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FOR RELEASE SEPT. 1, 2002 — NOTE EMBARGO

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Working Iowans not seeing economic recovery Preliminary report shows Iowa recession hitting working families

MOUNT VERNON, Iowa (Sept. 1, 2002) – Iowa workers are still hurting from the recent economic downturn, two Iowa Policy Project researchers said as the state prepared to celebrate Labor Day.

“The Iowa labor market shows no signs yet of an economic recovery,” said Peter Fisher, a University of Iowa professor of urban and regional planning.

In research for the IPP’s upcoming *State of Working Iowa, 2003* – due for release in mid-2003 – Fisher and Colin Gordon, a UI associate professor of history, have found lagging figures for Iowa’s median wage and nonfarm employment as the unemployment rate has crept up.

Fisher said their preliminary findings suggest a continued fundamental weakness in the Iowa economy: Iowa is a low-wage state.

“What appears to be the good news – an unemployment rate well below the national rate, and declining wage inequality – turns out to reveal underlying problems in the form of a stagnant labor force and a scarcity of higher wage jobs,” Fisher said.

Their findings come as the Economic Policy Institute releases its biennial report, *The State of Working America, 2002*, on Labor Day. It shows that despite economists’ arguments on whether the recession has ended, the labor market has stalled, unemployment is largely unchanged, hours worked continue to decline, and involuntary part-time work is on the increase.

“If we are indeed in a recovery, it is a weak and largely jobless one thus far,” Gordon said of the EPI findings.

Among the IPP’s early findings:

- The median wage in Iowa rose to \$12.31 in 2001 – half of Iowa workers earn less, half earn more than the median – but it continues to lag behind the national median wage (\$12.88). Furthermore, despite improvement in wages in the latter 1990s, the median wage in 2001 was only 68 cents higher (taking inflation into account) than the 1979 median wage (\$11.63).

- Non-farm employment in Iowa declined about six-tenths of a percent from 2000 to 2001, a loss of about 9,000 jobs, though the country as a whole saw a slight increase in jobs over this period.

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

As further evidence that the recession is far from over in Iowa, Gordon and Fisher noted the average number of unemployed Iowans reached a new peak of 65,000 in July 2002. It had reached 60,000 in December of last year, then dipped, only to begin rising again.

The preliminary findings by Gordon and Fisher also showed:

■ The Iowa unemployment rate remains below the national average for the same reasons as it has in the past: slow growth in population and in the labor force, rather than robust employment growth.

■ In Iowa, unlike the country as a whole, the gap between low-wage and high-wage workers narrowed between 2000 and 2001. However, this is not because low-wage workers did better, but because the wages of high-wage workers (defined as persons earning more than 80 percent of all Iowa workers) actually declined by 36 cents. High-paying jobs remain scarce in Iowa.

■ In Iowa, average annual hours worked for married-couple families increased between 1988-90 and 1998-2000 by 5 percent, just a little less than the increase in the United States overall.

The State of Working Iowa, 2003, will be the second biennial installment in a series by The Iowa Policy Project. The IPP is a nonprofit, nonpartisan organization that was founded in the summer of 2000 to produce and disseminate research on a broad set of issues of importance to Iowans. The IPP engages scholars at Iowa's public and private colleges and universities to produce sound, independent research.

All Iowa Policy Project reports are available on the web at www.iowapolicyproject.org.

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Editors/News Directors:

■ For the full "State of Working America, 2002" report, and release, check the web at the following link: <http://www.economicpolicyinstitute.org>.

■ To contact Peter Fisher or Colin Gordon for the Iowa perspective on this report, contact Mike Owen at 319/643-3628 or ipp@Lcom.net.

■ For more information about Iowa's income and employment trends, see *The State of Working Iowa 2001*, available on the web at <http://www.iowapolicyproject.org>.