households	150,000

¹ Household head not ill, disabled, or retired.

² Household head was not ill, disabled, or retired, and adults worked a combined total of more than 13 weeks during the year.

³ Poor individuals, and poor families without children, in which household head was not ill, disabled or retired.

⁴ Poor individuals, and poor families without children, in which household head was not ill, disabled or retired, and where adults worked a combined total of more than 13 weeks during the year

⁵ The average number of weeks worked per year by all adults in the family combined, for all families or individuals in which an adult worked at some point during the year (not necessarily for 13 weeks or more).

Source: Center on Budget and Policy Priorities

About 110,000 Iowans lived in poor families with children. In fact, about 72% of all poor families with children where the adults could reasonably be expected to work—they were not ill, disabled or retired—were working, as shown in Table 3.6. About two-thirds of these working poor families were single parent families headed by a woman, but about 23% were married couples. Almost 40% of these families were headed by an adult over age 35. In addition, about 40,000 individuals and families without children were also working but poor, again defining a working household as one where the adults worked at least 13 weeks per year.

Who Would be Helped by a Higher Minimum Wage?

One of the best ways to help the working poor would be to raise the minimum wage. It would move tens of thousands of Iowa workers closer to a wage that could support an individual or a family above the poverty level. It would facilitate the transition from welfare to work; in fact, between 10 and 16% of the drop in welfare caseloads at the national level between 1996 and 1998 can be attributed to a higher minimum wage.¹⁰ The effects would be felt beyond those directly benefiting; increases in the minimum wage have a ripple effect within many firms, as wage rates for the higher paying jobs are increased in order to maintain parity.¹¹ It would help those with the least bargaining power and those most disadvantaged by the current structure of jobs and wages, particularly women and minorities in retail and service occupations.

A number of objections are often raised when an increase in the minimum wage is proposed; it is claimed that it only helps teenagers, that most minimum wage workers do not have to support a family, that it causes unemployment, and that few people would benefit.

These objections to the minimum wage are unfounded. First, research has shown that the disemployment effects of the minimum wage increases in the 1990s were quite small or even nonexistent.¹² As for the remaining claims, they are best answered by looking at the data. If the minimum wage were raised by \$1.00 in Iowa by the end of 2002, about 61,000 workers would benefit directly. The direct beneficiaries are all those who would otherwise be earning between the minimum wage (\$5.15) and \$6.14. (There were about 100,000 Iowa workers earning such wages in 1999).¹³ Table 3.7 shows the characteristics of those beneficiaries. About 60% are age 20 or older. They are disproportionately female; women make up 49% of all workers, but over 56% of workers within \$1.00 of the minimum wage. Furthermore, over two-thirds of the women earning between \$5.15 and \$6.14 are 20 or over. The beneficiaries are also disproportionately non-white; while non-white workers make up about 7% of all Iowa workers, they account for 9.5% of low-wage workers.

¹⁰ Council of Economic Advisers, "The Effects of Welfare Policy and the Economic Expansion on Welfare Caseloads: An Update." Executive Office of the President of the United States, 1999.

¹¹ Oren M. Levin-Waldman, "Do Institutions Affect the Wage Structure?" Levy Institute Public Policy Brief, 1999.

¹² See National Economic Council, "The Minimum Wage: Increasing the Reward for Work," May, 2000; Jared Bernstein and John Schmitt, "The Impact of the Minimum Wage," Economic Policy Institute Briefing Paper.

¹³ The National Economic Council estimated in the report cited above that 103,000 Iowans earned between \$5.15 and \$6.14 per hour in 1999. Market forces, however, will push some wage rates higher, even in the absence of minimum wage legislation. The estimates provided in Table 3.7 are lower than 103,000 because they are intended to represent how many Iowans would be earning \$6.14 or less in 2002, which we assume is when the full increase in the minimum wage would take effect.

Table 3.7 also shows who would be affected by living wage legislation. In 1999, it took an hourly wage of \$8.20 to produce an annual income for a full-time worker sufficient to support a family of four above the poverty level. If we look at the workers making more than \$1.00 above minimum wage, but still less than a poverty wage, we see that 75% are age 20 or more, and about half are full-time workers. This group accounts for nearly 14% of all Iowa workers and numbers about 182,000. Their average wage was only \$6.72. This wage category includes some of the traditionally female-dominated low wage clerical and service occupations. Compared to low-wage workers, they are even more disproportionately female (62% of the total) and just as disproportionately non-white. Nearly half of the workers in this group are women age 20 and older.

Table 3.7
Characteristics of Iowa Workers by Wage, Projected for 2002

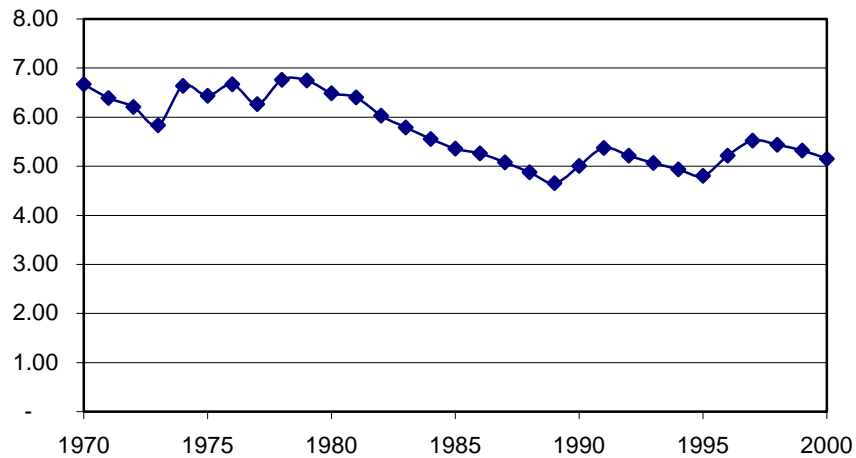
Characteristic	Workers Directly Affected by \$1 Increase in Minimum Wage (\$5.15-\$6.14)	Other Low-Wage Workers (\$6.15-\$8.19)	Other Workers (\$8.20+)	All Workers
Average Wage	\$5.39	\$6.72	\$15.67	\$13.77
Employment	60,890	182,305	1,065,258	1,330,165
Share of Total	4.6%	13.7%	80.1%	100.0%
Demographics				
Male	43.6%	37.8%	54.4%	51.4%
16-19	22.2	13.1	1.3	4.0
20+	21.4	24.7	53.2	47.4
Female	56.4	62.2	45.6	48.6
16-19	18.2	12.7	0.7	3.4
20+	38.2	49.5	44.8	45.2
White	90.5	90.5	93.7	93.1
Teens(16-19)	40.4	25.8	2.0	7.3
Work Hours				
Full-Time (35+)	28.4	49.7	88.1	79.3
Part-Time				
20-34 hours	32.2	34.1	9.2	14.1
1-19 hours	39.4	16.2	2.7	6.5
Industry				
Manufacturing	4.8	8.0	22.5	19.4
Retail Trade	46.3	36.8	11.0	16.4

This table represents estimates for 2002 based on the characteristics of Iowa workers in 1999-2000. The column for all workers includes a small number who work for less than minimum wage. All workers here means the resident labor force employed as wage and salary workers.

Source: Economic Policy Institute

The case for raising the minimum wage becomes even stronger when we look at the effects of inflation. Despite increases in the minimum wage in the mid-1990s, it has not kept pace with the rising cost of living. The real value of the minimum wage is now 24% below what it was in 1979 (see Figure 3.6). If the minimum wage were raised to \$6.15, it would merely be restored to about its level in 1972 (under President Nixon), 1977 (under President Carter), or 1981 (under President Reagan).

Figure 3.6
The Real Value of the Minimum Wage, 1970-2000
(year 2000 dollars)



4. What Should We Do? Policies for Working Iowa

The Iowa economy suffered more than most states in the 1980s, and the state's relative position in terms of employment, population growth, wages and income slipped substantially. But the national economic expansion of the 1990s was good for Iowa; we ended the decade with one of the lowest unemployment rates in the nation, wages (particularly in lower-wage occupations) rose, poverty rates fell, manufacturing rebounded, and employment and population grew. The level of poverty and income inequality is now substantially lower than in the country as a whole.

But the news is not all good, and the decade we are now in may present some special problems for the state. There are still far too many families in Iowa who are working but poor: an estimated 150,000 people live in families that work over 40 weeks per year and yet have incomes below the poverty line. Projections of job growth indicate a continuation of the trend towards more jobs with poverty level wages or less. Average annual earnings are much lower than in the U.S. as a whole. We have done poorly in creating jobs at the higher end of the wage scale and the payoff for getting a college degree in Iowa is comparatively low. Furthermore, like most other states, we face a shortage of labor that will constrain economic growth.

Taking the High Road

Clearly, policies that may have been appropriate in the economic doldrums and high unemployment of the 1980s are not likely to be sensible policies in a time of labor scarcity. While we argued that the labor shortage by the year 2010 will not be as large as some have predicted, we do not dispute the likelihood of a shortage. In an environment where states are going to be competing with one another for a pool of labor that will be growing slowly everywhere, the state must exert leadership in making Iowa a worker-friendly state. Such policies would operate on many fronts at once: making Iowa a more appealing place to stay after graduation from high school or college, making Iowa a more attractive destination for in-migrants, and making work a more feasible and rewarding option for those already here.

We should not lose sight of one very important fact, however. The 1990s saw a reversal of a long trend towards declining real wages for many. What does this tell us? That it took an economic expansion unprecedented in its length and size to finally get everyone to work and begin to raise wages for those at the bottom. It took a tight labor market. We do not need to embark on policies that will reverse the gains of the 1990s by reintroducing labor surpluses. Our goal, presumably, is not growth for the sake of growth, but growth in the standard of living of the average Iowan.

In the face of income inequality that continues to rise, we need to focus on policies that ensure that the prosperity that comes with growth is more widely shared. Where should we look for a model? Should we strive to emulate our neighboring states to the west, or the states to our east and north? Are strong unions and high wages an impediment to growth? If we look at the experience of our regional peer states in the 1990s, one thing becomes quite clear: the “high road” to growth can work; the “low road” can fail. The five states in the top half of Table 4.1 are the five that experienced the largest rates of population growth in the past decade. They also, on average, experienced higher rates of growth in state personal income. Interestingly, they are also the five non-right-to-work states, and have on average almost twice the percentage of the workforce that is unionized, compared to the four slow-growth states, and all five have higher wage levels than any of the four in the bottom of the table. The five faster-growth states include the two highest tax states in the region, Minnesota and Wisconsin, and on average have higher state and local taxes as a percent of income than the slow growth states.

Table 4.1
Growth, Wages, Unionization, and Tax Burdens in the 1990s: Iowa and Peer States
 (States ranked by population growth rate)

	Population Growth Rate, 1990-2000	Growth in State Personal Income, 1990-1999	Median Hourly Wage, 1999	Right-to- work state	Union Density, 1999	State and local taxes as a percent of state personal income, 1996-97
Minnesota	12.4%	67.5%	\$13.45	No	19.3%	12.9%
Indiana	9.7	58.7	11.69	No	15.7	11.1
Wisconsin	9.6	61.5	11.84	No	18.7	12.8
Missouri	9.3	58.5	11.89	No	13.7	10.2
Illinois	8.6	59.0	12.43	No	18.0	10.6
Average	9.9	61.0	12.26		17.1	11.5
Kansas	8.5%	57.8%	\$10.89	Yes	7.9%	11.3%
South Dakota	8.5	62.3	10.05	Yes	6.0	9.2
Nebraska	8.4	57.6	10.43	Yes	8.8	11.3
Iowa	5.4	52.1	11.01	Yes	13.8	11.1
Average	7.7	57.5	10.60		9.1	10.7

Sources: U.S. Census, Bureau of Economic Analysis, Economic Policy Institute

While the numbers in Table 4.1 change over time, the general pattern has been the same from the start of the decade: the higher wage, more unionized states in 1990 were the ones that grew faster in the next ten years, and they did so while *remaining* higher wage, more unionized states. Two of the fastest growing states—Minnesota and Wisconsin—have always had higher tax levels. We would not claim from this a causal relation—that high wages cause higher growth. We do claim that it shows that Iowa need not pursue a policy of low wages, weak unions, and an underfunded public sector to attain growth. A “high road” strategy of higher wages, a strong labor movement, and well-funded and modernized schools and public services is a workable strategy for attaining economic prosperity.

Policies for Working Iowa

We turn now to specific recommendations for bringing about shared prosperity in Iowa. To reduce the number of workers earning poverty level wages, to reduce the number of people who are working but poor, and to counteract the trend towards an increasing share of low-wage employment, we recommend increasing the minimum wage, enacting a living wage law, and expanding the earned income tax credit. To increase the potential earnings of college graduates we recommend increasing public sector professional wages. To increase job opportunities at the higher end of the wage scale we recommend reforming business incentive programs to target high wage employment. To address the problem of labor shortages we argue for a series of policies aimed at making Iowa a more worker-friendly state in order to keep young people here, attract skilled in-migrants where needed to fill critical job shortages, to make it possible for more Iowans to work, and to allow more Iowans to move from part-time to full-time work. These policies include better health insurance coverage, more family-friendly workplaces, and better job training and education.

Increase the Minimum Wage

Increasing the state minimum wage would move tens of thousands of Iowa workers closer to a wage that could support an individual or a family above the poverty level. It would facilitate the transition from welfare to work. It would help those with the least bargaining power and those most disadvantaged by the current structure of jobs and wages, particularly women and minorities in retail and service occupations. Finally, increasing the minimum wage helps workers earning above the minimum wage as well, as many companies adjust their general pay scale in response to a higher minimum wage in order to maintain parity within the firm.

The Iowa state minimum wage has been the same as the Federal minimum wage most years, and is the same now: \$5.15 per hour. But the real value of the minimum wage has declined; despite increases in the 1990s, it is now 24% below its level in 1979. If the state minimum wage were raised by \$1.00 over the next two years, about 61,000 Iowans would benefit directly. Ideally, the minimum wage would be indexed to inflation in order to maintain its real value over time.

Enact a State Living Wage Law

The State of Iowa should take a leadership role in establishing wage standards that assure a living wage for all state employees, for all those hired on state contracts, and for all employees of firms receiving state subsidies. Such a living wage law would establish a “floor”—set at the poverty-level wage, currently \$8.20/hour, or higher—for all wages paid for with taxpayers’ dollars. In its direct employment and contracting, the state can and should pay wages that support working families. In its economic development policies, the state can and should ensure that subsidies, loans, or tax abatements only go to private employers who are willing to make the same commitment. Such policies are in keeping with the prevailing political wisdom that gainful private employment (rather than public social policies) can and will ensure the security and the dignity of working Iowans. Such policies would recognize that government is already paying the hidden costs of low wage employment (such as Medicaid, food stamps, reduced-fee school lunches, the Earned Income Tax Credit and other programs).

Living wage laws have passed in over 50 cities nationwide (including Boston, Baltimore, Madison, Chicago, Santa Cruz, Los Angeles, and Detroit) since the mid-1990s. Where these policies are well established the benefits are clear. At little cost or risk (fears of capital flight were never realized), they have raised wages and improved the quality of life, for hundreds of thousands of public and private employees.

Target Business Incentives

The days are gone when one could plausibly argue for job creation at any price. In an era of labor shortages, one should question the need for incentives at all. They are a blunt instrument that may influence some location or investment decisions, but only by giving away millions of dollars to companies for doing what they would have done anyway. The result is a substantial drain on the state's treasury. Furthermore, the incentive wars ignore the role of public expenditures in business decisions—the quality of the state's infrastructure and its education system are important as well, and reducing state revenues through incentives erodes our ability to finance those investments.

At the very least, state and local business incentives should be available only for firms paying high wages and providing good benefits. Job standards have become widespread in state economic development programs in the past decade. Iowa is one of 37 states that now apply job quality standards in at least one of their economic development programs.¹ Iowa's New Jobs and Income Program requires that the firm pay production workers at least \$11.96 per hour (a minimum that is increased annually by the rate of inflation) or 130% of the average county wage, whichever is higher, and must pay 80% of health and dental insurance for employees. The Enterprise Zone program has a lower wage standard: 90% of the average county or regional wage. However, these are just two of many state and local economic development programs in Iowa that provide direct subsidies or tax breaks to firms; most of these programs have no wage or benefit standards at all.

Expand the Earned Income Tax Credit

Iowa should be proud to be one of the 14 states (including Illinois, Kansas, Minnesota and Wisconsin) to have adopted a state version of the Federal Earned Income Tax Credit (EITC). The EITC has been lauded by economists and by politicians of all political persuasions for its role in rewarding work, raising the incomes of lower income families, reducing the ranks of the working poor, and facilitating the transition from welfare to work. Iowa's version is simple: the taxpayer simply claims a credit equal to 6.5% of the Federal EITC. No additional calculations are required.

Unfortunately, Iowa's EITC, unlike the Federal and unlike that in nine of the state programs, is not refundable. If the EITC is worth more than the taxpayer's state tax liability after all other deductions and credits, then the taxpayer cannot use all of the EITC. The lowest-wage workers may owe little or no state income tax (though they will be paying a substantial share of their incomes in state sales taxes and local property taxes) and so will derive no benefit from the EITC. This means that the credit, which is intended to help lower-wage workers and to help them

¹ Good Jobs First, *The Policy Shift to Good Jobs*, Washington, D.C.: May 2000.

more the lower their wages, cannot really accomplish that purpose. Furthermore, Iowa is unusual in allowing taxpayers to deduct a portion of Federal income taxes on their Iowa returns; as a result, the lowering of a taxpayer's federal tax through the federal EITC lowers the Iowa deduction and raises Iowa income taxes. The existing Iowa EITC offsets this tax effect but provides little benefit beyond that.

The first step in boosting the EITC should be to make the credit refundable. This means that the worker will receive a refund check from the state when the EITC exceeds income taxes due. Iowa already has several refundable credits: the child and dependent care credit and three business credits (for research activities, purchase of assistive devices, and property rehabilitation). The second step would be to raise the percentage. It has been estimated that the total cost of a 10% refundable EITC in Iowa for fiscal year 2002 would be only \$19 million, while a 20% refundable credit would cost \$38 million.²

Increase Public Sector Professional Wages

As we have seen, recent gains for low-wage workers in Iowa have not been matched by higher wages for professional workers. Indeed Iowa ranks at or near the bottom of the region's professional wage ladder—especially in two of the historically female-dominated professions: teaching and nursing. In this respect, we support plans to raise teacher's salaries through increased state funding to school districts (especially rural ones). And we urge the state to raise nurses' salaries by increasing wages and reimbursement rates for state-funded health expenditures, and (as we argue elsewhere) to support the efforts of nurses themselves to achieve decent wages and working conditions through collective bargaining. A serious and sustained commitment to raising these wages would accomplish at least three things. It would establish a baseline of fair and equitable compensation for those who teach our children and care for us when we are sick. It would slow the "brain drain" of college-educated Iowans fleeing the state for better prospects. And it would help to close the substantial gender wage gap among Iowa professionals.

Ensure Access to Health Insurance

Health coverage remains organized around the expectation of private employment-based coverage, but that coverage has fallen off in the last decade. For Iowa, the situation is not as bleak. Only 8.3% of Iowans went without health insurance in 1999, nearly half the national rate (15.5%). Still, this means that about 240,000 Iowans have no health insurance. Furthermore, coverage for working adults—in Iowa and the nation—continues to slip. State regulation of HMO practices (such as the recently enacted Iowa "Patients' Bill of Rights") offer largely symbolic solutions and nothing to those who lack coverage. Once again, collective bargaining offers a partial solution by overcoming both political obstacles to mandated coverage and actuarial obstacles to the coverage of individual workers.

Iowa's "Hawk-I" participation in the Federal Child Health Insurance Plan is also important and has already contributed to a marked decrease in the percent of children uninsured. Hawk-I uses

² Center for Policy Alternatives, *Rewarding Work: State EITCs for Working Families*. Washington, D.C., October 2000.

super-percentages of the poverty level to determine eligibility and either identifies those eligible for Medicaid or establishes Hawk-I eligibility on a sliding scale up to 200% of the poverty level. At these levels, Hawk-I offers coverage to about two-thirds of the estimate 85,000 Iowa children without health insurance. Actual enrollment through fiscal 2000, however, is less than 20,000 and access to decent care is still worse than it was prior to the passage of welfare reform in 1996. We can and should improve on this by dropping all premiums, expanding eligibility to the maximum (250% of the poverty level) allowed by federal law, and stepping up enrollment efforts.

Build Family Friendly Workplaces

To make it easier for single parents to work, for both parents to work in families with young children, and for parents to move from part-time to full-time work, we need to expand the availability of affordable childcare. Iowa Workforce Development puts it well:

Today the labor market is radically different from that of yesteryear. Companies are facing the difficulty of finding and keeping workers with the skills required to be productive in the modern highly technological workplace. For employers, the advantages of offering childcare services are many: improved ability to recruit skilled workers, lower turnover, higher levels of productivity, lower absenteeism, and better community relations.³

The situation in Iowa is acute. Iowa ranks first in the nation in the percentage of working parents with children under the age of six (77% against a national average of 66%). And yet, there is an acute shortage of spaces in accredited childcare facilities. According to the Iowa Childcare and Early Education Network, there is a gap of 59% between the demand for, and the availability of, openings in accredited child care centers (in part because barely 13% of Iowa's child care facilities meet accreditation standards). For older children the situation is even worse. Only 11% of Iowa schools offer after-hours programs (half the national average) and the gap between demand and available spaces for school-age children is 89%.

As a solution, we can only second the recommendations of the Governor's Childcare and Early Education Taskforce (February 2000). First, the state should raise the income eligibility threshold for state subsidies. Iowa currently subsidizes child care only when family incomes fall below \$16,670—far below the maximum cutoff allowed by federal law (over \$33,000) and lower than the thresholds in 48 states. Second, the state should raise reimbursement rates for child care centers receiving public funding. Current reimbursement rates stifle the development of new child care centers and Before-After School Programs, and they perpetuate the low wages and high turnover among child care workers. Third, the state should rationalize the fragmented and penurious funding stream (which runs across various state and federal post-welfare programs). Taken together, such initiatives would support both working Iowans generally (by making decent child care more accessible) and child care workers specifically (by bringing wages and professional recognition in line with their immense responsibilities).

³ Iowa Workforce Development

Enhance Training and Education

One of the clearest wage trends of the past two decades has been the widening gap between the earnings of graduates of four-year colleges and those with just a high school diploma, or those who did not graduate from high school. In part, this is a consequence of the decline of the manufacturing economy that, especially in its unionized firms, sustained occupational (and wage) mobility along clearly defined skill- and seniority-based job ladders. In an economy increasingly dominated by low-wage service employment, fragmented and subcontracted manufacturing employment, and mobility across firms (rather than within them), the ability of workers to “move up” by claiming skills and experience based on previous employment has largely evaporated. The labor market, as a consequence, is a riddle for employees and employers alike: Employees find it difficult to climb out of “dead end jobs.” And employers, especially in the tight labor markets of the Midwest, find it difficult to find or retain workers.

The state should be doing everything it can to ensure that its young people are prepared for the kind of jobs demanded in today’s economy, and to provide opportunities for older workers to acquire new skills and further their education. In this respect, free or low-tuition access to post-secondary education and existing job-training programs run through Iowa’s community colleges are important but also insufficient. A more expansive cooperative effort by the state, the labor movement, and employers—along the lines of the innovative Wisconsin Regional Training Partnership—could replicate or recapture the sort of occupational mobility and skills training which, until recently, was embedded in the labor markets of large manufacturing firms. The result, ideally, would be a system of regional or community job ladders in which employers and employees alike would have a means of recognizing and honoring skills and experience as workers moved from firm to firm. In some sectors (such as health care and child care) this could be facilitated by a much more systematic effort to professionalize or certify jobs and skills. In some sectors, such as services, this could be facilitated by community hiring centers serving employers and employees.

Fields of Opportunity?

Iowa’s population has become more diverse in the last decade, and this trend is likely to continue. Clearly, we should remember that we are, in large part, a nation of immigrants; just as we celebrate the heritages of our ancestors who came to Iowa from Norway, Ireland, Germany, Czechoslovakia, Holland, and elsewhere, we should welcome new immigrants from other parts of the world.

Whether Iowa needs a policy to aggressively recruit immigrants is not so clear. Recruiting workers from out of state to fill lower wage jobs could have the effect of reversing the wage gains in those jobs that we have seen in the 1990s, jobs that still leave many Iowans working but poor. Instead, we have focused on policies aimed at adding to the labor force in other ways: by reducing out-migration of college graduates, for example, and by making it easier for more Iowans to enter the labor force and to work full-time.

We must build and sustain an economy that will, on its merits, encourage Iowans to stay and beckon those (with a wide variety of skills) from other states and other countries. That economy

would pay its workers “living wages” sufficient to support working families. It would respect the individual and collective rights of workers. It would work to diminish wage inequities based on gender or race or region. It would encourage “high road” economic development by offering public subsidies only when the payoff (measured by corporate accountability, high wages, and good benefits) is clear. And it would provide workers and firms the resources to adjust to changes in labor or product markets. It’s trite but true: If you build it, they will come.

Appendix

In this appendix, we discuss in detail two technical issues raised in the course of preparing this report. The first section discusses the problems with state level cost of living indexes and then compares various indexes that have been proposed and how they would affect Iowa's median-wage ranking among peer states. The second section explains how we arrived at our estimate of labor shortages in chapter 1, and why our estimate differs from other estimates.

Wages and the Cost of Living

It is sometimes argued that Iowa is not really a low wage state because the cost of living is also low; higher wages in other states simply compensate for higher prices there. This issue warrants closer examination. While it is undoubtedly true that Iowa's cost of living is below the national average, it is not clear that this accounts for all or even a major share of the wage difference, particularly in comparison with other Midwestern states that are Iowa's primary competitors.

Unfortunately, there is not a straightforward way of measuring statewide differences in the cost of living. While so-called cost of living indexes abound in various web sites that purport to give you salary-equivalent comparisons between any two cities in the US, and can be found on city web sites and elsewhere, these are of dubious validity. The principal source of comparative city price indexes is the ACCRA indexes for some 300 metropolitan areas.¹ Prepared by a private organization, these indexes are of some value but are suspect for a number of reasons. They are based on quarterly reports of prices for a very limited number of items (59), and the reports are prepared by local chambers of commerce in each city, which raises questions of reliability and consistency. The geographic coverage is incomplete, and the set of cities varies with each quarterly report, depending on which chambers submitted data. There is no straightforward way to combine the city indexes into a state index. The "market baskets" are the same for every city, so that energy costs, for example, are given equal importance in San Diego, Minneapolis, and Miami, though households in those areas undoubtedly have very different needs for heating and air conditioning. Also, the ACCRA indexes are intended to represent the cost of living for "professional and executive households in the top income quintile," not the average middle class household.

Keeping these problems in mind, the ACCRA indexes may nonetheless be suggestive of the kinds of price differences that exist. The indexes for eight Iowa Cities are shown in Table 1 on the next page. Note that the average city in the ACCRA survey is given an index of 100. Thus the index of 97.4 for Cedar Rapids, for example, would mean that ACCRA's market basket of 59 goods, if purchased in Cedar Rapids, would cost 97.4% of the average cost of that market basket

¹ ACCRA *Cost of Living Index*, ACCRA, Arlington, Virginia; produced quarterly.

among the 300 some cities in their survey. The indexes for the cities in surrounding states in ACCRA's most recent report are shown in the table. (For some of the Iowa cities the data come from earlier reports.)

Table A.1
ACCRA Cost of Living Index, Third Quarter, 2000
Cities in Iowa and Peer States

State	City	Index	State	City	Index
IA	Ames	94.3	KS	Garden City	98.4
IA	Burlington	99.0	KS	Hays	97.8
IA	Cedar Rapids	97.4	KS	Hutchinson	93.6
IA	Des Moines	98.7	KS	Manhattan	95.1
IA	Iowa City	97.8	MN	Minneapolis	109.2
IA	Mason City	96.4	MN	St. Paul	109.8
IA	Quad Cities	97.5	MN	Rochester	100.0
IA	Waterloo/Cedar Falls	93.1	MN	St. Cloud	98.3
IL	Bloomington/Normal	104.1	MO	Columbia	99.6
IL	Champaign-Urbana	105.3	MO	Joplin	89.1
IL	Chicago	107.4	MO	Kansas City	99.3
IL	Peoria-Pekin	100.4	MO	St. Joseph	91.2
IL	Rockford	102.5	MO	St. Louis	97.2
IL	Springfield	96.9	MO	Springfield	93.7
IL	Carbondale	96.3	MO	Nevada	86.9
IL	Danville	98.7	MO	Poplar Bluff	90.3
IL	Dixon	103.0	NE	Lincoln	99.7
IL	Quincy	95.9	NE	Omaha	93.8
IN	Bloomington	99.5	NE	Hastings	92.7
IN	Elkhart-Goshen	92.9	SD	Sioux Falls	98.6
IN	Evansville	91.3	SD	Vermillion	102.1
IN	Anderson	91.5	WI	Eau Claire	96.0
IN	Hamilton County	100.9	WI	Green Bay	100.1
IN	Lafayette	94.5	WI	Milwaukee/Waukesha	103.0
IN	Munice	98.0	WI	Sheboygan	95.2
IN	South Bend	89.2	WI	Marinette	105.9
KS	Lawrence	100.9	WI	Marshfield	97.5
KS	Topeka	94.1	WI	Stevens Point	101.0
KS	Dodge City	98.5			

The Bureau of Labor Statistics, which prepares the Consumer Price Index for the country as a whole, does prepare indexes for certain metropolitan areas and for four broad regions, but they can be used only to compare prices over time within the same region, and are not valid for comparisons between areas.

A recent report by Kathleen Short, a researcher at the Census Bureau, reviewed various approaches to preparing state or area cost of living indexes and concluded that most proposals

for doing so are fraught with problems.² The most promising approach is one based on the department of Housing and Urban Development's Fair Market Rent (FMR) data. These data on rents are collected periodically for every metropolitan area and non-metropolitan county in the US; the figures include monthly rent and utilities (excluding telephone). Housing and utility costs are the two major items in household budgets that show the most variation from place to place. Identifying variation in housing and utility costs would thus identify a substantial share of the overall variation in prices across states. Such indexes, in other words, show the relative cost of living if prices of goods other than housing and utilities were the same everywhere.

There are problems with Short's FMR approach as well: the resulting indexes are best used to adjust poverty thresholds, since they identify housing costs experienced by lower income households. There is probably a positive correlation between rents and owner-occupied housing costs, but the relation may not be that close. And obviously they ignore variation in costs for the other portion (about two-thirds) of household budgets. Furthermore, they are based on all FMR areas, including rural counties, and thus give more weight to rural households than does the CPI (which as an index for all urban consumers) and more weight than is probably appropriate for adjusting wages or incomes of hourly workers.

The FMR-based indexes that the Census Bureau's Kathleen Short created are shown in Table 2. These figures confirm at least the pattern of results suggested by the ACCRA data: the cost of living appears to be lower in Iowa (for lower income households apparently, as well as upper income) but Iowa differs very little from most surrounding states, the exceptions being Minnesota and Illinois, which appear to have a higher cost of living. As with the ACCRA indexes, small differences in index numbers between two states should not be considered significant.

Two of the problems with the FMR index created by Short (problems for our purposes, not necessarily for use in adjusting poverty thresholds, which was her purpose) can be corrected. First, the indexes can be adjusted to be more appropriate for middle-income households, where rent and utilities are a smaller share of total costs. The second index in Table 2 does just that; it takes Short's index but then weights housing and utilities by their share in the Consumer Price Index (32.6%) rather than their share of low-income family budgets, the 44% used by Short. Finally, a housing cost index can be created based only on rents and utilities in metropolitan areas within each state, and again using the CPI weight for housing costs. (It should be noted that metropolitan areas include 80% of the US population.) Since HUD collects median rent for each area as well as Fair Market Rent (which can be 40th percentile rent in places, 50th percentile in others) we can use median rent instead. This is more appropriate again if we are trying to construct an index for middle-income households. Such a cost of living index was created by the authors of this report and is shown in the third column of Table 2; this is the one that we feel is most appropriate for adjusting wages and incomes of middle-income non-farm households in the Midwest.

These indexes showing the cost of living based on rent and utility price differences, and assuming other prices are the same, show that Iowa has a cost of living similar to Indiana,

² Kathleen Short, U.S. Census Bureau, "Where We Live: Geographic Differences in Poverty Thresholds," paper presented at the annual meeting of the Society of Government Economists, New Orleans. January, 2001.

Kansas, Missouri, Nebraska, South Dakota, and Wisconsin, and that all of these states have a cost of living 5% to 8% below the national average. Minnesota and Illinois, on the other hand, have a cost of living close to the national average. Again, it should be emphasized that these numbers are merely suggestive, and that differences of a few points on the index should not be regarded as significant.

Table A.2
Comparison of Cost of Living Indexes

State	Short's Experimental FMR Index	Short's Index Adjusted for CPI Housing Weight	Median Rent Index with CPI Housing Weight, Metro Areas Only	Median City's ACCRA Index	Leonard - Friar Index
IA	0.87	0.90	0.92	0.97	0.934
IL	1.04	1.03	1.02	1.01	1.004
IN	0.90	0.93	0.94	0.94	0.964
KS	0.88	0.91	0.93	0.98	0.935
MN	0.97	0.98	0.98	1.05	0.945
MO	0.87	0.90	0.92	0.92	0.930
NE	0.89	0.92	0.94	0.94	0.938
SD	0.89	0.92	0.95	1.00	0.920
WI	0.92	0.94	0.95	1.00	0.952

A third approach to constructing state cost-of-living indexes has been developed by Herman Leonard and Monica Friar at Harvard University's Taubman Center for State and Local Government.³ They started with 1981 data prepared by the Bureau of Labor Statistics (but discontinued after that year) showing the comparative cost of an intermediate family budget in 25 metropolitan areas and in non-metropolitan portions of the four census regions. They used this data to benchmark differences across states, and then inflated the resulting index for each state for each year to 1998 by applying the metropolitan and regional CPI indexes (mentioned previously) that measure inflation over time within a region or metro area. As with the rent-based indexes, the U.S. average for 1998 was given a value of 1.00. This index is shown in the last column of Table 2. Despite being constructed on a very different basis, the index produces relative positions among the nine states quite similar to the rent-based indexes; only Minnesota and South Dakota have indexes that vary by 3 points or more from the median rent index.

It is instructive to determine if the cost of living differences suggested by the ACCRA data and by the other indexes translate into significantly different rankings of states by wages. Table 3 adjusts the 1999 median hourly wage in Iowa and the peer states in three ways: using the median-rent index in column 4 of Table 2, using the median city ACCRA index for each state (shown in column 5 of Table 2), and using the Leonard-Friar index. Using the first adjustment, we see that Illinois' wage ranking changes substantially, but the others do not. Iowa remains sixth out of nine on the wage scale. While the ACCRA index results in more changes in position among the states, it is interesting that Iowa's ranking is the same as with the rent-based index.

³ Herman Leonard, Jay Walder, and Jose Acevedo. "The Federal Budget and the States: Fiscal Year 1998." December 9, 1999. Available at: <http://www.ksg.harvard.edu/fisc98/>

The general but tentative conclusion from these analyses is that Iowa's competitive position within the region is about the same whether one corrects for cost of living differences or does not. We are below the middle in the region in terms of average wages. The region as a whole, however, has a lower cost of living than the national average.

Table A.3
Adjustment of Wages for Cost of Living Differences: Iowa and Peer States

	Median hourly wage in 1999		Adjusted using median rent index		Adjusted using ACCRA index		Adjusted using Leonard-Friar index	
	Wage	Rank	Wage	Rank	Wage	Rank	Wage	Rank
MN	13.45	1	13.72	1	12.81	2	14.23	1
IL	12.43	2	12.19	5	12.31	4	12.38	4
MO	11.89	3	12.92	2	12.92	1	12.78	2
WI	11.84	4	12.46	3	11.84	5	12.44	3
IN	11.69	5	12.44	4	12.44	3	12.13	5
IA	11.01	6	11.97	6	11.35	6	11.79	6
KS	10.89	7	11.71	7	11.11	7	11.65	7
NE	10.43	8	11.10	8	11.10	8	11.12	8
SD	10.05	9	10.58	9	10.05	9	10.92	9
US	11.87		11.87		11.87		11.87	

Source: EPI; calculations by the authors.

Projections of the Labor Force, Employment and Labor Shortages

Our estimates of labor shortages that can be expected in this decade begin with projections of population growth in Iowa from 2000 to 2010. Population projections, based on trends in birth and death rates, in-migration, and out-migration, are prepared periodically by the U.S. Bureau of the Census and by other organizations such as Woods & Poole Economics, Inc., as well as by individual demographers. Unfortunately, none of these projections yet takes into account the results of the 2000 census and it will be some time before the census figures on population by age group and other detailed data are released. The only projections we have now are based on population *estimates* for the years since 1990. This is a problem for Iowa, because we know now that these estimates were not particularly accurate; the total state population from the 2000 census was 2,926,324, whereas the most recent estimate of July 1, 1999 state population was 2,869,413. We know that the population increased by 149,569 in the past decade; it is unlikely that almost 57,000 of that growth occurred just between July 1, 1999 and March 1, 2000. In other words, the estimates were low, and projections based on those estimates will also be low. Furthermore, estimates of net migration for the decade, as recently as a year ago, were that the state gained a little less than 6,000 residents through migration; the 2000 census figure for total population, combined with what we know about birth and death rates in the 1990s, indicate that the correct figure is closer to a net in-migration of 49,000.⁴

⁴ Willis Goudy and Margaret Hanson, "Population Change, Natural Change, and Net Migration in Iowa's Counties, 1990 to 2000," Ames: Census Services, Dept. of Sociology, Iowa State University, 2001.

It is still instructive to look at the growth *rates* that have been projected for the state for this decade, even though we would clearly want to use actual 2000 population as the starting point rather than a faulty projection of that population. Total population was projected by the Census Bureau to increase just 2.3% from 2000 to 2010, a much slower rate of growth than the 5.4% we experienced in the 1990s, which was still one of the smallest in the nation.⁵ What about the working age population? The census projected the 18 to 64 age group to increase by 3.5% from 2000 to 2010. This is the net effect of three factors: Iowans turning age 18, Iowans turning age 65, and net out-migration (and some deaths) of persons in the 18-64 age group.⁶ Woods and Poole's projections have been much higher than those of the Census Bureau. They projected (in 2001) a growth of 6.9% in the population age 20-64 by 2010. For reasons explained in Chapter 1, we assumed that the "working age population" of Iowa will grow between 4% and 8% in the decade 2000 to 2010, and that the labor force will also grow at this rate.⁷

How do the labor force projections compare with projections of the increase in demand for workers? Projections of job growth prepared by Iowa Workforce Development are based on industry-specific estimates of growth in production, and hence implied growth in need for labor, over the next decade. These estimates indicate a total statewide growth in jobs of about 262,000 over a ten-year period. We then assume that the ratio of labor force to jobs remains at 82.9%, which is what it was in 1999. (There are more jobs than workers for a variety of reasons, the most important being that many workers hold multiple jobs.) This implies that we would need labor force growth of 217,000 workers in this decade to fill the additional 262,000 jobs. The implied shortage of labor by the year 2010 (the difference between the growth in demand and the growth in supply) is thus between 91,000 and 154,000 (see Table 1.6). That is, this is how many additional workers would be needed to support the anticipated growth in jobs from 2000 to 2010. That anticipated growth, of course, will not be forthcoming if the labor force is not there to support it.

It may appear that we have grossly understated the labor shortage by ignoring the large number of retirements anticipated in the next decade, particularly as baby boomers begin to turn 62 in 2008. Iowa Workforce Development has estimated total attrition of about 386,000 workers between 2000 and 2010. Attrition consists mostly of retirements, but also includes workers exiting the work force for a variety of other reasons (death, disability, childbirth). Offsetting this attrition will be large numbers of young people, as well as immigrants and those coming from

⁵ These projections, for the period 1995 to 2025, are the most recent published by the Bureau of the Census, though they are now seven years old.

⁶ The situation will change dramatically in the following decade, 2010-2020. The oldest of the baby boom population bubble will reach age 62 in 2008; retirements can be expected to begin increasing before that year, as some take early retirement, but the major effects will be felt after 2010.

⁷ We define the working age population as those between age 18 or 20 and age 64. We recognize that many people work beyond age 64; nationally, about one in six persons age 65 and older works. Assuming that the labor force grows at the same rate as the population age 18-64 results in conservative estimates of labor force growth since it fails to take into account that the population age 65 or older is projected to grow more rapidly than the population age 18-64, and that the labor force participation rates of the elderly may increase in the years to come as the age at which full social security benefits are available increases. Both factors would have the effect of increasing the overall growth in the labor force.

other states, entering the labor force. We do not have complete projections of the number of such labor force entrants, however, so estimates of job shortages cannot be based on the *gross* number of job vacancies (new jobs plus those exiting the labor force) versus the *gross* number of new workers (all those entering the labor force during the decade). Instead, we compare the *net growth* in jobs with the *net growth* in labor force. Nothing has been left out in such a comparison; the attrition is accounted for in the fact that the labor force growth is the net effect of people exiting and entering the labor force.

To compare gross job vacancies with net labor force growth would be to vastly overstate the shortage problem. To see why this is the case, consider a very simple example. There are 100 workers all working for the same firm; over the next decade, the firm will increase employment to 110. During that time, 25 workers will enter the labor force and 20 of the existing 100 workers will retire. The labor force will thus increase to 105 ($100 + 25 - 20$). The net growth in jobs is 10 and the net growth in the labor force is 5, leaving a shortage of 5 workers. The gross job vacancies total 30 (20 created through attrition and the 10 additional jobs) and the gross increase in the labor force (new entrants) is 25, again leaving a shortage of 5. Either calculation is correct. What is not correct is to conclude that the shortage is 25: the 30 job vacancies offset by a net increase in the labor force of only 5. Such a calculation counts the 20 retirements twice and thus overstates the shortage by a factor of 5.

Data Sources

Data sources for the tables and figures used in this report are described below for each table and figure. Data used in this report are the latest available as of April, 2001. In the table and figure listings we use a shortened notation for common sources, as follows:

- U.S. Census Data from the Census Bureau web site at www.census.gov.
- BLS Data from the U.S. Bureau of Labor Statistics. Access to the various data series on employment, wages, and prices can be found at: <http://www.bls.gov/proghome.htm>
- BEA Data from the Bureau of Economic Analysis of the U.S. Department of Commerce at www.bea.doc.gov/bea/regional/data.htm.
- IWD Iowa Department of Workforce Development. Labor Market Information at: www.state.ia.us/government/wd/ris/lmi/index.html
- EPI Data from the Economic Policy Institute, Washington, D.C. and available at their web site. www.epinet.org and in Lawrence Mishel, Jared Bernstein, and John Schmitt, *The State of Working America 2000/2001* (Ithaca, N.Y.: Cornell University Press, 2001).

Chapter 1

Tables

- 1.1 Iowa and its Regional Peers: Demographic and Economic Comparisons**
Total population and population characteristics from decennial Census. Education statistics from the March 2000 Current Population Survey, U.S. Census. Employment figures are from the BLS establishment data, Employees on Non-farm Payrolls, seasonally adjusted, data posted on web site January 19, 2001.
- 1.2 Population Growth, U.S., Iowa, and Peer States**
U.S. Census.
- 1.3 Iowa's Population Growth by Race and Ethnicity, 1990 and 2000**
U.S. Census.

1.4 Employment Change in Iowa by Sector, 1979-1999

Employment figures are from the BEA Regional Accounts Data, full and part-time employment, by place of work (that is, the total number of jobs in Iowa, whether occupied by residents of Iowa or not); includes jobs filled by persons age 14 and up.

1.5 Manufacturing Growth and Decline in Iowa

Iowa Department of Economic Development web site, calculations from IWD, data posted March 24, 2000. Wage and salary employment only (proprietors excluded).

1.6 Projections of Growth in Jobs and in the Labor Force: 2000 – 2010

Actual resident labor force number is from the BLS Local Area Unemployment Statistics; it is a simple average of the monthly labor force numbers for the year 2000. Approximate total jobs in Iowa is from the BEA, less an adjustment to account for approximately 40,000 jobs held by 14-15 year olds, persons in the military, and by domestics, who are included in BEA employment figures but not in the BLS resident labor force numbers. Projected resident labor force in 2010 is based on an average of two population projections for the working age population: U.S. Census population projections for persons age 18-64, and Woods and Poole projections for persons age 20-64 from Woods & Poole Economics, Inc., cited in Willis Goudy et al, *Iowa's Counties: Selected Population Trends, Vital Statistics, and Socioeconomic Data, 2000 Edition*, Ames, Iowa: Iowa State University, Department of Sociology. Projected increase in jobs is from Iowa Workforce Development, Labor Market Information Bureau; these jobs include all part-time and full-time jobs and self employment, just as the BEA job figures do.

Figures

1.1 Per Capita Personal Income: U.S. and Iowa, 1965-1999

Raw income data is from BEA Regional Accounts Historical Tables; it is converted into 1999 dollars using the Consumer Price Index generated by the BLS.

1.2 Unemployment Rate: Iowa and U.S., 1979-2000

Iowa rate is from BLS Local Area Unemployment Statistics; national rate is from BLS Labor Force Statistics from the Current Population Survey (Historical Tables). Both are for the Civilian Labor Force, aged 16 or older.

1.3 Growth in Non-Farm Employment in Iowa, 1979-1999

From BEA Regional Accounts Data.

1.4 State Employment Trends, 1965-1999

Percentage of non-farm wage and salary employment calculated from data on the Iowa Department of Economic Development web site, calculations from IWD; data posted March 24, 2000.

1.5 Sectoral Employment Growth as a Percent of Total Growth in Non-Farm Employment, 1979-1999

Total employment, full and part-time, including self-employment, by place of employment, from BEA Regional Accounts Data.

1.6 The Geography of Manufacturing Employment, 1999
Calculated from the BEA, Regional Accounts Data, Local Area (County) Personal Income Series

1.7 The Geography of Farm Employment
Same as 1.6.

Chapter 2

Tables

2.1 Median Hourly Wage: Iowa and Peers, 1979-1999 (in 1999 dollars)
EPI (calculations from Current Population Survey). Includes wage and salary workers age 18 and over.

2.2 20th Percentile Wage: Iowa, U.S., and Peers, 1979-1999 (in 1999 dollars)
Same as 2.1.

2.3 80th Percentile Wage: Iowa, U.S., and Peers, 1979-1999 (in 1999 dollars)
Same as 2.1.

2.4 Share of Workers Earning Below the Poverty Level Wage: Iowa, U.S. and Peers
EPI.

2.5 Growth in Non-farm Wage and Salary Employment in Iowa, 1979-1999
Employment data are from the BEA Regional Accounts Data, wage and salary employment, by place of work. Weekly pay is from the Bureau of Labor Statistics, ES202 data (Covered Employment and Wages) and includes all workers covered by unemployment insurance.

2.6 Median Hourly Wage for the 40 Largest Non-Supervisory Occupations: Iowa and the U.S., 1999
BLS Occupational Employment and Wage Series.

2.7 Projected Job Growth in Iowa, 1998-2008
Job projections are from IWD; these projections are the most recent available, and in fact were just completed in May 2001. The projections were based on a 1998 survey of employers. Projections based on the 2000 survey will not be available until 2003. Corresponding wage rates are from 1998 BLS State Occupational Employment and Wage Estimates. Since the occupational classification system changed in 1999, it is not possible to match the 1998 occupational projections with more recent wage data. Teachers' wage rates are based on mean annual pay, assuming teachers are paid for 42 weeks per year.

- 2.8 Women’s Labor Force Participation and Wages, Iowa and Peers, 1998**
Institute for Women's Policy Research, *The Status of Women in the States 2000*, appendix. The appendix and some summary data is available on their web site at www.iwpr.org/states/
- 2.9 Occupational Segregation and Wages in Iowa, 1998**
Adapted from Iowa Commission on the Status of Women, *Status of Iowa Women Report 2000*, page 25. Averages are weighted by Iowa employment in each occupation.
- 2.10 Median Weekly Earnings (U.S.) by Union Affiliation, 1999**
This index of the “union advantage” is from the Labor Force Statistics series of the Current Population Survey, BLS.
- 2.11 Selected 1999 Wage Percentiles, Ranked by Right-to-Work Status and Union Density: Iowa and its Peers**
Wage percentiles are calculated by EPI (see “state and regional data” on the EPI website). Union density is from the BLS report, “Union affiliation of employed wage and salary workers by state, 1999,” available in the Labor Force Statistics series of the Current Population Survey.

Figures

- 2.1 Average Annual Pay in 1999: Iowa, U.S., and Peers**
Annual pay is from the BLS “Covered Employment and Wage” series, available at the BLS web site. It is an average for all employees covered by unemployment insurance.
- 2.2 Average Annual Earnings in Iowa and its Region as a Percent of National Average, by Major Occupational Group, 1999**
Figures for the region represent the average pay among the peer states. State occupational wages are from the 1999 State Occupational Employment and Wage Estimates of the BLS, using the new (1999) Standard Occupational Classification System (SOC). The SOC system uses 22 major occupational groups from the SOC to categorize workers in one of almost 770 detailed occupations. State wages are presented as percentages of national averages, using the corresponding National Occupational Employment and Wage Estimates.
- 2.3 Selected Annual Professional Incomes: Iowa, U.S., and Regional Average, 1998**
Adapted from “Selected Occupational Wages” as reported in Iowa Workforce Development, *Condition of Employment 2000: Dawn of New Century* (Des Moines: Iowa Workforce Development, Labor Market Information Division, 2000). Available as a PDF file at the IWD website.
- 2.4 The Rural Income Gap: Annual Per Capita Personal Income in Rural and Metropolitan Iowa, 1969-1999 (1999 dollars)**
Rural and metropolitan wages are calculated from BEA Regional Accounts Data, Local Area Personal Income, “Personal Income and Per Capita Personal Income by County, 1996–98.” For these purposes, the general concept of a metropolitan area is that of “a geographic area consisting of a large population nucleus together with adjacent

communities having a high degree of economic and social integration with the nucleus.” Outside the heavily-urbanized Northeast, metropolitan areas consist of metropolitan statistical areas (MSA's) and more expansive primary metropolitan statistical areas (PMSA's). These statistical areas cross state boundaries; a county might be considered “metropolitan,” for example, if it is adjacent to an urban center in another state. For Iowa, seven cities and their surroundings make up the state’s “metropolitan” regions: Cedar Rapids, Davenport-Bettendorf-Moline-Rock Island, Des Moines, Dubuque, Iowa City, Omaha, and Waterloo-Cedar Falls.

Chapter 3

Tables

- 3.1 Average Incomes of Iowa Families, Late 1970s to Late 1990s**
 Analysis of data from the U.S. Census Bureau's Current Population Survey, as reported in *Pulling Apart: A State-by-State Analysis of Income Trends*, issued by the Center on Budget and Policy Priorities and the Economic Policy Institute, Washington, D.C., 2000.
- 3.2 Median Income of Four-Person Families, Iowa, Peer States, and U.S.**
 This data is provided in current dollars on the U.S. Census web site. Figures were converted to 1999 dollars using the Consumer Price Index (CPI-U-X1).
- 3.3 Three-year Average Poverty Rates: Iowa, Peer States, and the U.S.**
 The three-year average rates are based on the Current Population Survey and were taken from the U.S. Census web site, last revised Feb. 2, 2001. The four time periods chosen represent the two peaks and the two troughs in the U.S. poverty rate over the period 1980-1999.
- 3.4 Poverty Rates among Population Groups in Iowa and the U.S.**
 Data for 1989 are from STF1C of the 1990 decennial census and were obtained from the census lookup feature of the U.S. Census web site. The U.S. data for 1999 are from the report *Poverty in the United States, 1999*, Current Population Reports P60-210, September, 2000, available in PDF format from the U.S. Census web site.
- 3.5 Poverty Thresholds, 1999**
 Official poverty thresholds can be found in many places, including the poverty page at the U.S. Census web site.
- 3.6 The Working Poor in Iowa, 1996-1998**
 Center on Budget and Policy Priorities, *The Poverty Despite Work Handbook 2001* (Washington, D.C.: forthcoming in April or May 2001). Data in that report are tabulations of the Census Bureau's Current Population Survey, March Supplement, 1998, 1999 and 2000. All figures are three year averages based on income and work in 1997, 1998 and 1999.

3.7 Characteristics of Iowa Workers by Wage, Projected for 2002

The figures were provided by the Economic Policy Institute, which conducted an analysis of Current Population Survey data, Outgoing Rotation Group files, for Iowa, 1999 and 2000. The estimates are of the number of workers who would still be earning a given wage as of 2002. The year 2002 was selected in order to illustrate the effects of the policy when the full \$1.00 increase in the minimum wage would have taken place. Slightly over 100,000 workers earned between \$5.15 and \$6.14 in 1999-2000.

Figures

3.1 Average Income of Fifths of Families in Iowa and the U.S. (1997 dollars)

Analysis of data from the U.S. Census Bureau's Current Population Survey, as reported in *Pulling Apart: A State-by-State Analysis of Income Trends*, issued by the Center on Budget and Policy Priorities and the Economic Policy Institute, Washington, D.C., 2000.

3.2 Shares of Income Earned by Each Fifth of the Population in Iowa

Same as 3.1

3.3 Median Income of Four-Person Families: Iowa and U.S., 1974-1999

This data is provided in current dollars on the U.S. Census web site. Figures were converted to 1999 dollars using the Consumer Price Index (CPI-U-X1).

3.4 Poverty Rates in Iowa and the United States, Three-Year Averages, 1980-1999

The three-year average rates are based on the Current Population Survey and were taken from the U.S. Census web site, last revised Feb. 2, 2001.

3.5 Poverty Rates in Iowa Counties, 1997

Estimates of the poverty rate in each county are from the Census Small Area Income and Poverty Estimates, available on the U.S. Census web site.

3.6 The Real Value of the Minimum Wage, 1970-2000

The nominal value of the federal minimum wage by year from BLS. The nominal values were converted to year 2000 dollars using the CPI-U-X1.

Chapter 4

Tables

4.1 Growth, Wages, Unionization, and Tax Burdens in the 1990s: Iowa and Peer States

Population growth and estimated domestic migration are from U.S. Census. Growth rate in state personal income is from the BEA. Median hourly wage is from EPI (*The State of Working America, 2000-2001*, page 348.) Union density is the percentage of employed wage and salary workers who belong to a labor union; this data comes from Labor Force Statistics series of the Current Population Survey, BLS. State and local taxes as a percent of state personal income is from the 1997 Census of Governments, U.S. Census.

Appendix

Tables

A.1 ACCRA Cost of Living Index, Third Quarter, 2000: Cities in Iowa and Peer States

ACCRA Cost of Living Index, ACCRA, Arlington, Virginia; produced quarterly.

A.2 Comparison of Cost of Living Indexes

The first index is from Kathleen Short, U.S. Census Bureau, "Where We Live: Geographic Differences in Poverty Thresholds," paper presented at the annual meeting of the Society of Government Economists, New Orleans. January, 2001. The second is an adjustment by the authors of Short's index. The third is an index constructed by the authors using median rents from the U.S. Housing and Urban Development Fair Market Rent data, available on their web site. The fourth index simply takes the ACCRA index for the median city in each state from the Table A.1. The last index is from Herman Leonard, Jay Walder, and Jose Acevedo, "The Federal Budget and the States: Fiscal Year 1998," December 9, 1999, available at: <http://www.ksg.harvard.edu/fisc98/>.

A.3. Adjustment of Wages for Cost of Living Differences: Iowa and Peer States

Hourly wage: see notes to Table 2.1. This wage was divided by the authors' median rent index, the median ACCRA index, and the Leonard-Friar index to arrive at the adjusted wages in the remaining columns.