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Fresh Look Needed for Minimum Wage

New Report Refutes Claims Against Updating Wage; 100,000 in Iowa Could Benefit

MOUNT VERNON, Iowa (May 17, 2004) – New analysis that shows a minimum wage increase would not harm the economy also demonstrates a need for a fresh look at the issue in Iowa, according to an Iowa economist.

“This underscores the holes in arguments against bringing the minimum wage up to date,” said Peter Fisher, research director of the Iowa Policy Project. “That’s important, because just to move the minimum wage to its purchasing power almost a quarter-century ago – in 1981 – we would need to raise it from \$5.15 to \$6.65 an hour. It is time for the state to act on its own, if Congress won’t.”

The Economic Policy Institute in Washington, D.C., last week released two reports that give evidence that increases in the minimum wage do not result in job losses and clearly outline the need for raising the minimum wage to a level that allows individuals and families to escape poverty.

One, by EPI’s deputy director of policy, Amy Chasanov, notes that Congress hasn’t increased the minimum wage in seven years – “the second longest stretch of government inaction since the minimum wage was enacted in 1938” – and makes the case that an increase is overdue.

“A full-time worker making minimum wage does not have the resources to meet the most basic needs. In fact, a full-time, year-round minimum wage worker earns only \$10,712 a year, which does not even meet the poverty line for a family of two,” she said.

Chasanov’s report states that 7.5 percent of Iowa’s work force – or 103,900 people – would benefit from an increase in the minimum wage to \$7 by April 2006.

The second report, by EPI economic analyst Jeff Chapman, examines evidence from recent trends in state labor markets.

“The minimum wage has a significant effect on the living standards of working families,” Chapman said in a news release. “Recent experience has proven that state minimum wages can be raised, as these states have done, without fear of negative economic consequences.”

The two reports, and a news release, are available on the web at www.epinet.org.

Fisher noted two common arguments against increasing the minimum wage contradict each other. One is that hardly anyone would be helped by an increase; the other is that an increase would hurt the Iowa economy.

“Of course, if hardly anyone would benefit, hardly any business activity could be hurt by an increase – and that is aside from the fact that people making the minimum wage spend most of their income, which helps economic activity in the state,” Fisher said.

Iowa has one neighbor, Illinois, among the 12 states that have set their minimum wages above the federal level. In addition, Minnesota and Wisconsin have considered a state minimum wage boost this year. Attempts have failed in Iowa to raise the minimum wage.

Fisher also noted a recent IPP report, led by Iowa State University economist Jan Flora, which showed incomes for one in five Iowa families do not meet basic costs of running a household. That study recommended increasing the minimum wage in Iowa to between \$6.85 and \$7.70.

That report, “Iowa Self-Sufficiency Wages,” illustrated that self-sufficiency wages for Iowa families are higher than most proposed increased levels for the minimum wage. For single-parent families, for example, the self-sufficiency wage would range from \$13.80 for a mother with one infant or toddler and a preschooler to \$10.20 for a mother with both children in school. For families with two adults working full time, the self-sufficiency wage is \$8.20 with two children needing full-time child care.

“Given those numbers – and the reluctance of elected officials to raise the minimum wage – it’s hard to recall that in 1968, the minimum wage was enough for a full-time worker to support a family of three above the poverty level,” Fisher said. “Someone working full time at a minimum-wage job hasn’t even been able to support a family of two above poverty since 1982.

“It is shameful that we have allowed the minimum wage to deteriorate so far.”

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

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To view reports from the Iowa Policy Project, see <http://www.iowapolicyproject.org>.

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