



The Iowa Policy Project

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New report shows why wages fall short

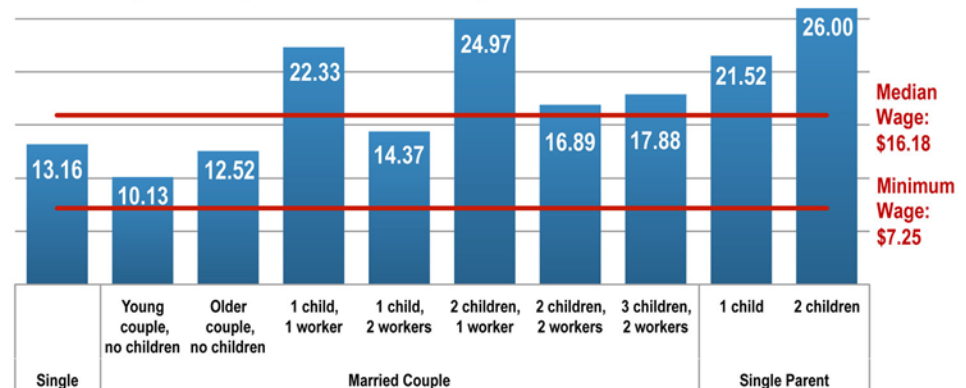
Latest Cost of Living in Iowa details basic-needs family budgets; Minimum wage and poverty line both well below real-world needs

IOWA CITY, Iowa (April 5, 2016) — Despite their work efforts, many Iowans cannot meet basic living expenses as the cost of living continues to rise and both the labor market and public policy fail to keep pace.

The fifth edition of *The Cost of Living in Iowa* by the nonpartisan Iowa Policy Project (IPP), www.iowapolicyproject.org, details how much working families must earn in order to meet their basic needs and underscores the importance of public work support programs.

“Working families and individuals in Iowa must earn substantially above the official poverty threshold — in some cases nearly three times the poverty level — to achieve a very basic standard of living in Iowa without the help of public supports,” said Peter Fisher, IPP research director and author of the report.

Self-sufficiency wage: Even the median wage is not enough for many
Cost of Living in Iowa report shows minimum wage falls short of basic needs for Iowa families



“Even with assistance from public health insurance programs, single parents must earn well above the median wage in Iowa, and married couples with children must earn more than \$12 per hour,” Fisher said. “That is well above the current minimum wage and above recent wage proposals at the state and local level.”

The report also found:

- The highest-cost region of the state overall is the southeast corner: a four-county region consisting of Henry, Louisa, Des Moines and Lee counties.
- The lowest overall costs of living are found in four eastern Iowa metro areas: Waterloo-Cedar Falls, Davenport, Dubuque and Cedar Rapids.
- Differences in cost from one county to another can be dramatic. The total annual basic needs budget for a couple with two children was \$7,776 higher in the highest to the lowest cost county.

Specifically, monthly child care costs for a preschooler can be almost 50 percent higher in one county than another.

The new report will be the basis for a coming update of the cliff effects on various family types when support programs, such as food, energy and child care assistance, abruptly end as a family earns a slightly higher amount at work — but not enough to cover the loss of support.

The report focuses on 10 types of non-senior Iowa households with a working adult, using official census data to arrive at basic living costs for families and how they differ around the state.

Iowans can find online the basic-needs budgets for all 99 counties, and for 21 multi-county metropolitan areas and rural regions.

“The lessons here are not academic. They represent the real-world challenges for low-wage families who struggle in our economy,” said Mike Owen, executive director of IPP.

“With a minimum wage at \$7.25 an hour and severe restrictions on child-care assistance and other supports tied to an outdated measure of what it is to be poor in America, this report carries important implications for public policy.”

The report focuses on what it costs to get by and on how much a household must earn to cover those costs. It assumes tax benefits are included but not key non-health work supports, such as Temporary Assistance to Needy Families (TANF), food assistance, energy assistance and state Child Care Assistance. And the analysis shows the difference in needed wages for earners who have health insurance through their job, or not.

For example, a single-parent family with two children has an annual basic budget above \$45,000 per year, requiring an hourly wage of \$26 without work supports — or over \$21 in the case of a single parent with one child — even though most jobs in Iowa pay much less.

Even adding public or private health insurance coverage, these families need far more than the median wage in the state — just above \$16 — just for a basic-needs, no-frills budget.

As in the past, the report shows the Cost of Living analysis to be more accurate than the Federal Poverty Guidelines, which are used to determine eligibility for public assistance, but miss regional differences in basic living expenses and are based on outdated spending patterns.

“This IPP analysis has become the gold standard for research to analyze basic-needs family budgets in Iowa, to compare what people need with what the economy is providing and how public policy responds,” Owen said. “The Iowa Policy Project is proud that Peter Fisher continues to provide this analysis, and to enhance it, for the people of Iowa.”

Find the report at www.iowapolicyproject.org and www.iowafiscal.org.

Basic needs budgets

The basic-needs budgets constructed for this report represent a very frugal living standard; using costs as of 2015 (except for health insurance), the budgets are based on what is needed to “survive” rather than “thrive.”

This includes allowances for rent, utilities, food prepared at home, child care, health care, transportation, clothing and other household necessities.

The basic budget does not include savings, loan payments, education expenses, any entertainment or vacation, social or recreational travel, or meals outside the home.

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