

## Raising and Indexing Iowa's Minimum Wage

Working Iowans have endured nine years of price increases without any adjustment in the minimum wage. Since the federal minimum wage was last increased in 1997, gasoline prices in Iowa have increased 137 percent, Des Moines housing prices have increased 28 percent, and tuition at the University of Iowa has increased 148 percent.<sup>1</sup>

While 28 states and D.C. have enacted a minimum wage higher than the federal level (and 10 states have indexed their minimum wage to inflation), Iowa's minimum wage remains at the lowest level allowed: \$5.15 per hour.

### Who Benefits from a Minimum Wage Increase?

If the minimum wage is increased to \$7.25 per hour, about **257,000** Iowans, or 18 percent of all workers, will receive a pay raise.<sup>2</sup> In addition, about **94,000** children living with these workers will benefit from the extra household income. *Of the workers who would benefit...*

- 75 percent are adults over the age of 20
- 58 percent are female
- 42 percent are full-time workers and another 34 percent work between 20 and 34 hours per week
- 20 percent are parents to some 94,000 children
- 45 percent work in the retail trade or leisure and hospitality industries

If the minimum wage is increased to \$6.15 per hour, about **53,000** Iowans, or 4 percent of all workers, will receive a pay raise.<sup>3</sup> In addition, about **11,000** children living with these workers will benefit from the extra household income. *Of the workers who would benefit...*

- 57 percent are adults over the age of 20
- 61 percent are female
- 27 percent are full-time workers and another 34 percent work between 20 and 34 hours per week
- 12 percent are parents to 11,000 children
- 49 percent work in the retail trade or leisure and hospitality industries

### States Above \$5.15

Alaska	\$7.15
Arizona*	\$6.75
Arkansas	\$6.25
California	\$7.50
Colorado*	\$6.85
Connecticut	\$7.65
Delaware	\$6.65
D.C.	\$7.00
Florida*	\$6.67
Hawaii	\$7.25
Illinois	\$6.50
Maine	\$6.75
Maryland	\$6.15
Massachusetts	\$7.50
Michigan	\$6.95
Minnesota	\$6.15
Missouri*	\$6.50
Montana*	\$6.15
Nevada*	\$6.15
New Jersey	\$7.15
New York	\$7.15
North Carolina	\$6.15
Ohio*	\$6.85
Oregon*	\$7.80
Pennsylvania	\$6.25
Rhode Island	\$7.40
Vermont*	\$7.25
Washington*	\$7.93
Wisconsin	\$6.50

All wages effective Jan. 1, 2007

\* Adjusted yearly for inflation

<sup>1</sup> For the full reference, see the Iowa Policy Project report, *A Pay Raise for Iowa?*, available at <http://www.iowapolicyproject.org/2006docs/060719-minwage-w.pdf>.

<sup>2</sup> Economic Policy Institute analysis of 2005 Current Population Survey data, special data run for the Iowa Policy Project. Of the 257,000 workers who receive a pay raise from a minimum wage increase to \$7.25, about 128,000 (50 percent) currently earn less than \$7.25 and 130,000 (50 percent) currently earn within a few dollars above \$7.25 and would receive a pay raise as companies adjust their internal pay structure. The average hourly pay raise for all affected workers would be 60 cents.

### What if the Federal Minimum Wage Increases?

Where federal and state laws have different minimum wage rates, the higher standard always applies. Iowa’s minimum wage is currently set at the federal level of \$5.15, but this has not always been the case. In the early 1990s, Iowa’s minimum wage was higher than the federal (\$4.65 vs. \$4.25).

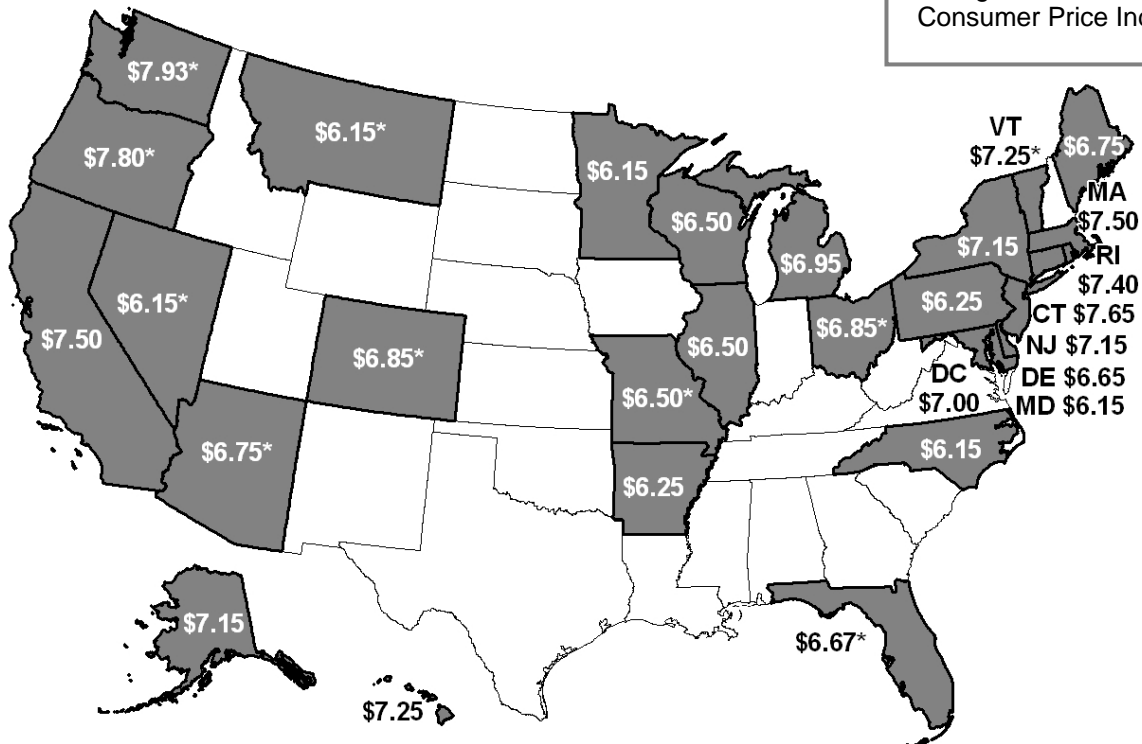
There was a time when the federal government regularly adjusted the minimum wage for inflation.<sup>4</sup> However, times have changed and working Iowans can no longer depend on regular adjustments. In order to protect workers’ paychecks against increases in the cost of living, Iowa’s legislators should raise the state minimum wage and index it to inflation. Ten states now adjust their minimum wage annually to offset increases in the cost of living, including all six of the states that enacted minimum wages laws by a referendum this November.

### Is a Higher Minimum Wage the Only Way to Support Working Families?

Increasing the minimum wage is only part of a successful effort to help workers better support themselves and their families. Legislators should also consider expanding the state earned income tax credit (EITC), increasing the dependent exemption credit, and improving access to affordable health insurance and child care for working families.

**Indexing the Minimum Wage** protects workers against increases in the cost of living.

Ten states (marked with asterisks in map) adjust the minimum wage annually based on changes in the Consumer Price Index.



<sup>3</sup> Economic Policy Institute analysis of 2005 Current Population Survey data, special data run for the Iowa Policy Project. Of the 53,000 workers who receive a pay raise from a minimum wage increase to \$6.15, about 31,000 (58 percent) currently earn less than \$6.15 and 22,000 (42 percent) currently earn within a few dollars above \$6.15 and would receive a pay raise as companies adjust their internal pay structure. The average hourly pay raise for all affected workers would be 37 cents. For more on the Economic Policy Institute’s methodology, see Chapman, Jeff, *The Wage Effects of Minimum Wage Increases*, Washington, D.C.: Economic Policy Institute (forthcoming) or read a summary at <http://www.iowapolicyproject.org/2006docs/060719-Methodology.pdf>

<sup>4</sup> For example, adjustments were made every year between 1974 and 1981, except for 1977.