The Iowa Policy Project news release

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Iowa Self-Sufficiency Wage

Report: Wages Don't Meet Needs for Many Iowa Families

CEDAR RAPIDS, Iowa (Feb. 16, 2004) – Incomes for one in five Iowa families do not meet basic costs of running a household, a team of Iowa State University researchers reported today.

"These people work hard. The problem in Iowa is low wages. People are working long hours, and still having a tough time making ends meet," said Jan Flora, an ISU professor of sociology and lead author of the report for the Iowa Policy Project.

Flora's report examined the concept of an "Iowa self-sufficiency wage," which would generate an annual income that would cover bare necessities in households of varying sizes and one or two wage-earners. It would require a bare-bones, no-frills household budget, no money for leisure activities or goods considered luxuries, and no savings for retirement, a down payment on a home, or higher education for anyone in the family.

The authors found that the self-sufficiency annual income for 2001-02 in Iowa was $27,600 for a single mother with two young children – nearly twice the government's official $14,494 poverty threshold. For a family of four, with two adults and two young children, the figures were $32,800 and $18,244, respectively.

On average, those two types of families need to make 85 percent more than the official poverty level. However, the authors found from government statistics that 166,000 families – or about 21 percent of all families – were below that self-sufficiency income level in 2002. For families with children, the percentages were higher.

The paper noted most families even receiving a self-sufficiency wage probably do not receive employer-paid health benefits.

"The bottom line is that these families don't have money to save, which means that whether they're insured or not, a health crisis puts the economic well-being of the family in a precarious situation," Flora said.

The report coincided with a reading campaign in Cedar Rapids for the Barbara Ehrenreich book *Nickel and Dimed: On (Not) Getting By in America*, a first-person account of life from the perspective of someone working low-wage jobs.

"That made this a good time to release this study," said David Osterberg, executive director of the Iowa Policy Project. "The study demonstrates just what is required for parents raising children to have enough income."

The authors recommended several policy options to address the wage issue in Iowa:

- Raising the minimum wage, now $5.15, to between $6.85 and $7.70.

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■ Make the Iowa Earned Income Tax Credit refundable – meaning Iowans who have no income-tax liability but pay a disproportionate share of their income in sales taxes because they spend virtually everything they earn, would get a tax refund.

■ Enact "living wage" laws to assure that on state or local government contracts, at least a self-sufficiency wage is paid.

■ Target business incentives to firms paying self-sufficiency-wage jobs and benefits.

■ Expand access to high-quality, affordable child care and health insurance.

■ Expand "Individual Development Accounts," which include matching public or private contributions for savings deposits in accounts restricted to activities such as education, training or starting a business.

Co-authors with Flora on the report were ISU population/public services specialist Margaret Hanson and ISU graduate students Martha Dettman, Stacy Bastian and Georgeann Artz. Hanson and Artz are affiliated with the ISU Office of Social and Economic Trend Analysis.

The Iowa Policy Project is a non-profit, non-partisan research organization headquartered in Mount Vernon, Iowa. IPP reports are available to the public, free of charge, on the web at www.iowapolicyproject.org.

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