

Iowa: A Bottom Feeder on Minimum Wage

Costs go up. Needs go up. Often, income and wages go up, too – but not for everybody. Iowa has locked in a low \$7.25 minimum wage for over 15 years, and has even stripped the authority of local leaders to do better for workers in their cities and counties. Common Good Iowa research has shown a \$7.25 hourly wage is far below what it takes just to get by.¹

In late July, the latest attempt to raise the federal minimum wage was introduced in Congress. **The Raise the Wage Act of 2023 would phase in a \$17 minimum wage** by 2028, up from the current federal minimum that, like Iowa’s wage, has been stuck at \$7.25 since 2009. It’s far past time to act. Iowa’s Congressional delegation should support the Raise the Wage Act.

Iowa trails most of our neighbors

- Iowa’s minimum wage rose to \$7.25 Jan. 1, 2008. At the time, Iowa led all its neighbors except Illinois. Now, five neighbors are above \$10. South Dakota, Minnesota and Nebraska make annual adjustments. Illinois will go to \$14 in 2024, \$15 in 2025.
- No state has kept its minimum wage at \$7.25 longer than Iowa.
- Thirty states, Washington, D.C., and many localities set minimum wages above the federal level.² Locally set minimums in five Iowa counties were repealed by the Legislature in 2017.



\$17 minimum wage in Iowa: 1 in 4 workers would benefit

Economic Policy Institute analysis³ found that by 2028 **the plan would boost the wages of 387,000 Iowa workers**, 26.2% of the workforce.

- Among them, **231,000** would benefit **directly** as their wages go up to the new minimum.
- **156,000** would benefit **indirectly**, as the pay scales just above the minimum wage adjust.⁴
- **Beneficiaries often** are women, parents, full-time workers, high school graduates, and people of color – and children in their families.⁵

Who Gains in Iowa with a \$17 Minimum Wage?



It Might Not Be Who You Think

- 56% are age 25 or over
- 48% work full time
- 62% are women
- 23% have children
- 23% are people of color
- 25% are in families living in poverty

Note: Statistics describe civilian workers in Iowa who would be affected by an increase in the federal minimum wage to \$17 by 2028. See July 2023 report by Ben Zipperer at epi.org for more details.

Beware the routine spin against the minimum wage or a wage increase

Anti-minimum wage arguments are predictable and often contradictory. Without repeating them here, instead keep these points in mind:

■ **An increase indeed boosts the pay of hundreds of thousands of Iowa workers**

While only about 10,000 Iowans are estimated to work at or below the minimum wage,⁶ the number of workers who would benefit from an increase – any increase – is much greater. You must look at the number of workers earning between the old minimum wage and the new one to see the **direct impact**, not just those at or below the old minimum, as business lobbying groups often do. In addition, there is an important **indirect impact** as pay scales adjust for workers who have been paid slightly above the minimum. Affected Iowa workers make up more than 12% of the state's total population, and factoring in family members, the impact is even greater.

Affected workers are clustered in certain sectors, including retail trade (23%), health care and social assistance (16%), restaurants (16%), manufacturing (9%), and educational services (8%).⁷

■ **The proposal is a meaningful increase in a household budget**

In dollar terms, a minimum wage increase from \$7.25 to \$17 an hour would mean an average annual raise of \$3,258, or 14%, among affected Iowa workers. Nationally, the average annual increase for affected workers would be \$3,100.⁸

■ **Businesses can handle the increase after a 15-year delay**

A minimum wage boost benefits businesses because higher wages reduce turnover, which lowers business costs, and enables workers to better support their families.

Federal, state or local? Action at any level makes sense

A strong federal minimum wage such as the \$17 proposed in the Raise the Wage Act of 2023 is arguably the best approach because low-wage workers across the country would benefit – especially in the 20 states that are at the federal level or have no specified state minimum wage. But **higher minimum wages set at the state or local levels** by elected officials are as meaningful to residents in those jurisdictions when Congress fails to act on a national minimum wage. The national \$7.25 minimum wage took effect in July 2009 – a year and a half after Iowa's \$7.25 took effect. Both state and federal lawmakers have failed Iowans on this issue.

For more information, contact Mike Owen at mowen@commongoodiowa.org.

¹ The Cost of Living in Iowa 2022, Common Good Iowa. <https://www.commongoodiowa.org/data/cost-of-living-in-iowa>

² U.S. Department of Labor. <https://www.dol.gov/agencies/whd/minimum-wage/state>

³ Ben Zipperer, Economic Policy Institute, "The impact of the Raise the Wage Act of 2023," Table 2. July 25, 2023. <https://www.epi.org/publication/rtwa-2023-impact-fact-sheet/>

⁴ In the Economic Policy Institute analysis, directly affected workers are those whose wages rise as the new minimum wage exceeds their current hourly pay. Indirectly affected workers' wages are just above the new minimum – up to 115% of the new minimum. Their pay will rise as employer pay scales are adjusted to reflect the new minimum wage.

⁵ Economic Policy Institute Minimum Wage Simulation Model; see Technical Methodology by Cooper, Mokhiber and Zipperer (2019). <https://www.epi.org/publication/minimum-wage-simulation-model-technical-methodology/>

⁶ US Bureau of Labor Statistics, Characteristics of minimum wage workers, 2021. Table 3, 2021 annual averages, <https://www.bls.gov/opub/reports/minimum-wage/2021/pdf/home.pdf>

⁷ Economic Policy Institute Minimum Wage Simulation Model.

⁸ Ibid, Zipperer (2023).