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A Pay Raise for Iowa? Workers Falling Behind at the Minimum Wage

IOWA CITY, Iowa (July 19, 2006) — A minimum-wage increase would benefit tens of thousands of working Iowans, the majority over age 20 and most of them female, according to a new report.

“Iowa’s minimum wage has remained at \$5.15 since 1997,” said Elaine Ditsler, research associate for the nonpartisan Iowa Policy Project (IPP) and author of the report. “Back then, gasoline cost \$1.22 per gallon and in-state tuition at the University of Iowa was \$2,470. Those costs have more than doubled.”

Ditsler also noted rising prices for housing, health insurance and other consumer goods.

“The purchasing power of the minimum wage is at its lowest level since 1949,” she said. “A pay raise for Iowa’s working families is past due.”

According to the report, 21 states and the District of Columbia have raised their minimum wage above the federal level of \$5.15. Seven of those states are above \$7 per hour and four states adjust the wage every year for inflation.

“More than half the U.S. population is now covered by a state minimum wage higher than the federal level, including our neighbors in Wisconsin, Minnesota and Illinois,” Ditsler said. “Low-wage Iowans have been left behind.”

The report also addressed the typical arguments made in opposition to a higher minimum wage. “Economic research shows that a modest increase in the minimum wage does not negatively affect employment, and may actually lead to higher productivity,” added IPP Research Director and economist Peter Fisher.

The report found a minimum wage increase to \$6.15 would benefit 53,000 working Iowans. The average hourly pay raise would be 37 cents. Of those workers:

- 57 percent are over age 20;
- 61 percent are female;
- 27 percent work full time; and
- 12 percent are parents.

If the minimum wage were increased to \$7.25 per hour, about 257,000 Iowans – or 18 percent of all workers – would receive an average hourly wage increase of 60 cents. Of those workers:

- 75 percent are over age 20;
- 58 percent are female;

- 42 percent work full time; and
- 20 percent are parents.

The report also found that Iowa's more rural northern, western, and southern regions have the largest share of workers who would benefit from an increase in the minimum wage. Numbers were also available for Iowa's six most populous counties (Polk, Linn, Scott, Black Hawk, Johnson, and Woodbury). If the minimum wage were increased to \$7.25, about 24,000 workers in Polk County, or 12 percent of all workers, would benefit. In Black Hawk County, about 14,000 workers, or 23 percent of all workers, would benefit.

The report is available on the web at <http://www.iowapolicyproject.org>. The Iowa Policy Project is a nonprofit, nonpartisan research organization based in Mount Vernon.