
Iowa Fiscal Partnership

FOR RELEASE TUESDAY, OCT. 12, 2004, 11 A.M. CDT – NOTE EMBARGO
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Working Families Getting Squeezed in Iowa Report: One in Four Families in Iowa is Low-Income

Editor's Advisory: The authors of the national report "Working Hard, Falling Short" will be available to talk to reporters on a conference call at noon Central time on October 12. Please dial 1-800-374-7426 and enter pass code 770624.

IOWA CITY, Iowa (Oct. 12, 2004, 11 a.m. CDT) – One in four Iowa families is low-income, earning less than \$36,784 for a family of four, according to a new national report.

"Work should pay better than that," said Elaine Ditsler, research associate for the Iowa Policy Project (IPP), who noted other findings of the report.

"When one-third of Iowa children in working families are in low-income homes, we should be concerned about addressing their needs. When almost half of minority working families are low-income, how can anyone be satisfied with that?"

The report also found that working families face uneven income conditions state-to-state, with Iowa ranking about in the middle on several measures.

"Average is not good enough for Iowa," Ditsler said.

The report was conducted as part of the Working Poor Families Project, supported by the Annie E. Casey, Ford, and Rockefeller foundations. The report spotlights issues confronting low-income working families and makes several recommendations to improve their economic standing.

Ditsler reviewed the report for the Iowa Fiscal Partnership, a joint effort of the IPP and the Child & Family Policy Center in Des Moines.

Ranking states from first (best) to 50th (worst), the report, "Working Hard, Falling Short," found Iowa:

- Ranks 25th nationally in the percentage of working families that are low income (1 in 4) and 19th on the percentage of children that live in low-income working families. One out of 3 children in working families lives in a low-income family.
- Ranks 37th in the percentage of minority working families that are low-income. About 46.5 percent of all minority working families are low-income.
- Ranks 26th in the percentage of state and local taxes paid by the lowest-earning 20 percent of families.
- Ranks 29th in the percentage of jobs paying below poverty threshold of approximately \$9.00 an hour. About 1 out of 4 jobs pays poverty-level wages or less.

- Spends 36 cents of state dollars on need based postsecondary aid for every \$1 dollar of federal Pell Grant aid. This ranks 15th best in the country but is less than one-half of what Illinois spends.

According to the report, more than one-fourth, or 26.9 percent, of Iowa working families had incomes categorized as low income in 2002 (less than 200 percent of poverty, or \$36,784). This ranked Iowa sixth out of seven states in its area (Iowa and the border states of Illinois, Minnesota, Missouri, Nebraska, South Dakota and Wisconsin). Iowa ranked right in the middle of all states on this measure, at 25th. Almost 1 out of 3 children in working families live in low-income families, ranking Iowa 19th among the 50 states.

In addition, almost one-half, or 46.5 percent, of minority working families in Iowa were low-income (ranking Iowa sixth out of seven states in our area and 37th out of 50 states).

Ditsler also noted the tax situation for working families. Iowa families earning less than \$14,000 annually pay 10.6 percent of their income in state and local taxes.

“This number is exceedingly high when you consider that families earning over \$250,000 annually pay only 7.9 percent of their income in those taxes,” Ditsler said, noting Iowa ranks 26th on this measure.

Iowa’s job quality also did not stand well vs. its upper Midwest neighbors. Almost one-fourth, or 24.4 percent, of jobs in Iowa paid less than the poverty threshold of \$18,392 (about \$9.00 per hour) in 2002. This was worse than the national average and again placed Iowa sixth in the seven-state group of Iowa and its bordering states.

“Iowa fares well in a few categories compared to other states,” Ditsler said. “Among those are the education level of our low-income working parents, the percent of workers who are fully employed, and the health insurance rates of parents in low-income families.”

“However, education and full employment must translate into real dividends through high paying jobs. As we’ve seen, Iowa has too many poverty-wage jobs. And with more than a quarter of working families with an uninsured parent, there is still much that Iowa can do to improve there.

“If state revenue does not pick up substantially, then Iowa may soon go the way of Texas, Nebraska, Mississippi, Missouri, Minnesota, and many other states that have been forced to roll back eligibility for public health insurance programs for the needy.”

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The Iowa Fiscal Partnership is a joint initiative of the Iowa Policy Project and the Child & Family Policy Center, two nonprofit, nonpartisan Iowa-based organizations that cooperate in analysis of tax policy and budget issues facing Iowans. IFP reports are available on the web at <http://www.iowafiscal.org>.