

Policy priority: **Increase the minimum wage to \$15 an hour** Move would boost the incomes of 30 percent of Iowa workers

Several national retailers have been in the news over the past couple of years announcing their move to a starting wage of \$15 an hour. Costco, Target and Amazon now pay at least \$15, and Walmart is moving in that direction. This is a big deal; retail workers are one of the largest occupational groups earning low wages. Despite these moves, many Iowa workers in retail, food service, child care and other occupations still earn well under \$10 an hour.

► **\$15 minimum wage would help a large segment of the workforce and their families**

It is important to remember that an increase in the minimum wage helps more than people earning a minimum wage. Workers working at pay below the proposed new minimum, as well as some workers slightly above the new minimum will benefit as pay scales adjust. Moving to \$15 an hour by 2025, through either a state or federal boost in the minimum wage, would boost the earnings of 463,000 Iowa workers — about 30 percent of the state's work force¹ — and their families.

► **Current minimum wage is less than half a living wage in Iowa**

By 2025, a living wage for an Iowa family with children will be over \$15 an hour. This is the hourly wage needed by a full-time worker to cover basic, no-frills household expenses — food, rent, utilities, transportation, health insurance — without help from assistance programs.² For a single-earner family with one or more children, the living wage is already over \$20. Even a single person needs at least \$14.

► **An improvement in the wage is long delayed**

The federal minimum wage has been raised periodically, but we are now in the longest stretch without a raise — over 11 years — since the minimum wage was established in 1938. It has been stuck at \$7.25 since July 2009. The lack of federal action has prompted the majority of states (30) to enact a state minimum higher than the federal.

For Iowa, the delay has been longer, as the minimum has stood at \$7.25 since January 2008. At least eight states will have a \$15 minimum by 2026. While Iowa remains stuck at \$7.25, five of the states surrounding us have raised their minimums to \$9.00 or above, including \$10.08 in Minnesota, \$10.30 in Missouri, and \$11.00 in Illinois.

Iowa trails most neighbors on minimum wage



Source: U.S. Department of Labor

▶ **Minimum wage increase would boost Iowa economy and local businesses**

The \$15 wage in 2025 would provide an average wage increase of 17 percent, or \$3,500, to those workers benefiting from it in Iowa. Low-wage workers, living on the margin, can be counted on to spend rather than save that additional income. The wage boost would pump \$1.6 billion of additional earnings into the Iowa economy. The increase in spending would boost sales for a wide range of local businesses.

▶ **Minimum wage increase would boost people supporting families**

The U.S. economy has changed in the last half century. Service workers, in accommodation and food service, retail, health care, social services and other sectors, are a larger share of the workforce, and the majority of those service jobs are held by full-time, family-supporting workers. Of those Iowans benefiting from a \$15 minimum, three-fifths are age 25 or older, including 43 percent in the prime earning years of 25 to 54. Of this group, 62 percent are women, and 21 percent are Black, Latinx, Asian or Native American.³

▶ **The minimum wage is a tool to address income inequality**

Income inequality has been rising nationally and in Iowa for the past four decades. While worker productivity has continued to rise, the benefits of that productivity no longer flow to the workers. The top 5 percent or 1 percent have garnered the largest share of the growth in prosperity, while real incomes of those at the bottom have stagnated. A \$15 minimum wage would be a powerful tool to correct for that inequality and return us to an era when workers shared in the nation's growing wealth.

▶ **Businesses will adjust and prosper in a stronger economy**

Yes, there will be an impact on some businesses. While the Congressional Budget Office projected some loss of employment from the \$15 wage, other economists, relying on the latest cutting-edge research on the effects of higher minimum wages, argue that the employment effects will be very small or nonexistent.⁴

Businesses faced with higher minimum wages have historically found a number of ways to accommodate rising costs. They have a larger pool of better qualified workers to choose from; they face lower employee turnover, which in turn means lower training costs, a more experienced and productive workforce and better customer relations. Modest price increases can be made. The recent CBO report estimated the bulk of the price increases will be borne by higher-income groups. It should be noted that wages are about one-fifth of the total costs for the average restaurant; a 20 percent increase in total wage costs could be offset by a 4 percent increase in prices, if nothing else were done to adjust business operations.

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▶ **Minimum wage increase represents an essential step for essential workers**

What is clear is that Iowa workers deserve a living wage. These are the workers who have continued to care for our children, gather our groceries, and perform all those other tasks that we so clearly recognize now as essential to our well-being and to the functioning of the economy. It is time to do something more than say, "Thank You."

¹ Economic Policy Institute: The impact of raising the minimum wage to \$15 by 2025, by congressional district. Jan. 28, 2021. <https://www.epi.org/publication/minimum-wage-to-15-by-2025-by-congressional-district/>

² Iowa Policy Project, the Cost of Living in Iowa, 2019. <http://www.iowapolicyproject.org/2019Research/190924-COL2019-Overview.html> To arrive at an estimate of the hourly wage needed by 2025, we assumed an average inflation in living costs of 2 percent per year from 2019 to 2025.

³ See Economic Policy Institute, above.

⁴ Economic Policy Institute, "CBO analysis confirms that a \$15 minimum wage raises earnings of low-wage workers, reduces inequality, and has significant and direct fiscal effects." February 8, 2021. <https://www.epi.org/blog/cbo-analysis-confirms-that-a-15-minimum-wage-raises-earnings-of-low-wage-workers-reduces-inequality-and-has-significant-and-direct-fiscal-effects-large-progressive-redistribution-of-income-caused/>