



The Iowa Policy Project

20 E. Market St. • Iowa City, Iowa 52245 • (319) 338-0773
www.iowapolicyproject.org

Labor Day 2012

IPP POLICY SNAPSHOT

Putting Iowa on the High Road

Policy Options to Get Iowa Workers Out of Race to the Bottom

The upcoming *State of Working Iowa 2012* takes a look at the impact of the Great Recession and our slow recovery from it. We focus not only on the availability of jobs — Iowa still faces a substantial jobs deficit — but also on the quality of those jobs in an era of stagnant wages, and declining job-based health and pension coverage. As Iowa celebrates Labor Day, it is a good time to consider new public policy opportunities, particularly those affecting the hundreds of thousands of low-wage workers, most of whom have seen their real wages actually decline over the last decade. IPP and others have shown at least three areas where the state could move quickly to improve opportunity for Iowa's working families. They include:

- Raising the minimum wage.
- Expanding the Earned Income Tax Credit.
- Addressing the pervasive yet elusive problem of wage theft.

Minimum Wage — Low-Wage Workers Haven't Had a Pay Raise for 4½ Years, and Counting

Iowa's minimum wage is now \$7.25 per hour, same as the national wage, but it has been held there longer than the national minimum. Iowa moved to the current \$7.25 minimum wage in January 2008; it took another 18 months for the federal government to improve it to that level. A recent report from the Economic Policy Institute estimated that 332,000 Iowans would see direct or indirect benefits from an increase in the minimum wage from \$7.25 to \$9.80 per hour by July 2014.¹ That report noted over half of the Iowa workers affected — 55 percent — are women, and refuted common myths about who gains from an increase in the minimum wage, showing 81 percent are age 20 or over, 46 percent work full time (at least 35 hours per week), and 23 percent have children. Jobs paying the minimum wage or slightly above, then, are not typically teen-agers in part-time jobs with no responsibilities at home.

Earned Income Tax Credit — Making Work Pay for Iowa Families

Despite improvements both passed and proposed by Iowa legislators for Iowa's Earned Income Tax Credit (EITC) for low- and moderate-income families, Governor Branstad has vetoed two attempts and his position prevented further advances in 2012. Over 200,000 Iowa families would benefit. As the Iowa Fiscal Partnership has shown, raising the Iowa EITC not only would raise the threshold at which Iowa families start to owe state income taxes, but would boost local economies throughout the state.² In fact, the Senate-passed bill would raise the EITC from 7 percent of the federal credit to 20 percent, with an impact per House district of over half a million dollars. This would inject an average of \$250 into the budgets of 210,000 working families across the state — money residents would spend in their local economy, helping small businesses.

Wage Theft — Assuring Iowa Workers Are Paid What They're Owed

If it were not bad enough that low-wage jobs make it difficult for Iowans to make ends meet, many of these workers are not being paid the wages they are legally owed. Worse yet, woefully limited state

enforcement is not enough to protect not only those workers, but also honest employers and Iowa taxpayers. This is the growing epidemic of wage theft, outlined in a new report by the Iowa Policy Project.³ IPP researchers found that those especially vulnerable to wage theft are the state’s roughly 266,000 low-wage workers, according to trends demonstrated in national research and Iowa’s economic profile. About \$600 million a year is being stolen from Iowa workers — and the cost to the state treasury each year is in the range of \$60 million. Wage theft can take many forms: nonpayment or underpayment of wages; employer confiscation of tips; employers’ unauthorized deductions from paychecks; and the broad category of “misclassification,” in which employees are improperly labeled as independent contractors or treated as salaried employees to avoid overtime rules. A recent study by the Progressive States Network gave Iowa and 43 other states failing grades for what state laws they have in place “to comprehensively address this growing national crime wave.” Iowa stood out as the state with the fewest enforcement resources per worker, employing only one investigator for the entire state.

¹ See Iowa Policy Project news release: <http://www.iowapolicyproject.org/2012Releases/120815-IPP-epi-mw-release.html>

² See Iowa Fiscal Partnership policy brief: <http://www.iowafiscal.org/2012docs/120329-IFP-EITC4.pdf>

³ See Iowa Policy Project news release: <http://www.iowapolicyproject.org/2012Releases/120827-wagetheft-release.html>

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Formed in 2001, the Iowa Policy Project is a nonpartisan, nonprofit organization. Reports are available at <http://www.IowaPolicyProject.org>. The Iowa Policy Project is a 501(c)3 organization. Contributions to support our work may be tax-deductible.