



GUEST OPINION

January 25, 2014
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As published in The Press-Citizen, Iowa City, Jan. 25, 2014

Raise the minimum wage and index it to inflation

By Mike Owen

Scrape aside the politics, untwist the numbers and pay attention to the real economics, and it's not hard to see why it makes sense for Congress or the Iowa Legislature to raise the minimum wage.

The Press-Citizen raised an important point in the wake of Governor Branstad's Condition of the State address, that the Governor "should be talking more directly about the problems facing the growing number of Iowans living below the poverty line." ("[Our View: Branstad has more political capital to expend](#)," Jan. 16.)

To do that, the Governor will have to discuss the minimum wage.

Our "Cost of Living in Iowa" research at the Iowa Policy Project¹ has demonstrated why this is an important issue to many thousands of low-income Iowa families and action in 2014 would be timely.

In Iowa, nearly three-fourths of single parents earn less than a family supporting wage — enough to meet a bare-bones, basic needs household budget. The federal poverty level is even lower than basic needs, and the current \$7.25 minimum wage at full time over a year provides about \$4,500 less than the poverty level for a single parent and two children.

Economists agree an increase would reduce poverty and be a step toward a reduction of income inequality that has grown in this country. In a recent letter to the president and congressional leaders, 75 economists — including seven Nobel laureates — wrote that raising the wage to \$10.10 an hour would benefit some 28 million workers. They determined the vast majority to be adults, disproportionately women, who work at least 20 hours a week with the earnings vital to making ends meet.

The Bureau of Labor Statistics — <http://www.bls.gov/cps/minwage2012.htm> — shows 3.6 million people are currently at or below the current minimum wage. Add those between \$7.25 and \$10.10, and those slightly above \$10.10 who also would be bumped up, and you can see that many millions more would get a raise, boost the economy with their higher pay, and be less in need of public assistance.

The Economic Policy Institute, using Census data found that of those who would be affected, 78 percent are 20 or over, 43 percent work full time and 58 percent are women.

But let's imagine this issue to be more about teenagers and entry-level jobs. Aren't their costs rising as well? Don't they put gas in the tank, plan or pay for college, buy clothes and pizza? And don't we want them doing those things?

Already this year, 13 states have raised their minimum wage. This is boosting the incomes of an estimated 2.5 million people who need to spend every dime they make, and they will spend that increase and boost the economy. Everyone gains as the economy grows, including the low-wage employers who are complaining about the minimum wage.

One more point — no, wait a moment. Don't you get tired of going through these same arguments every four or five years? So do I.

A new minimum wage is outdated almost as quickly as it is passed. This would change if Congress, or the Iowa Legislature, were to combine a meaningful minimum wage with a provision to index it to inflation. It would be self-adjusting.

I choose economics, not politics. Let's get it done.

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¹ <http://www.iowapolicyproject.org/2012Research/120531-COL.html>