

March 1, 2006 (Updated April 2006)

Iowa's Minimum Wage: What's at Stake

In Iowa, both state and federal law require that workers are paid at least \$5.15 per hour, with very few exceptions.

While the federal government sets a floor for the minimum wage (currently \$5.15), states may set it higher. The federal government has not raised the minimum wage since September 1, 1997, and is unlikely to act anytime soon. As a result, 20 states — home to more than half the U.S. population — have taken action on their own.

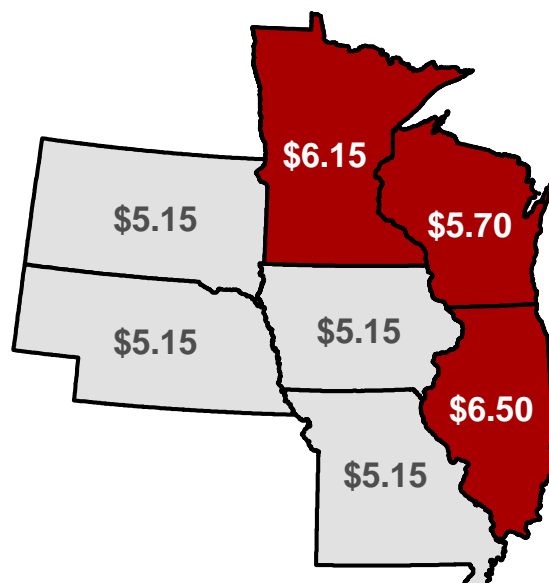
Legislation to raise the minimum wage is pending in both the Iowa Senate and House. This week is the last opportunity for legislators to pass the bill out of committee.

Working Iowans Left Behind

After nearly a decade with no increase in the minimum wage, inflation has eroded the buying power of the minimum wage by 17 percent. A full-time minimum-wage job no longer lifts a family above the poverty level. In 2005, a family of three with one adult working at minimum wage was deep in poverty (at only 67 percent of the poverty level). In comparison, that same family in 1969 earned 114 percent of the poverty level. If the minimum wage had kept pace with inflation since 1969, when it was \$1.60 an hour, today it would be \$8.88.^{1,2}

Twenty states and the District of Columbia have a minimum wage that exceeds the federal rate.³ Three of those states are Iowa's high-growth neighbors: Wisconsin, Minnesota and Illinois. Nevada voters are expected to approve a minimum wage increase in November (for the second and final time) in order to become the 21st state with a minimum wage higher than the federal level. In North Carolina, Ohio, and several other states, legislation is pending or a ballot initiative is in the works.

Minimum Wages in the Midwest



¹ Adjusted using the CPI-U. Adjusting with the CPI-RS, the equivalent value is \$7.54.

² Sources: Bernstein, Jared and Isaac Shapiro, "Unhappy Anniversary," Center on Budget and Policy Priorities/ Economic Policy Institute, September 1, 2005. <http://www.cbpp.org/9-1-05mw.htm>; Economic Policy Institute, Issue Brief #201, Aug 6, 2004, <http://www.epi.org/content.cfm/issuebrief201>

³ U.S. Department of Labor, <http://www.dol.gov/esa/minwage/america.htm>

According to most studies, a modest increase in the minimum wage has no impact on job loss.⁴ Many of the states with the highest minimum wages have rates of job growth much higher than the national average. More than half of the country's workforce already resides in states with a minimum wage above the federal level of \$5.15 per hour.

A Pay Raise for Thousands of Iowans

When the minimum wage is increased, workers earning less than the new minimum wage level automatically receive a pay raise. In addition, thousands more Iowans earning slightly above the new minimum wage level receive a pay raise as companies adjust their general pay scale.

If the Minimum Wage Were Raised...

- To \$6.15 per hour, **53,000** Iowans, or 4 percent of all workers, would receive a pay raise. About 57 percent of the affected workers would be over the age of 20.⁵
- To \$7.25 per hour, **257,000** Iowans, or 18 percent of all workers, would receive a pay raise. About 75 percent of the affected workers would be over the age of 20.⁶

Public Sentiment

In a 2005 Pew Research Center poll, 86 percent of respondents, including 79 percent of social conservatives, supported increasing the minimum wage.⁷

An increase is also popular in Iowa. The Des Moines Register reported in February that its Iowa poll found 85 percent of Iowans supported an increase in the state minimum wage to \$6.15.⁸

States Above \$5.15

State	Current Rate
Alaska	\$7.15
Arkansas*	\$6.25
California	\$6.75
Connecticut	\$7.40
D.C.	\$7.00
Delaware	\$6.15
Florida	\$6.40
Hawaii	\$6.75
Illinois	\$6.50
Maine	\$6.50
Maryland	\$6.15
Massachusetts	\$6.75
Michigan*	\$6.95
Minnesota	\$6.15
New Jersey	\$6.15
New York	\$6.75
Oregon	\$7.50
Rhode Island	\$6.75
Vermont	\$7.25
Washington	\$7.63
Wisconsin	\$5.70

Source: U.S. DOL

* Takes effect later this year.

The Iowa Policy Project

Formed in 2001, the Iowa Policy Project is a nonprofit, nonpartisan research organization based in Mount Vernon. IPP reports are available on the web at www.iowapolicyproject.org. Contributions to the Iowa Policy Project are tax-deductible.

318 2nd Ave. N • Mount Vernon, IA 52314 — 120 N. Dubuque St., #208 • Iowa City, IA 52245
Phone (319) 338-0773 • Fax (319) 354-4130 • ipp@Lcom.net

⁴ The Economic Policy Institute, EPI Briefing Paper #150, May 11, 2004; National Economic Council, "The Minimum Wage: Increasing the Reward for Work," May 2000; Jared Bernstein and John Schmitt, "The Impact of the Minimum Wage," The Economic Policy Institute, 2000; Oren N. Levin- Waldman, "The Minimum Wage Can Be Raised", The Levy Institute, 1999; The Fiscal Policy Institute, "States with Minimum Wages above the Federal Level have had Faster Small Business and Retail Job Growth," March 30, 2006.

⁵ Economic Policy Institute analysis of 2005 Current Population Survey data, special data run for the Iowa Policy Project.

⁶ Economic Policy Institute analysis of 2005 Current Population Survey data, special data run for the Iowa Policy Project.

⁷ Pew Research Center for the People and the Press, "Beyond Red and Blue: Republicans Divided About Role of Government—Democrats by Social and Personal Values," May 10, 2005.

⁸ *The Des Moines Register*, Feb. 4, 2006. Results from survey Jan. 21-24, 2006.