Each year we mark Labor Day with a “State of Working Iowa” assessment of key trends in wages, labor standards, and working conditions — typically calibrating our progress against recent history and against the records of our national and regional peers. This Labor Day, with Iowa into its seventh month of the global pandemic and accompanying recession, that assessment takes on a new urgency. The economy fell off a cliff in March 2020, and we are still picking through the wreckage and tallying the damage. The depth and suddenness of the economic collapse, alongside the unprecedented public health crisis that precipitated and accompanied that collapse, exposed glaring gaps and weaknesses in our public policies, and underscored systematic inequalities in economic and policy outcomes.

**Economy standstill slammed Iowa’s workforce**

Let’s start with the economic collapse. When the public health threat posed by the virus became evident in early March, the economy ground to a standstill. In part, this was simply the economic fallout from the viral threat; and in part it was a political response to that threat. Business closed because they had few customers or workers, but also because — in most states — social distancing and sheltering in place were invoked as essential public health measures. Governor Reynolds issued a string of emergency proclamations regulating business activity and social gatherings, but Iowa was one of just five states to never issue a general “shelter-in-place” order.

The pace and scale of job losses fell heavily on low-wage workers, and the risk of staying on the job fell disproportionately on women and workers of color.

In order to appreciate the scale and suddenness of the COVID crash, compare the pace of new unemployment claims in the first 30 weeks of the Great Recession (December 2007 through June 2008) with the first 30 weeks of the current downturn. Between early February and late-August 2020, Iowa Workforce Development recorded 444,390 new claims for unemployment insurance — a total that represented over one quarter of the February 2020 labor force, and nearly four times the number of claims recorded in the same span of the Great Recession. The average number of new weekly claims in the first 30 weeks COVID-19 recession (14,813) was greater than the highest weekly total recorded during the Great Recession.
In Iowa, employment losses (Figure 2) were starkest in leisure and hospitality, which shed over a quarter of its jobs between February and July. Because many of the state’s nondurable manufacturing jobs (especially in food processing) were deemed “essential,” Iowa’s job losses in manufacturing were lower than in the nation as a whole. Iowa’s construction sector lost over 11 percent of its jobs — twice the rate of job losses in the sector nationwide.

The unemployment crisis widened Iowa’s labor market inequalities. The pace and scale of job losses — in Iowa and elsewhere — fell heavily on low-wage workers, especially in leisure and hospitality and retail. The risk of staying on the job — in front-line occupations and in those sectors deemed “essential” — fell disproportionately on women and on workers of color. Many were forced to leave the labor market to meet family obligations (especially as public schools closed down in mid-March), a choice that was complicated by limited and inequitable access to paid leave. And, to add insult to injury, about half of those Iowans losing their jobs — in the midst of a public health crisis — lost their job-based health coverage at the same time.
The federal Families First and CARES Acts, passed in early and mid-March respectively, offered a limited program of paid leave\(^9\) and a relatively generous expansion of unemployment insurance,\(^10\) including eligibility (Pandemic Unemployment Assistance or PUA) to most of those not conventionally covered by the state’s unemployment insurance programs, and a $600 a week supplemental benefit (Pandemic Unemployment Compensation or PUC) to the benefit paid under regular UI and the PUA. A program that normally replaced less than half the lost wages of less than half of Iowa’s unemployed was now broadly accessible, and generous enough to make whole the paychecks of all those who had been earning anything under $30/hour.

**Iowa’s inadequate response undercut economic recovery and public health**

The relative generosity of these programs, however, proved hard to implement or sustain. Too much of the initial $2 trillion infusion of federal money was squandered on direct aid to business\(^11\) with few meaningful conditions or guardrails against misuse. Too little assistance went to state and local governments.\(^12\) State unemployment systems could not begin to manage\(^13\) the avalanche of claims, and many (including Iowa) were leery that federal largess would slow “reopening” plans. Indeed, almost as soon as Iowa Workforce Development finally figured out how to disburse the new federal benefits, they began to actively discourage access to them.\(^14\)

In turn, Iowa’s determination to “stay open” and its expansive definition of “essential businesses” undercut the public health objectives of the CARES Act. Nowhere was this more starkly evident than in the state’s meatpacking plants.\(^15\) In the absence of any new enforceable state or federal regulatory standards\(^16\) for worker protection against the virus, rolling outbreaks in packing plants and packing communities have become commonplace. Employers, and state policy, have steamrolled the efforts of local governments and health agencies\(^17\) to control the virus in these settings. Indeed the single, brutal concession to workplace risk was new legislation immunizing employers\(^18\) against COVID-related lawsuits.

**Iowa’s determination to “stay open” and its expansive definition of “essential businesses” undercut public health objectives.**

And then, of course, the key provisions of the CARES Act (including the PUC, the federal eviction moratorium, and the “holding pattern” on student loan payments) expired in late July. Congress failed to reach an agreement to extend these. And the Administration’s slapdash “lost wage assistance” program offers little relief. The program repurposes $44 billion from the FEMA budget, enough to pay only a few weeks of benefits — and less if FEMA needs to claw back any of that for disaster relief. The most a worker is likely to get is $300/week — cutting the average UI check from $908/week to $608/week.\(^19\) And, due to the requirement that cash-strapped states contribute at least a quarter of the weekly benefit, the wage assistance is not available\(^20\) to those receiving PUA (which is all federal money) or a state benefit of less than $100/week.

The peril facing Iowa’s working families, and the Iowa economy, is acute. Even before the benefit “cliff” in late July, Iowans were struggling to pay for the basics.\(^21\) Between February and late July, the receipt of SNAP (food stamps) rose 14 percent in Iowa. According to the Census Bureau’s Household Pulse Survey,\(^22\) 1-in-8 (12 percent) Iowa families with children reported that their household sometimes or often didn’t have enough to eat in the last seven days. According to the same survey, 1 in 6 Iowa tenants are already behind on their rent. And such austerity is bad for the economy as whole. The expiry of the CARES Act, which slashed both weekly benefits and state and local tax revenues, is (according to estimates by the Economic Policy Institute) likely to cost Iowa another 42,586 jobs over the next year.\(^23\)
In the face of all of this, Governor Reynolds pushed aggressively to “reopen” the state — a strategy accomplished by forcing reluctant school districts to rush back to face-to-face instruction, by narrowing eligibility for unemployment insurance\textsuperscript{24} (and even clawing back some benefits already paid) and by resting such decision on suspect\textsuperscript{25} (and at times suspicious\textsuperscript{26}) public health metrics. That the Governor’s response to the health and economic crisis has prioritized maintaining business profitability over protecting and aiding individuals and families was made clear in her allocation of Iowa’s $1.25 billion in the Coronavirus Relief Fund. She used $490 million, 40 percent of the total, to prop up the state’s unemployment insurance trust fund, with the sole effect of preventing at some future time a possible increase in employers’ UI contribution rates.\textsuperscript{27} Meanwhile, $22 million was allocated to an eviction and foreclosure prevention program that until recently excluded persons receiving unemployment benefits and provides at most four months of assistance to renters and homeowners.

And, as public health mandates are lifted and CARES Act benefits expire, we are nowhere near “back to normal.” Although Iowa’s unemployment rate fell to 6.6 percent in July (down from its April peak of 11 percent) the health and security of the economy is still shaky. The overall jobs deficit is still substantial. The Iowa economy has shed 97,200 jobs since February — 35,500 more jobs than were lost in the entirety of the Great Recession. And that 6.6 percent unemployment rate (see Figure 3) is still equal to the highest monthly rate recorded during the Great Recession.

![Figure 3. Health and Security of Iowa Economy Remains Shaky](image)

Importantly, the drop in the unemployment rate is generated less by any observable economic recovery than by the fact that discouraged workers are dropping out of the labor force entirely. Since February, Iowa’s labor force participation rate (the share of the adult population who are working or looking for work) has plunged from 70.9 percent to 65.6 percent (Figure 4 below) — a decline twice as steep as that of the nation as a whole, and steeper than all but one other state (Kentucky).
In a nutshell, this means Iowa’s job market has scarcely rebounded at all from its abrupt March collapse. If we hold the rate of labor force participation constant at its February level (70.9 percent) — effectively assuming that the share of population that is working or looking for work does not change, and counting those who dropped out of the labor market as unemployed — the adjusted July unemployment rate (see Figure 5 below) is more than double the official rate. In February, over two-thirds of Iowa’s working-age population (67.3 percent) was gainfully employed; by July, this had plummeted to just 61.2 percent.

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A roadmap toward recovery

State and federal responses to the COVID-19 crisis has brought us, this Labor Day, to an uncertain and perilous juncture. Because we did not shut down sufficiently or long enough to control the spread of the virus, we now are faced with the prospect — until there is a reliable vaccine — of either repeating the “hibernate and repair” strategy of the CARES Act, or stumbling through another season of viral outbreaks and “too little, too late” half-measures.

It does not have to be that way.

The first order of business is an extension and expansion of the CARES Act — reinstating the PUC bump in unemployment benefits, expanding access to paid leave, and building in substantial assistance for state and local governments. Expansive unemployment insurance, with generous eligibility thresholds, is crucial to both sustaining the incomes of Iowa’s working families, and ensuring that workers are able to make reasoned and responsible decisions about labor market participation at a time when working poses real danger, and other demands (especially child care) are pressing. And assistance to state and local governments will both allow them to meet the challenges of governing — and protecting the public welfare — during a pandemic, and act as a stimulus or foundation for the rest of the economy.

We need to find better ways to protect Iowa workers, their families and their communities. Once that is in place, we can begin to address the policy weaknesses exposed by the pandemic itself. Our system of occupational health and safety is fundamentally flawed, a fact underscored by the rolling viral outbreaks at Iowa’s packing plants. We need to find better ways to protect workers, their families, and their communities. In the absence of significant new protections from the federal Occupational Health and Safety Administration (OSHA), a number of states and cities have adopted comprehensive protections in response to COVID-19. These measures not only raise the standards for protective equipment, social distancing, and worker notification, but also provide resources to ensure that such measures are enforced.

We need to modernize our unemployment insurance system — both to ensure that it reaches more of the workforce, and to ensure that when a crisis hits it has the capacity to process claims quickly and efficiently. The federal PUA program for workers not normally eligible for unemployment benefits papers over a major weakness of our existing system, where conventional or “contingent” work arrangements are more and more common. We can follow the lead of other states to minimize the misclassification of workers as “independent contractors” and expand access to the protection offered by unemployment insurance.

We need to follow through on the “paid leave” provisions of the Families First and CARES Acts. Given patterns of labor force participation in Iowa families, and the risk posed by COVID-19, it is vital that we follow the lead of other states and institute a program of paid family and medical leave. Such policies allow workers to meet family obligations, in response to personal or public health emergencies, without dropping out of the labor market. Research shows that such policies — at very little cost — benefit employers and employees alike.

In turn, we need to return our attention to the unfinished business of fixing our pre-COVID economy. Iowa cannot live up to the promise of a good place “to live, work, and raise a family” without addressing its persistently low wages. The first step here would be to follow the lead of all but a handful of other states and raise the minimum wage for the first time in over a decade. An increase to $15.00 an hour by 2024 would lift the fortunes of over a third of Iowa’s working
families. And the impact would be even more dramatic if it were accompanied by more generous work supports, including child care assistance and an expanded Earned Income Tax Credit.

The keystone of both economic opportunity and economic development is public education, and yet we have persistently failed to provide adequate funding for K-12 education, and cut deeply into support for higher education. The situation here will only worsen — without significant state investments — once the full fiscal impact of the COVID-19 recession is felt.

And finally, the disparate racial impact of both the virus and its attendant recession — and the civil rights organizing in the wake of George Floyd’s murder at the hands of the police in Minneapolis — remind us of the work we have to do to ensure social and economic opportunities for all Iowans. Workers of color in Iowa (and across the upper Midwest) have borne the brunt of stagnating wages, attacks on collective bargaining, and slipping investments in public education — even as they have been disproportionately targeted by the police and the justice system. As we rebuild the policies that sustain economic opportunity and outcome, we need to also attend to the historic disadvantages and discrimination that have persisted for too long.

These are challenging times. Our plan for recovery demands more than just a rush back to normal, featuring tax breaks and regulatory relief for business and the thin promise of trickle-down benefits for the rest of us. Our political attention and resources should be targeted where the need is greatest — at those held back by a long history of systemic racism, at those struggling to make ends meet even before the current crisis, and at those hit hardest by the COVID recession.

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