

Iowa Self-Sufficiency Wages

Jan L. Flora
Martha M. Dettman
Stacy Bastian
Georgeanne Artz
Margaret Hanson

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318 2nd Avenue North, Mount Vernon, Iowa 52314
(319) 338-0773 (phone) – (319) 337-9886 (fax)

www.iowapolicyproject.org

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Jan L. Flora, Martha M. Dettman, and Stacy Bastian
Department of Sociology, Iowa State University

Georgeanne Artz and Margaret Hanson
Office of Social and Economic Trend Analysis, Iowa State University

In 2002, between 114,000 and 166,000 Iowa families had before-tax incomes that were insufficient to cover basic household and work-related expenses. They represent between 14 percent and 21 percent of all Iowa families, and include 19 percent to 28 percent of Iowa's children in families. (See Appendix Table 2 for an explanation of how these estimates were made.) Why are the parents of at least one-fifth and perhaps one-fourth or more of Iowa's children unable to generate a yearly income that covers the basics?

- Do many young parents not work very hard? **No. The annual number of hours worked by all married couples with children exceeds the equivalent of two full-time jobs — 380 hours over the national average! (Gordon, et al., 2003, p. 27-28). In the mid-1990s, Iowa workers ranked sixth in the nation in terms of multiple job holding (Parker 1997). In Iowa, 75 percent of women with children under the age of 6 were in the workforce in 2000 — 13 percentage points higher than for the nation as a whole (U.S. Census Bureau, 2002a).**
- Does Iowa have a particularly high number of female-headed households? **No. According to the 2000 census, the proportion of female-headed households in Iowa is five percentage points lower than the national average. (U.S. Census Bureau, 2001.)**
- Is it because younger Iowans are not well educated and therefore are unable to obtain good jobs or promotions? **No. Actually, the high-school graduation rate for Iowans between the ages of 25 and 44 (91 percent) is about seven percentage points higher than for that age group nationally. However, for those with bachelors degrees or higher the pattern changes. The 25-to-34 age group equals the national level, but Iowa residents age 35 to 44 trail their national cohort by about three percentage points in their college graduation rate (U.S. Census Bureau, 2002b). This may not be a reflection on Iowa's higher educational system, but on insufficient career and advancement opportunities, leading to a "brain drain" from Iowa to other parts of the country.**

Rather than concentrating on personal characteristics (single parent, lack of ambition, lack of education) to explain the relatively high proportion of Iowa families who are not able to cover their basic expenses, this paper focuses on a more systemic explanation: low wages.

What is a Self-Sufficiency Wage?

Throughout this paper we use the term self-sufficiency wage to refer to wage that covers current expenditures for bare necessities for families of a specified composition (e.g., two parents and two children or one parent and two children of varying ages). This bare-bones, no-frills budget does not include money for leisure activities or for purchase of luxury/non-generic goods. Furthermore, it does not allow for savings for retirement, for down payment on a home, or for higher education for adults or their children. There is no allowance for meals eaten outside the home. The budget also does not allow for a second phone (including a cell phone), nor does it include long-distance telephone charges.

Given the significant variations in cost of living across the state, we calculated self-sufficiency wages for all 99 counties in Iowa as well as for the state as a whole. Our methodology and assumptions follow. Along with the calculated self-sufficiency wage in each county we examine the prevailing wage levels. We also look at occupational projections at the state level in order to better understand where we may be headed unless policies are changed. Finally we suggest policy options that would reduce the numbers of families presently unable to make ends meet with the jobs they currently hold.

Assumptions Behind Calculation of the Self Sufficiency Wage

Because we are concerned about the high level and the implications of child poverty in Iowa and in the United States, we have chosen to focus on the self-sufficiency of families with children. In order to further simplify our analysis, we examined only family structures with two children, which is the modal category of number of children in the U.S.¹

A motivating factor for carrying out this study is the growing importance in our society of the working poor: those who have incomes that are too high to receive most means-tested social programs, but still too low to make ends meet. Due to the relatively low participation rate of working families in public assistance programs, we assumed the families did not receive social welfare benefits from such programs such as TANF, food stamps, food pantries, Medicaid, etc. Furthermore, a wage plus private and public income supplements could not appropriately be called a *self-sufficiency* wage. Later, as we look at policy alternatives, this assumption is relaxed to consider how government and employers can make non-wage contributions to family well being that, along with wages, would equal or exceed the self-sufficiency wage.

The assumption has also been made that most persons receiving a self-sufficiency wage (or less) do not receive employer health or other benefits that contribute to basic family maintenance. In Iowa, all children in families below 185 percent of poverty should have health insurance through Medicaid or SCHIP, the State Child Health Insurance Program.² This program is an entitlement — if a parent signs up for it. In Iowa 20 percent of children below the poverty line and 11 percent of those between 100 and 200 percent of poverty had no health insurance in 2000-2001. The equivalent figures for adults are 26 and 18 percent, respectively.³ The bottom line is that a self-sufficiency budget does not allow for the

¹ That is, more families have a completed family size of two children than any other number. For women age 40-44 in 2002, 35 percent had had 2 children, 18 percent had had none, 17 percent had had one, 19 percent had had 3 and 10 percent had had 4 or more. (Downs, 2003, p. 3)

² Called HAWK-I, Healthy and Well Kids in Iowa.

³ Data are based on the 2001 Current Population Survey (The Henry J. Kaiser Family Foundation, 2003).

family to acquire any savings which means that when a family, insured or not, experiences a health crisis the economic well-being of the family unit is placed in a precarious situation.

We assumed that adults in the family work full time, which we defined as 40 hours/week for 50 weeks in the year. That amounts to 2,000 hours/year/person. For married-couple families we also calculated the wage needed for self-sufficiency when only one of two parents was in the labor force.

The self-sufficiency wage was calculated for two-parent families and female-headed families since in Iowa a woman heads nearly three of every four single-parent families with children. For both family types we have done our calculations on the presence of two children.

When child care was required (due to all parents in the household working) we assumed it was required full time for infants and toddlers defined as children age 2 or younger, and/or pre-schoolers . No child-care costs were calculated for school-age children 5 and older. (All other definitions and calculations for the family expenditures budget are found in Appendix I.)

Results: Self-Sufficiency Wages for the State of Iowa

Table 1 shows the self-sufficiency wages for six different family compositions for the state of Iowa. The self-sufficiency wage for single-parent families in Iowa ranges from \$13.80 for a mother with one infant/toddler and a preschooler to \$10.20 for a mother with both children in school (one in elementary or middle school, the other in high school). For two-parent families with both adults working full time, the self-sufficiency wage is \$8.20 with two children needing full-time child care (an infant/toddler and a pre-schooler). The self-sufficiency wage for a family of four in which only one parent works while the other cares for the children is about equal to that for a single mother of two in which both children are in school – \$10.00 vs. \$10.20, respectively.

Table 1. Self-sufficiency wage and annual earned income by family structure, Iowa adult wage-earners working 40 hours/week, 50 weeks/year

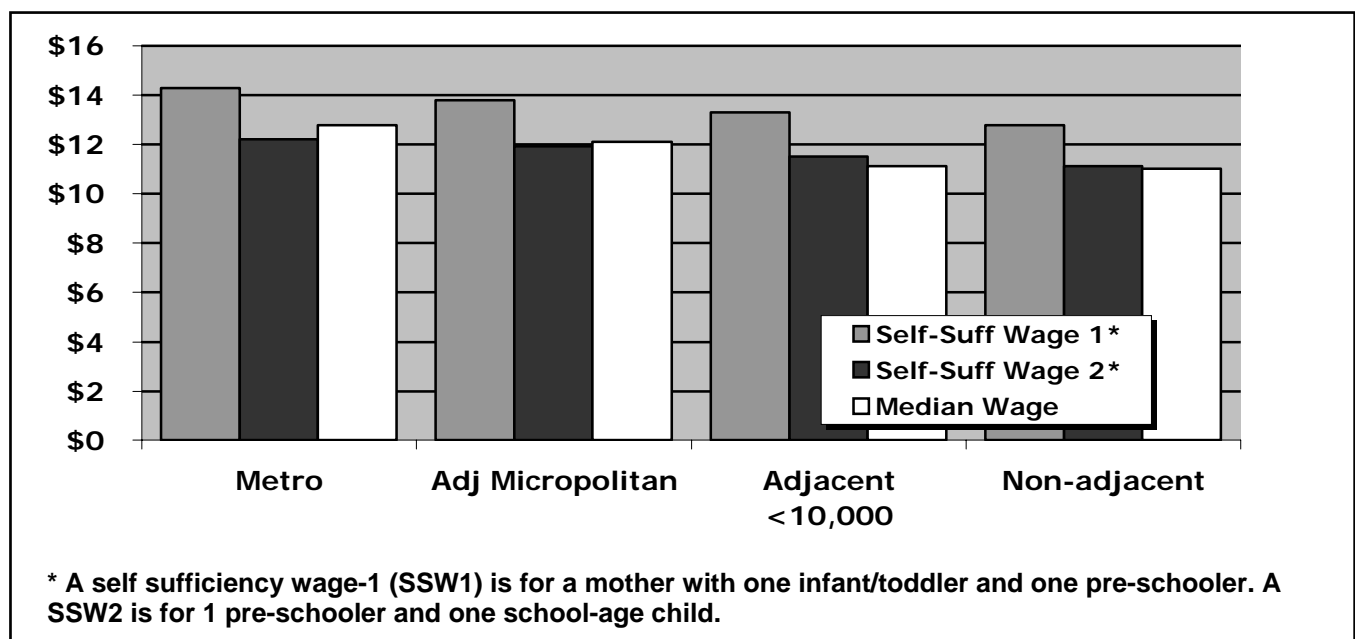
Family Structure	Earned income needed for self-sufficiency	
	Hourly wage of each wage earner	Annual family earned income
1 adult (F), 1 infant/toddler, 1 preschool child	\$13.80	\$27,600
1 adult (F), 1 preschool child, 1 school age child	\$11.90	\$23,700
1 adult (F), 1 school age child, 1 teen	\$10.20	\$20,400
2 adults (both work), 1 infant, 1 preschool	\$8.20	\$32,800
2 adults (both work), 1 preschool child, one school age child	\$7.50	\$30,000
2 adults (1 employed outside the home; 1 handles child care), 1 infant, 1 preschool child	\$10.00	\$20,000

It is important to emphasize that these self-sufficiency wages were calculated conservatively. For instance, child-care costs are only calculated for infants and preschool-age children, even though

younger school-age children often require part-time child care during the school year. Furthermore, it may be unrealistic to assume that the primary care-giving parent can work 40 hours per week, particularly when a child is ill or another family crisis arises. Also, no allowance is made for meals eaten out, even though the sole adult or both adults in the family work full time and have little time for meal preparation. Based on the assumptions explained in previous pages, the one indicator for which we may have somewhat overestimated the costs is health care.⁴

The self-sufficiency wage that we choose as most appropriate varies by locality. In Iowa, we found that adjacency to a metropolitan area (more so than the size of the place or county) was correlated with the level of the self-sufficiency wage. Table 2 shows the difference according to adjacency. Utilizing the new 2003 USDA urban adjacency codes, we found that cost of living varies little by size of community when it is in a county that is not adjacent to a metro area. If it is adjacent, the larger the community the higher the cost of living that defines a self-sufficiency wage. Thus, among counties adjacent to a metropolitan county, the self-sufficiency wage is modestly higher in a micropolitan county (one with its largest place between 10,000 and 49,999 population) than in a county with no place larger than 9,999 population. Metropolitan counties have the highest cost of living.

Figure 1. Actual median wage vs. self-sufficiency wage for single-parent family by community size and metro adjacency, 99 Iowa counties, 2001-2002

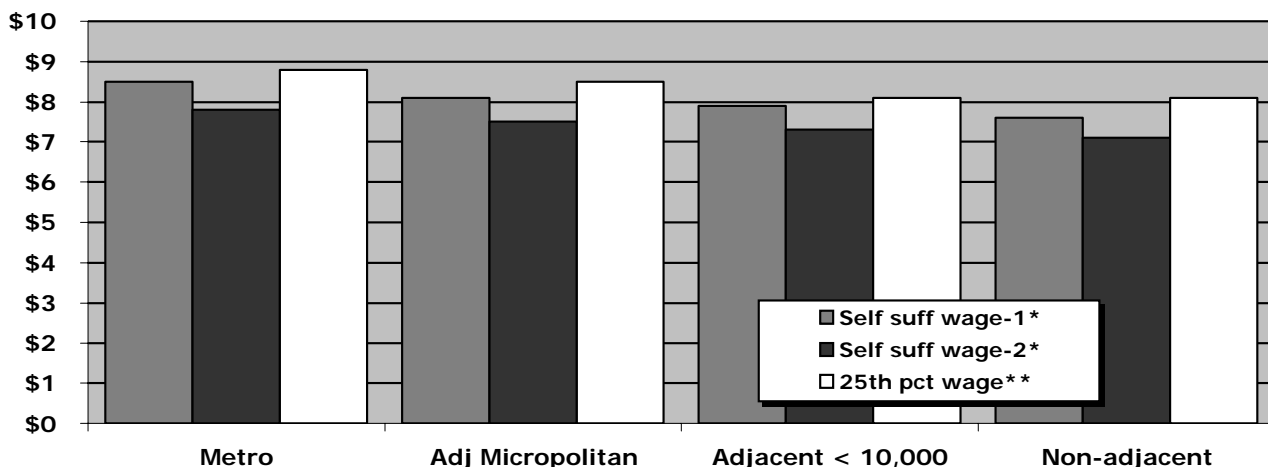


⁴ Nationwide, about one-sixth of poor parents and children are insured through employers, but for the near poor group (100-200 percent of poverty), nearly half are covered through their employers (52 percent of parents and 43 percent of children). Many employers offering low-wage jobs do not offer a very good health package and the employee may pay most of the premium, but at least those insured through their employers are able to take advantage of group rates. On the other hand, the fact that a self-sufficiency budget does not allow for the family to acquire any savings means that when there is a health crisis for a family without adequate health insurance, the economic well being of the household unit is placed in a precarious situation. It is unlikely that employer provided health insurance would cover lost wages of a worker who earns at or below the self-sufficiency wage.

Figure 1 illustrates that for all types of counties the actual median wage (Iowa Workforce Development, 2003) for workers in Iowa is below the self-sufficiency wage for single parent families with small children. That is to say that more than half of workers in Iowa make less than is needed by a single parent who must raise two children alone. If one factors in the lower wages earned by women than by men, and then considers that women head most one-parent families, it becomes clear just how difficult it is for most single-parent households to attain self-sufficiency. Women are concentrated much more heavily in the less-than-\$20,000 annual income brackets than are men. In 2001, women in Iowa earned 74 percent of the median annual earnings of men, but women without a high school education earned only 62 percent of what their male counterparts earned. Among women, only one education category lost annual earnings between 1979 and 1999: Those with less than a 12th grade education saw a decline of 15 percent (Gordon, Fisher and Ditsler, 2003, p. 21-23). Women without completed high school are over-represented among single-parent households.⁵

Figure 2 shows that nearly one-fourth of workers in the state earn less than is needed for self-sufficiency by a two-wage earner family of four with at least one child needing full-time day care.⁶ This is true even though the annual number of hours worked by all married couples with children exceeds the equivalent of two full-time jobs (4,086 hours per year). This exceeds the national average by 380 hours! Only in South Dakota do two-parent families work more hours (Gordon, et al., 2003, p. 27-28). The median wage and wages per job in Iowa failed to keep pace with the nation as a whole primarily because of a faster decline in the pay scale in Iowa's manufacturing jobs following the economic crisis of the early 1980s and into the mid-1990s and to a lesser degree in the economic downturn of the past three years (Burnett, Besser, and Flora, 1998; Gordon, Fisher and Ditsler, 2003: 18). Wages in the meatpacking sector were most noteworthy in this regard, having declined by half in real terms from 1980 to 2001 (Gordon, Fisher and Ditsler, 2003: 20). The failure of one-fifth to one-fourth of two-worker families to reach the self-sufficiency wage for full-time year round work is consistent across all county categories.

Figure 2. Wage at 25th percentile vs. self-sufficiency wage for two-wage-earner family by community size and metro adjacency, 99 Iowa counties, 2001-2002



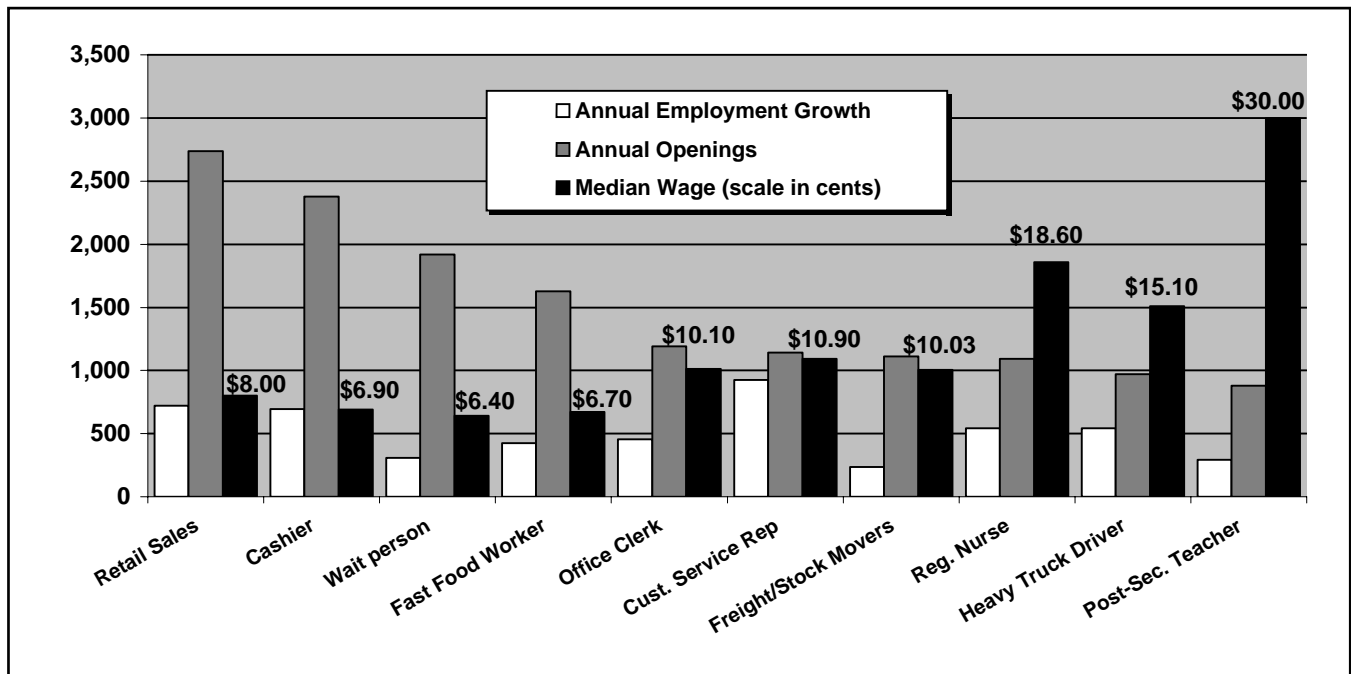
⁵ For the U.S. as a whole, nearly 22 percent of female householders in families with no spouse present had not completed high school, while only about 12 percent of female householders or spouses of householders in families had not completed high school (U.S. Census Bureau 2003a).

⁶ For the precise numbers and self-sufficiency wages for other family structures see Appendix Table 1.

Job Opportunities and Self-Sufficiency

What kinds of jobs are realistically available in Iowa to adults with children who lack any higher education or perhaps even a high-school diploma? Figure 3 shows projections of openings and job growth by occupation for the decade ending in 2010.⁷ The first four positions in projected job openings are in the retail service sector – retail sales person, cashier, waiter and fast-food preparer and server. However, with the exception of retail sales persons, none of these four job categories offers much opportunity for advancement in pay. For the other three the spread between entry wage and experienced wage ranges from one dollar to less than two (Appendix Table 3A). None of the seven occupations with the greatest number of projected openings pays a median wage that equals the self-sufficiency wage for families with small children, unless there are two full-time wage earners in the family (Figure 3). If one looks at the occupations projected to show the greatest net job growth, the picture is a bit less bleak: Of the top seven growth occupations, two offer median wages that exceed the self-sufficiency wage for families with small children lacking two full-time wage earners: registered nurses and heavy truck drivers. (Figure 3; see Appendix Table 3B for more detail.) No “new economy” occupations are among the top 10 projected job openings, and only one is in the top 10 net-growth occupations (unless low-wage telemarketing jobs, ranking 10th, are considered “new economy”). Computer support specialist jobs rank eighth and pay quite well (median wage is \$17.10 and entry level wages are calculated at \$12.30). They are projected to grow at a phenomenal rate of 81 percent during the decade,⁸ but there are relatively few job openings in this sector in Iowa because there would appear to be little turnover and because workers in this area tend to be young and few will retire during the current decade. In any case, workers whose family incomes are below self-sufficiency are more likely to qualify for the telemarketing than the computer support specialist openings.

Figure 3. Projected top 10 occupations with job openings, 2000-2010



⁷ “Annual average openings (Appendix Table 3A) is the sum of the numerical growth over the projection period (2000 to 2010) divided by the number of years in the projection period (10) and an estimate of the number of jobs that will arise from the need to replace workers who will die, retire, or permanently leave the occupation for other reasons each year over the projection period.” Job growth is the estimated annual *net* increase in jobs in that sector, based on the ten-year projection. (U.S. Department of Labor, 2003; available at: <http://www.projectionscentral.com/projections.asp?page=About>)

⁸ The 2000 base for this occupation is rather small; hence the growth in *numbers* of jobs is fairly modest.

Below we summarize what we have learned from examination of the 10 occupations that are projected to offer the most job openings during the current decade:

- Jobs with the greatest number of openings and those experiencing the greatest growth are low-wage service jobs. The openings are due partly to the high worker turnover encouraged by low pay. Due to minimal educational and work-experience requirements, these types of jobs are most accessible to the poor and near poor (including persons leaving welfare). Examples of occupations that may offer opportunities for financial betterment in the short term are hand freight, stock and material mover/laborer; driver of tractor-trailers and other heavy trucks; customer service representative; and office clerk.
- Even though wages in manufacturing occupations have declined faster in Iowa than in the nation as a whole, they still are among the better paying jobs, particularly in rural areas, where substantial growth in these jobs occurred during the 1990s. Statewide, however only one traditional manufacturing occupation and an unskilled one at best (hand freight, stock and material mover/laborer) appears among the top 10 openings. A related occupation, driver of tractor-trailers and other heavy trucks, is also among the top 10.
- Although Information Technology (IT) jobs are touted as the wave of the future in Iowa, projections do not show nearly as many openings for high-tech occupations as for retail service jobs. IT jobs dominate the occupational categories with the greatest projected *percentage* growth. Eight of the top 10 fastest growing occupations are IT jobs and are estimated to represent 1,220 annual openings and a net annual growth of 1,090 jobs during the current decade.
- Most top-10 occupations (whether based on projected openings or net growth) that pay well require post-secondary training for entry and/or advancement. The best exit from poverty or near poverty is education and access to nursing, computer specialist and similar positions. The jobs that pay marginally more than the self-sufficiency wage, such as customer service representative and office clerk, will not generate adequate savings to allow a single parent in particular to take time off for schooling — at least until the children are in school. For persons below a self-sufficiency wage, the opportunity for advanced education and training is limited, unless they are able to receive help from extended family. The decline in Pell grant monies (grants for low-income persons to pursue higher education), tuition increases at community colleges and universities, and the increasingly stringent work rules for persons transitioning off TANF to pursue any education beyond short-term, part-time training makes it quite difficult for adults with children to access the higher education system, which is even more important for social mobility than was true a few decades ago — particularly for women. Only women with university and postgraduate degrees approach or equal their male counterparts in earnings (Iowa Workforce Development 2000: 13).

An Asset-Based Approach

A family that achieves a self-sufficiency wage may or may not enhance its chances of escaping from poverty or near poverty over the life cycle or across generations. Wealth generation must accompany income generation. In this sense, welfare reform as implemented in the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996 and subsequent modifications is arguably little better than the Aid to Families with Dependent Children (AFDC) that it replaced. Neither encourages asset acquisition. AFDC required foregoing or disposing of financial assets, such as a

reliable automobile or buying or owning a home, rather than renting, as a condition for receiving income supports. The current program is called TANF (Temporary Assistance for Needy Families) at the federal level and FIP (Family Investment Program) in Iowa. Implicit in these names is the idea that persons previously eligible for AFDC would be encouraged to invest in their future and pull themselves out of poverty. With the periodic aid of up to five years of TANF/FIP and temporary transition subsidies for child care, job training and transportation assistance while not on TANF/FIP, it was hoped that they would improve their earning power so as to no longer need public assistance. However, the subsidies are focused on acquiring and to a degree on keeping a job. Gordon, Fisher and Ditsler (2003:27) state that many post-welfare (TANF) workers earned less than \$7.50 per hour in 2000, which ranges from somewhat over half to almost three-fourths of the self-sufficiency wage for a single wage-earner family (see figures in Table 1). Welfare reform offers little incentive or opportunity to acquire assets that could contribute to enhanced future earning power through additional education for oneself and one's children, starting one's own business, or buying a home so that monthly house payments would be an investment rather than just an expense. Poverty is costly to society either way. It is our collective choice whether to choose an asset-based approach to poverty reduction, by legislating higher wages and judiciously crafting government and local civic programs that encourage those in or near poverty to acquire the human, social and economic assets they need to contribute to society. Or, we can assign the various social service and law enforcement agencies to deal with the social consequences of having children raised in families with inadequate resources where parents work long hours in dead-end jobs in an effort to reach self-sufficiency.

An equal or larger group of Iowans is above the official poverty line but below self-sufficiency⁹ and therefore has rarely or never been on welfare. Data presented above suggest they work as hard or harder than the middle class — some may have come from a working class that, in terms of earnings, *was* middle class. It should be noted that although manufacturing jobs might move overseas, service jobs are much less vulnerable to being exported to other countries. Many are what Robert Reich (1991) calls *in-person* services — they must be performed in or close to the locality where the consumer lives or works.

Policy Recommendations

What policies are appropriate for assuring that not just the exemplary family escapes poverty or near poverty, but that most if not all families below the self-sufficiency standard have a realistic chance of working their way to self-sufficiency and providing their children with the skills and assets to be productive contributors to a better society?

While our eyes should be set on enabling all families to acquire assets, there are income-enhancing policies that facilitate an asset-based approach to self-sufficiency. Raising the minimum wage is an important first step. It would cost the state no money. Since the occupations affected by an increase in the minimum wage are virtually all ones that provide in-person services, there is little chance that this measure will drive jobs overseas or out of the state. The minimum wage has lost 39 percent of its value since 1968 (Gordon, Fisher and Ditsler, 2003: 26).

The inability of Congress to raise the minimum wage should not be taken as the definitive statement on this issue. Iowa should raise its minimum wage. It should be raised to at least the self-sufficiency wage for two-earner families with young children. It would be necessary to do that in stages given the

⁹ While 59,000 families and 70,000 children are below the official poverty line, an additional 55,000 to 107,000 families and 71,000 to 135,000 children are below the self-sufficiency income level, but not officially defined as poor (See Appendix Table 2 and U.S. Bureau of Labor Statistics and U.S. Bureau of the Census, 2003).

precarious state of the state budget, but that would involve raising the minimum wage to between \$6.85 and \$7.70, depending on assumptions about children’s ages. (See Table 4 for calculations.) On the other hand, raising the minimum wage would put more money in the hands of people who spend 100 percent of their income and would be a stimulus to the state economy.

The Iowa Earned Income Tax Credit was not included in our self-sufficiency wage calculations, since it applies only if the individual has a positive tax liability against which to take the credit; no refunds are given. A positive policy step would be to make the Iowa EITC refundable. Those in greatest need of the state EITC — those workers with incomes so low that they have no tax liability — are prohibited from benefiting from this progressive measure. This is the group that pays the highest proportion of their incomes on sales tax, since they spend all their earnings.

Other policy recommendations include:

- **Enacting state and local “living wage” laws** that would ensure that firms awarded state or local government contracts pay self-sufficiency wages. Self-sufficiency wages can be used as a guideline for determining the minimum wage to be paid by such firms.
- **Targeting business incentives** exclusively to firms paying self-sufficiency wages and providing good benefits. The state of Iowa has in the past few years increased the wage and benefits requirements for firms receiving state economic development funds (see Appendix Table 5 for specific programs). However, except for the Iowa New Jobs Training program¹⁰ and the Accelerated Career Education Program, wage requirements relate to the *average* or *median* wage in the county or region. Requirements for the remaining state economic development programs should be revised to also include a *minimum* wage to be paid by firms receiving incentives. The Iowa Department of Economic Development (IDED) should examine the guidelines in light of self-sufficiency wages and revise some of the wage requirements upward. Among local governments, only Des Moines has wage requirements for firms receiving economic development funds. Companies receiving TIF and Urban Renewal funds must pay wages of \$9.50 or more and provide health benefits.¹¹ The Governor and the Iowa Department of Economic Development should take the lead in encouraging localities to adopt such requirements, particularly when they involve federal or state pass-through monies. We should remind ourselves that firms that refuse to pay the required wages and benefits or are unwilling to disclose their pay scales would still be free to move to an Iowa community or make new investments in an existing facility. They just would not be eligible for public incentives. All localities should insist on legally binding “clawback” agreements with companies that promise to create jobs or agree to other performance measures. Wage and benefits requirements could merely be added to such agreements. IDED could provide technical assistance to smaller localities on how to negotiate and how to write up the agreements. See Purinton, et al. (2003) for discussion of how different states and localities have applied quality job standards to development subsidies.

¹⁰ The minimum wage for the New Jobs Training program, which is administered by community colleges, would need to be raised by \$1,200 in order to reach the state-wide average self-sufficiency wage for single mothers with two children with no child care needs (see Table 1).

¹¹ Nine dollars and 50 cents is below the self-sufficiency wages for single moms with two children, which in Polk County are \$16.10, \$13.50, and \$11.30, depending on the ages of the children. It is above the self-sufficiency wages for two-parent families with two children in which both parents work 40 hours per week for 50 weeks. The range is from \$9.30 to \$7.10.

- **Expanding access to high quality, professional and affordable child care.** Iowa ranks first in the nation in the proportion of parents of children under 6 who are working (Gordon, Fisher and Ditsler, 2003: 48-50). The deficit in day care places in huge. Iowa currently subsidizes child care when family incomes fall below \$16,670 — an income that is well below the self-sufficiency standard for families with small children. The annual self-sufficiency income for the state as a whole for a single-parent, three-person family with one child in daycare is \$23,500; with two children in daycare the self-sufficiency income is \$27,500; the comparable figures for two parent families is \$32,800 and \$30,000, respectively (see Table 1). (Federal guidelines allow child care subsidies for families with up to \$33,000 income.) At the very least the maximum income allowable for child care subsidies should be brought up to the self-sufficiency income for families with children in need of full-time child care (40 hours per week). In addition, daycare facilities are good business. Using input-output analysis, Warner (2003) argues persuasively that child-care facilities are better economic development than certain kinds of industrial recruitment that are routinely funded by local and state governments.
- **Expanding Individual Development Accounts.** The Individual Development Account (IDA) could be an important public-private mechanism to encourage asset building by low-income persons. The family or individual concerned makes contributions to a savings account, which is matched from other (public, private and community) sources. Funds in the account can be spent only for education or training, starting a business, or buying or repairing a home, or in some cases for purchasing a car or computer, if they are necessary for one's work. Iowa was the first state to pass an IDA enabling law in 1995, but the state did not contribute significant funds until FY 2000. Annually, it provides \$250,000 per year for administration and \$500,000 for matching funds to the Institute for Social and Economic Development (ISED) of Coralville, Iowa, to oversee implementation of a demonstration project that also receives federal funds. ISED coordinates the efforts of seven not-for-profit organizations in urban and rural areas of the state that are authorized to promote and oversee investments in IDAs. ISED also carries out another IDA savings program with refugees. The state matches savings from the individual saver dollar for dollar. Overall, the individual saver invests one dollar, which is matched with two from other sources. "Since the project began in February 2000, over 670 accounts have been opened. Of this total, 208 accounts closed with a matched withdrawal, 371 accounts are currently open/active, and 91 accounts closed with no match." (Austensen, 2002: 36) A substantial expansion of this program would in the long run make a more important contribution to the well-being of working families with earned incomes, particularly those around the level of self-sufficiency, than would expansion of the transitional payments under PRWORA, since as we have seen, without education and asset building, working families will have a very difficult time gaining self-sufficiency. There is a role for all levels of government, local civil society (the United Way, for instance, can have an important role), and the private sector (particularly banks, which can strengthen their Community Reinvestment Act reports).
- **Ensuring access to health insurance** for all Iowans with less than a self-sufficiency wage. The first step is to ensure that the HAWK-I program reaches all eligible children. Although Iowa is making progress in covering all eligible children, 13 percent of children at or below 200 percent of poverty were not covered for the period 2000-2002 (U.S. Census Bureau, 2003).¹² As is suggested in *The State of Working Iowa*, it is time to begin planning how to cover the parents as well. Families whose wages are below 185 percent of poverty — the upper range of the estimate of families (with children) that earn less than a self-sufficiency wage — can ill afford even a

¹² Figures were not available for 185 percent of poverty and below.

medium length illness. Many have no savings and, if they are to accumulate any savings to pay for either lost time at work or medical bills. The 20 percent of uninsured parents with incomes below 200 percent of poverty (33,000 individuals; Kaiser Family Foundation, 2003:13) should be covered by a fund to which employers, health-insurance companies and state government would contribute. For employers, a payroll tax could be established (perhaps with state matching), which could be reduced in relation to the proportion of employees' health-care costs that each employer covers. Full- and part-time employees would be included. Since such a program would encourage more employers to insure their workers, insurance companies could be taxed, and the funds could go to families not eligible for Medicaid, but with less than a self-sufficiency income. The Maine program is a model for a comprehensive health insurance program (Gordon, Fisher and Ditsler, 2003: 48-50).

Through improved government policy at all levels — state, national and local — recognition by employers that they have a responsibility for the well being of their employees, and a caring and committed local civil society, it is indeed possible to ensure that effort by families to achieve self-sufficiency will prove successful.

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Appendix I. How components of basic family budget were calculated

Child care

Monthly child care costs are based on 2002 data collected by Child Care Resource and Referral of Northeast Iowa for the Iowa Department of Human Services. We established county level, full-time child care costs by calculating the mean age-specific rates of all registered child care centers and registered home-based child care providers in each county. To obtain “infant” costs (more precisely, infants *and* toddlers) for each child care facility, we took the mean of infant, one and two-year old child rates. Preschool child care costs are the mean for three and four-year old children.

Telephone

Monthly telephone expenses for basic telephone service are calculated on a county level from provider-level data collected by the Iowa Utilities Board. Basic service is the mean of the basic service costs for the two largest towns in each county. Data are for 2003. The following fees and taxes are added to the county basic service mean:

- Federal Access Tax, \$5.00.
- Number Portability fee, \$.40.
- 911 Surcharge, \$1.00
- Federal tax of 3 percent of basic service and fees.
- State and local tax of 5 percent of basic service and fees.
- Local option taxes (varies by county)

Food

Monthly food expenses for each family composition are derived from the USDA Monthly Low-Cost Food Plan (data are for May 2002, and are the same throughout the state). For preschoolers, food costs are the mean of the costs for one, two, and three-to-five year olds. For school age children, costs are the mean of the food costs for children six to eight and nine to eleven. For teenagers, we used the mean of the costs for males, twelve to fourteen and fifteen to nineteen, and females, twelve to nineteen. Adult values are taken from costs for the male and female twenty to fifty categories. Infant food costs are calculated using information on the cost of formula from KidSource. The lowest annual cost of formula reported is \$1276/yr or 106.33/mo. Infant costs are then the mean of this figure and the one- and two-year olds from the USDA data. These figures assume that all food is purchased at a grocery store and prepared at home.

Sources: U.S. Department of Agriculture, “Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, May 2002, Alexandria VA.: Center for Nutrition Policy and Promotion, June 2002. Available at: <http://www.cnpp.usda.gov/FoodPlans/Updates/foodmay02.pdf> (Accessed 12/20/03). Infant formula cost: \$1276/yr for Carnation Good Start formula (lowest cost formula): KidSource: <http://www.kidsource.com/maternal.conn/cost.feeding.html> (Accessed 8/7/2003.) Assumed that infant in first year would breastfeed for equivalent of 6 months and receive formula the other six months.

Housing

Monthly housing expenses are calculated on a county level using Fair Market Rent (FMR) data collected by the United States Department of Housing and Urban Development (HUD) for 2002, adjusted with data from the 2000 census. Fair Market Rents were assigned to all counties. Because many non-metro counties were assigned the same FMR figure (suggesting that the FMR was not calculated separately for each non-metro county), we adjusted those rates based on the rental data from the U.S. Census of Housing of 2000. The following calculation was performed for each county:

The county median gross rent (from the Census of Housing) for a two-bedroom apartment divided by the average of the median gross rent for all counties (calculated from Census of Housing data) with the same Fair Market Rent was then multiplied by the individual county Fair Market Rent for 2002.

Sources:

Fair Market Rent: <http://www.comcon.org/resources/home/2002Limits/rent/rnt-ia.pdf>

Median Gross Rent: 2000 U.S. Census of Housing. Available on ISU SETA website:

http://www.seta.iastate.edu/census/vitalstatscountycompare.aspx?state=IA&group_id=17&line_id=1701&cntct=3 (Accessed 12/20/03.)

Healthcare

Monthly health care costs, which include health insurance, medical services not covered by insurance, prescription and non-prescription drugs, and medical supplies, are taken from the 2001-2002 Consumer Expenditure Survey, conducted annually by the Bureau of Labor Statistics (BLS) of the U.S. government. The annual cost listed under the healthcare heading for the Midwestern region and the \$15,000 to \$19,000 income range before taxes is used for all family compositions.

Source: U.S. Department of Labor, "Table 32. Midwestern region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2001-2002," Bureau of Labor Statistics. Available at: <http://www.bls.gov/cex/2002/CrossTabs/regbyinc/xregnmw.PDF>. (Accessed 12/21/03.)

Household Expenses, Personal Care and Clothing

Monthly expenses for these items are calculated using the following headings from the 2001 BLS Consumer Expenditure Survey: household operations, housekeeping supplies, household furnishings and equipment, personal care products and services, and apparel and services. The first four categories are static across all family compositions. In order to calculate the costs of apparel and services for the age groups used in this study, the following CES subheadings are used: Female adult: women, 16 and over; Male adult: Men, 16 and over; Infant, children under 2; Preschool, average of girls 2-15 and boys 2-15; School age, same as preschool; Teenager, average of boys 2-15, men 16 and over, girls 2-15, and women 15 and over. These figures were multiplied by (1.00 + sales tax rate for that county).

Source: BLS (see source for healthcare above).

Transportation

Monthly transportation costs are derived from the 2001-2002 BLS Consumer Expenditure Survey using the value listed under the heading Transportation from the table that cross-tabulates costs by region of the country (Midwest) and by income before taxes (the \$15,000 to \$19,000 category). This value was taken as the statewide average, but was then adjusted to account for longer travel distances required in some counties, shorter distances in others. We assumed that commuting time differences across counties were a reasonable proxy for overall travel time differences. The adjustment was calculated by multiplying the average travel cost by the mean number of minutes driven to work for those living in a particular county divided by the state average minutes driven to work, from the 2000 Census. For a two-wage-earner family, we will follow a similar procedure: we used the

Sources: The BLS websites are: <http://www.bls.gov/cex/2002/CrossTabs/regbyinc/xregnmw.PDF>

U.S. Census data (2000) at the county level on journey to work was accessed at the ISU SETA website: <http://www.seta.iastate.edu/census/index.aspx?Table=ttwork&State=IA>

Appendix II.

Tables

Appendix Table 1. Self sufficiency wage and annual income (all adults working 40 hours/week, 50 weeks/year) and actual wages by family structure, size of community and county adjacency

Urban Adjacency Classification	# of Counties	Total Pop. (000)	1 adult (F), 1 infant, 1 preschool	1 adult (F), 1 presch'l, 1 school age	1 adult (F), 1 school age, 1 teen	2 adults, 1 infant, 1 presch'l	2 adults,** 1 infant, 1 preschl	Actual Wages, 2002		
								Mean Wage ***	Median Wage ****	25 th Percentile
Metro Counties	20	1,564	\$14.30 (\$28,600)	\$12.20 (\$24,300)	\$10.40 (\$20,800)	\$8.50 (\$34,000)	\$10.30 (\$20,500)	\$15.40	\$12.80 *****	\$8.80 *****
Adj. to metro (with town of > 10,000)	5	195	\$13.80 (\$27,400)	\$11.90 (\$23,600)	\$10.10 (\$20,100)	\$8.10 (\$32,500)	\$9.90 (\$19,800)	\$14.40	\$12.10 ****	\$8.50 ****
Adjacent to metro (with no town of > 10,000)	33	506	\$13.30 (\$26,300)	\$11.50 (\$22,700)	\$9.90 (\$19,600)	\$7.90 (\$31,400)	\$9.80 (\$18,900)	\$13.00	\$11.10 ****	\$8.10 ****
Not adjacent to metro Co.	41	662	\$12.80 (\$25,600)	\$11.10 (\$22,200)	\$9.60 (\$19,100)	\$7.60 (\$30,300)	\$9.40 (\$19,800)	\$13.10	\$11.00 ****	\$8.10 ****
Iowa — Statewide totals/ avg*	99	2,926	\$13.70 (\$27,500)	\$11.80 (\$23,500)	\$10.00 (\$20,200)	\$8.10 (\$32,600)	\$9.90 (\$19,900)	\$14.50	\$12.00	\$8.50

*Weighted according to the population in each of the four urban adjacency classifications above.

**This column is calculated with only one adult working and no expenses for child care.

***Weighted by the number of workers in each county.

****Unweighted average of median or 25 percentile wage figures for each county in the particular urban adjacency classification.

*****Based on data on 8 MSAs. Iowa Workforce Development. "Iowa Wage Survey 2002: Statewide, Metropolitan Statistical Area, and Balance of State Estimates, 2003. (Same url as below.)Source: Data in last three columns are from Iowa Workforce Development, Iowa Wage Survey 2002: Iowa Estimates by County," 2003. Available at:

<http://www.iowaworkforce.org/lmi/occupations/wages2002/county/index.htm>. (Accessed 12/22/03).

Appendix Table 2. Estimates of no. of families and children with less than self-sufficiency incomes

Demographic group	All income levels (#)	Below 142.5 percent of poverty (#)*	Below 185 percent of poverty (#)*	percent of group below self-sufficiency income (range)
Families	809,000	114,000	166,000	14-21 percent
Related children (< 18 yrs old)	695,000	134,000	194,000	19-28 percent
All children <18 yrs old	708,000	141,000	205,000	20-29 percent
People in families w/female householder, no husband present, w/children	202,000	92,000	119,000	46-59 percent

Source: U.S. Bureau of Labor Statistics and U.S. Bureau of the Census. “Annual Demographic Survey: March Supplement, Current Population Survey, 2003. Available at: http://ferret.bls.census.gov/macro/032003/pov/new46_185200_07.htm , ... 18520_04.htm, ... 135150_07.htm, ... 135150_08.htm, ... 18520_08.htm, and ... 135150_07.htm.

*In order to establish a relationship between a self-sufficiency income and the poverty level, we divided the corresponding poverty level into high and low self-sufficiency annual incomes for three person families and for four-person families. That gave us two ranges for percent of poverty income represented by each family composition. Since both of the ranges had centered on percentages that were quite close to one another, we simply averaged the two lower estimates and separately the two upper estimates, giving us a composite range for the two family sizes. The following table shows the calculations:

	1 adult (F), * 1 infant/toddler, 1 preschool	2 adults, * 1 infant/toddler, 1 preschool	1 adult (F), * 1 school age child, 1 teen	2 adults, * 1 school-age child, 1 teen
1) -Self sufficiency annual income, 2001-02 (Iowa)	\$27,600	\$32,800	\$20,400	\$26,600
2) -100 percent of poverty threshold, 2002**	\$14,494	\$18,244	\$14,494	\$18,244
3) - percent of poverty represented by self-suff income***	190 percent	180 percent	141 percent	146 percent
percent of poverty figure chosen	185 percent of poverty		Avg. of 135 & 150 percent of pov.	

* Based on necessary household expenditures that must be covered to just get by when adult(s) in household works full-time, year-round. (2000/year).

** Source for poverty levels: U.S. Census Bureau, “Poverty 2002,” *Current Population Survey: Annual Social and Economic Supplement*, 2003. Available at <http://www.census.gov/hhes/poverty/threshld/thresh02.html> (Accessed 12/26/03).

*** (Row 1 /row 2) x 100.

Appendix Table 3A. Statewide Projections of Top 24 Occupations Ranked by Number of Job Openings, 2000-2010, and 2002 Wages

Title	Occ. Code (NAICS)	2000 Employment	2010 Employment	Average Annual Employment Growth	Average Annual Openings	Percent Employment Growth	Entry wage	25th pct	Median wage	Experienced wage
Total, All Occupations	00-0000	1703100	1895200	19210	58500	11	7.47	8.53	12	17.98
Retail Salespersons	41-2031	46100	53300	720	2470	16	6.19	6.65	8.01	11.81
Cashiers	41-2011	37200	44150	695	2380	19	6.17	6.18	6.86	7.75
Waiters and Waitresses	35-3031	28650	31700	305	1920	11	6.12	5.93	6.4	6.95
Combination Food Prep. & Serving Wkrs, Inc Fast Food	35-3021	19600	23850	425	1630	22	6.18	6.09	6.7	7.32
Office Clerks, General	43-9061	38200	42700	455	1190	12	7.32	8.15	10.11	12.16
Customer Service Representatives	43-4051	24950	34200	925	1140	37	8.06	8.97	10.93	13.34
Laborers & Freight, Stock, & Material Movers, Hand	53-7062	26150	28500	235	1110	9	7.56	8.28	10.03	12.01
Registered Nurses	29-1111	26950	32350	540	1090	20	14.91	15.97	18.6	21.23
Truck Drivers, Heavy and Tractor-Trailer	53-3032	31450	36850	540	970	17	10.02	11.66	15.1	18.18
Postsecondary Teachers	25-10& 11	21650	24550	290	880	13			30	
Team Assemblers	51-2092	28150	30750	260	750	9	9.18	10.23	12.52	15.33
Janitors and Cleaners, Except Maids & Housekeeping Cleaner	37-2011	25050	27900	285	740	11	6.89	7.46	9	10.77
General and Operations Managers	11-1021	23500	26200	270	670	12	14.98	18.04	26.53	38.99
1st-Line Supervisors/Mgrs of Retail Sales Workers	41-1011	23950	26650	270	620	11	8.78	10.02	13.2	18.1
Teacher Assistants	25-9041	13450	16450	295	580	22	13,079	14,137	11.25	19,334
Telemarketers	41-9041	12850	15850	300	570	23	6.38	6.93	8.27	9.64

Appendix Table 3A. Statewide Projections of Top 24 Occupations Ranked by Number of Job Openings, 2000-2010, and 2002 Wages for those Occupations, Iowa, continued.

Title	Occ. Code (NAICS)	2000 Employment	2010 Employment	Average Annual Employment Growth	Average Annual Openings	Percent Employment Growth	Entry wage	25th pct	Median wage	Experienced wage
Secondary School Teachers, Exc. Special and Vocational Ed.	25-2031	11350	13550	220	570	19	\$15.73	\$18.27	24.9	\$28.62
Child Care Workers	39-9011	9550	11900	235	560	25	6.18	6.16	6.82	7.61
Nursing Aides, Orderlies, and Attendants	31-1012	19200	21750	260	500	13	8.03	8.37	9.48	10.47
Maids and Housekeeping Cleaners	37-2012	11350	13350	205	450	18	6.44	6.96	7.95	8.69
Computer Support Specialists	15-1041	4550	8250	370	390	81	12.32	13.97	17.16	21.24
Electricians	47-2111	6950	9200	225	350	32	12.8	14.62	18.67	22.12
Social and Human Service Assistants	21-1093	5600	7650	205	290	37	7.59	8.36	11.37	13.55

* Median wage arrived at by dividing \$16,868 (median annual salary for teacher assistants) by 1500 hours, on the assumption that they work 9 months of the year.

** Median group of professors (arrived at by first sorting on median income and then adding # of teachers until half had been included = Mathematical science teachers=\$52,495 salary. Divided by 1750 hours and median hourly wage estimate is \$30.00.

*** School teacher pay was reported as annual salary. We estimated hourly wages by dividing annual salary for secondary school teachers by 1500 hours, on the assumption that they work 9 months of the year.

Note: Reference period for the wage data is the 4th quarter of 2002. Data were developed from the 2001 OES Wage Survey and updated to 2002 using the Employment Cost Index.

Sources: U.S. Department of Labor. Bureau of Labor Statistics. "State Occupational Projections, 2000-2010." (Projections were made by Iowa Workforce Development, based on employer surveys carried out in 1998. Available at: <http://www.projectionscentral.com/> (Accessed 12/24/03)

Iowa Workforce Development. "Occupational Employment and Wages: Iowa Statewide," 2002. Available at:

<http://www.iowaworkforce.org/lmi/occupations/wages2002/Statewide/TOC001.htm> (Accessed 12/24/03)

Appendix Table 3B. Statewide Projections of Top 24 Occupations Ranked by Net Employment Growth, 2000-2010, and 2002 Wages for those Occupations, Iowa

Title	Occ. Code (NAICS)	2000 Employment	2010 Employment	Average Annual Employment Growth	Average Annual Openings	Percent Employment Growth	Entry wage	25th pct	Median wage	Experienced wage
Total, All Occupations	00-0000	1703100	1895200	19210	58500	11	7.47	8.53	12	17.98
Customer Service Representatives	43-4051	24950	34200	925	1140	37	8.06	8.97	10.93	13.34
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Office Clerks, General	43-9061	38200	42700	455	1190	12	7.32	8.15	10.11	12.16
Combined Food Preparation and Serving Workers, Including Fast Food	35-3021	19600	23850	425	1630	22	6.18	6.09	6.7	7.32
Computer Support Specialists	15-1041	4550	8250	370	390	81	12.32	13.97	17.16	21.24
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Telemarketers	41-9041	12850	15850	300	570	23	6.38	6.93	8.27	9.64
Teacher Assistants	25-9041	13450	16450	295	580	22	13,079	14,137	11.25	19,334
Postsecondary Teachers	25-10 & 11	21650	24550	290	880	13			30.00**	
Janitors and Cleaners, Except Maids and Housekeeping Cleaner	37-2011	25050	27900	285	740	11	6.89	7.46	9.00	10.77
First-Line Supervisors/Managers of Retail Sales Workers	41-1011	23950	26650	270	620	11	8.78	10.02	13.20	18.1
General and Operations Managers	11-1021	23500	26200	270	670	12	14.98	18.04	26.53	38.99
Nursing Aides, Orderlies, and Attendants	31-1012	19200	21750	260	500	13	8.03	8.37	9.48	10.47
Team Assemblers	51-2092	28150	30750	260	750	9	9.18	10.23	12.52	15.33

Appendix Table 3B. Statewide Projections of Top 24 Occupations Ranked by Net Employment Growth, 2000-2010, and 2002 Wages for those Occupations, Iowa, continued.

Title	Occ. Code (NAICS)	2000 Employment	2010 Employment	Average Annual Employment Growth	Average Annual Openings	Percent Employment Growth	Entry wage	25th pct	Median wage	Experienced wage
Child Care Workers	39-9011	9550	11900	235	560	25	6.18	6.16	6.82	7.61
Laborers and Freight, Stock, and Material Movers, Hand	53-7062	26150	28500	235	1110	9	7.56	8.28	10.03	12.01
Electricians	47-2111	6950	9200	225	350	32	12.80	14.62	18.67	22.12
Secondary School Teachers, Except Special and Vocational Ed.***	25-2031	11350	13550	220	570	19	\$15.73 (\$23,600)	\$18.27 (\$27,412)	24.90 (\$35,363)	\$28.62 (\$42,926)
Maids and Housekeeping Cleaners	37-2012	11350	13350	205	450	18	6.44	6.96	7.95	8.69
Social and Human Service Assistants	21-1093	5600	7650	205	290	37	7.59	8.36	11.37	13.55

* Median wage arrived at by dividing \$16,868 (median annual salary for teacher assistants) by 1500 hours, on the assumption that they work 9 months of the year.

** Median group of professors (arrived at by first sorting on median income and then adding # of teachers until half had been included = Mathematical science teachers=\$52,495 salary. Divided by 1750 hours and median hourly wage estimate is \$30.00.

*** School teacher pay was reported as annual salary. We estimated hourly wages by dividing annual salary for secondary school teachers by 1500 hours, on the assumption that they work 9 months of the year.

Note: Reference period for the wage data is the 4th quarter of 2002. Data were developed from the 2001 OES Wage Survey and updated to 2002 using the Employment Cost Index.

Sources: (See Appendix Table 3A.)

**Appendix Table 4. Calculation of Federal Earned Income Tax Credit
for Two-Earner Families with a Before Taxes Self Sufficiency Income**

	2 adults, 1 infant, 1 preschool	2 adults, 1 preschool, 1 school age
1-Self-sufficiency Annual Income before taxes	\$31,763	\$29,202
2-Child care expenses	\$8,750	\$4,309
3-Dependent care credit	\$480	\$480
4-EITC	\$506	\$1043
5-Child tax credit	\$713	\$458
6-Tax Refund*	\$993	\$1785
7-Income after Taxes (line 1-line 6)	\$30,770	\$1785
8-Adjusted self sufficiency wage (line 7/4000 hrs.)	\$7.69	\$6.85

Note: These two hypothetical families' taxes were calculated using the 2002 version of TurboTax.^R It incorporated a combination of the federal dependent care credit, the child tax credit, and the Earned Income Tax Credit. The Iowa EITC was not included, because it cannot be refunded but only be used to reduce a positive tax liability.

Appendix Table 5. Wage and Benefits Requirements for Firms Receiving Government Incentives, Iowa, 2003

Jurisdiction	Type(s) of Subsidies Covered/Name of Program(s)	Job Quality requirements (wages are hourly unless otherwise stated)
Iowa	Community Economic Betterment Account CEBA)	Companies receiving up to \$500,00 must pay 100 percent or more of the county or regional average wage, whichever is lower. Companies receiving over \$500,000 must pay 130 percent or more of the county average wage. Companies must provide health and dental benefits and pay at least 80 percent of the premium for employees' coverage or at least 50 percent of the cost of a family plan. Jobs created/retained must be full-time.
Iowa	CEBA Venture Projects	Companies must pay at least 100 percent of the regional or county average wage. Companies must provide health and dental benefits and pay at least 80 percent of the premium for the employee's coverage or at least 50 percent of the cost of a family plan. Jobs must be full-time.
Iowa	Economic Development Set-Aside Program (EDSA)	Companies must pay 100 percent of the county or regional average wage, whichever is lower. Jobs created/retained must be full-time, and at least 50 percent of the jobs must be made available to individuals earning wages defined as low and moderate-income.
Iowa	Enterprise Zone	Businesses must pay an average wage that meets or exceeds 90 percent of the average county or regional wage, whichever is lower. Jobs must be full-time and give employees the option of choosing between a standard medical and dental insurance plan of which the business pays 80 percent of the premiums or a monetarily equivalent benefit.
Iowa	New Jobs and Income Program (NJIP)	Companies must pay a median wage for new production jobs of at least \$13.02 per hour or 130 percent of the average county wage for new jobs, whichever is higher. Companies must provide health and dental insurance and pay at least 80 percent of the cost of employees' coverage.

Iowa	Iowa New Jobs Training Program	Companies must pay at least \$19,200 per year.
Iowa	Accelerated Career Education Program (ACE)	Companies must pay at least 200 percent of the federal poverty guideline for a family of two.
Des Moines	Tax Increment Financing/ Urban Renewal	Companies must pay at least \$9.25 and provide health benefits.

Source: Purinton, et al, 2003: pp. 18-19, 31.