



# The Failure to Raise the Minimum Wage Hurts Iowa's Families and Economy

## Joni Ernst's Extreme Position on the Minimum Wage Has No Place in the Hawkeye State

By Anna Chu    September 1, 2014

Even with the economy showing signs of recovering from the Great Recession, many families in Iowa still face significant financial challenges. The cost of living continues to rise, but families' incomes are not keeping up, and an increasing number of families are living paycheck to paycheck. And while incomes have begun to rise for some, the \$7.25 minimum wage has not budged in five years, leaving many falling further and further behind.

Raising the minimum wage is a critical step toward rebuilding an economy that works for everyone, not just the wealthy few. But on this issue, the two candidates for one of Iowa's U.S. Senate seats differ dramatically. Joni Ernst is opposed to the federal minimum wage and said \$7.25 is "appropriate for Iowa."<sup>1</sup> Iowans disagree.

According to a new poll commissioned by the Center for American Progress Action Fund, 80 percent of Iowans say they could not support their household on Iowa's minimum wage, which amounts to about \$15,000 per year. It is clear that Ernst is vastly out of touch with the key pocketbook issues facing those she wants to represent.

Not everyone is experiencing the challenges of living paycheck to paycheck: From 1979 to 2007, while the top 1 percent in Iowa saw their average income grow by 110.5 percent, the average incomes of the bottom 99 percent grew by only 23.7 percent.<sup>2</sup> The economy just is not working for everyone. But while the average Iowa family is struggling to make ends meet, rich donors such as the Koch brothers are not only making record profits, they are maxing out for Ernst's campaign.<sup>3</sup>

Iowa needs and deserves a leader who will fight for everyone and who will support raising the minimum wage for more than 300,000 workers in Iowa.<sup>4</sup> More money in the pockets of Iowa workers means more money spent at Iowa businesses, which expands the state's economy and creates more jobs.

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## Ernst's views on raising the federal minimum wage stand in stark contrast to the majority of Iowans

Throughout her campaign for U.S. Senate, Joni Ernst has been vocal in her opposition to raising the federal minimum wage. During an interview with Iowa Public Radio, she remarked, “I do not support a federal minimum wage. Every state has a different economy, different cost of living.”<sup>5</sup> She does not believe “the federal government should be involved in setting the minimum wage,”<sup>6</sup> and instead believes that this is a state issue. Ernst has also publicly stated that a minimum wage of \$7.25 per hour, which translates to roughly \$15,000 per year, is “appropriate for Iowa.”<sup>7</sup>

She opposes a federal minimum wage, even though 57 percent of Iowans support it—including 53 percent of independent voters.<sup>8</sup> Additionally, voters disagree with her stance that \$7.25 per hour is appropriate for Iowa. In fact, when asked whether they could support their families on the minimum-wage salary of \$7.25, 80 percent of Iowans said they could not—including 70 percent of Republicans and 78 percent of independents.<sup>9</sup>

Polling also shows that 65 percent of Iowans support raising the current minimum wage of \$7.25 an hour—including 45 percent of Iowa Republicans.<sup>10</sup> Additionally, 53 percent of Iowans support raising the federal minimum wage from \$7.25 per hour to \$10.10 per hour.

Instead of supporting policies that would ensure that Iowans who work hard have more and better opportunities to get ahead, Ernst supports an extreme position that would hurt hardworking Iowans and the overall economy.

- **Failing to raise the minimum wage keeps money out of workers' pockets.** Raising the minimum wage to \$10.10 per hour would increase wages for 306,000 Iowans by a total of \$430,462,000.<sup>11</sup> Opposing a minimum-wage increase denies these workers a much-needed—and much-deserved—raise.
- **Failing to raise the minimum wage keeps Iowans poor.** A \$10.10 minimum wage would reduce Iowa's nonelderly poverty rate by more than 9 percent, from 10.9 percent to 9.8 percent, and would lift more than 26,000 Iowans out of poverty.<sup>12</sup>
- **Failing to raise the minimum wage hurts women in particular.** 57.8 percent of Iowans who would benefit from a minimum-wage hike are women.<sup>13</sup> By opposing raising the minimum wage, Ernst is disproportionately hurting women.
- **Failing to raise the minimum wage hurts the economy.** Increasing the minimum wage to \$10.10 would boost the Iowa economy by \$272,483,000.<sup>14</sup> Not raising the minimum wage prevents Iowa from growing its economy.

- **Failing to raise the minimum makes it harder for Iowa workers to make ends meet.**

According to the Massachusetts Institute of Technology, or MIT, a family of three in Des Moines needs \$52,362 per year to meet minimum standards of living.<sup>15</sup> Despite the high cost needed to meet a minimum standard of living, Ernst wants to keep the current minimum wage of \$7.25 for Iowa. This is against the interest of Iowans, 80 percent of whom believe they cannot live on the current minimum wage.<sup>16</sup>

Even Republicans such as former Massachusetts Gov. Mitt Romney, former Minnesota Gov. Tim Pawlenty, and former Pennsylvania Sen. Rick Santorum agree that the minimum wage needs to be increased.<sup>17</sup> Indeed, Ernst’s stance on the minimum wage is so extreme that it stands even further to the right than conservative talk show host Bill O’Reilly. O’Reilly has recently been urging conservative lawmakers to raise the minimum wage, saying that, “The Republican Party should really wise up and stop opposing raising the minimum wage. It should be \$10 bucks an hour. If an adult American is willing to work \$10 is fair.”<sup>18</sup>

Despite broad support for raising the minimum wage, Ernst does not stop at simply opposing the increase; she opposes the existence of a federal minimum wage altogether.<sup>19</sup> If elected to the Senate, the question remains whether Ernst will back abolishing the federal minimum wage, a question she has avoided answering directly on the campaign trail.

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### Ernst’s opposition to raising the minimum wage is harmful to Iowa workers and the economy

Currently, a worker making \$7.25 an hour and raising two children struggles to make ends meet. Assuming a minimum-wage employee works full time and takes no vacations, she or he will earn just \$15,080 a year. This is nearly \$5,000 below the federal poverty line for a family of three.<sup>20</sup> As stated above, MIT has shown that a family of three in Des Moines—where the average monthly cost of housing for a worker with two children is \$737 and the average monthly cost of food for a family that size is \$536<sup>21</sup>—needs \$52,362 to meet minimum standards of living.<sup>22</sup> The monthly minimum-wage income of \$1,257 does not even cover the home and food expenses.

More than 600 economists, including seven Nobel laureates, have signed a letter supporting an increase in the minimum wage, saying, “the weight of evidence now show[s] that increases in the minimum wage have had little or no negative effect on the employment of minimum-wage workers, even during times of weakness in the labor market.”<sup>23</sup> Additionally, research from the Federal Reserve Bank of Chicago shows that increasing the minimum wage by just \$1 raises the incomes of minimum-wage households by about \$1,000 and boosts consumer spending by about \$2,800 the year after the increase.<sup>24</sup> Meanwhile, research from economists Pierre Cahuc and Philippe Michel show that raising the minimum wage could have a positive effect on economic growth by inducing more human capital development.<sup>25</sup>

Business owners realize the value of raising the minimum wage as well. Officials at the big-box retailer Costco realize that a higher minimum wage would help reduce employee turnover and increase employee productivity, commitment, and loyalty, which is good for the bottom line. As Costco Senior Vice President Jeff Long said:

*Good wages are good business. We keep our overhead low while still paying a starting wage of \$11 an hour. Our employees are a big reason why our sales per square foot is almost double that of our nearest competitor. Instead of minimizing wages, we know it's a lot more profitable for the long term to minimize employee turnover and maximize productivity and commitment, product value, customer service and company reputation.<sup>26</sup>*

More recently, clothing and accessories retailer Gap announced that it would raise its minimum wage to \$10 an hour.<sup>27</sup> According to Gap Chairman and CEO Glenn Murphy, raising the minimum wage was not a political issue. “Our decision to invest in frontline employees will directly support our business, and is one that we expect to deliver a return many times over,” Murphy explained.<sup>28</sup> As described in Gap’s announcement of the decision, increasing the minimum wage would help Gap “attract and retain great talent” and improve customers’ experience.<sup>29</sup>

It is not only large corporations that understand the importance of raising the minimum wage. A recent national poll of small businesses shows that 61 percent of respondents support raising the minimum wage to \$10.10.<sup>30</sup> In fact, 58 percent believe raising the minimum wage would increase consumer purchasing power in the economy, and 56 percent believe it would help the economy overall.<sup>31</sup>

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## Ernst’s opposition to the minimum wage would hurt working families in Iowa

One of the key ways to build an economy that works for all is for workers to earn more so that they can then in turn spend that money elsewhere in the economy. This would not only help those workers who would receive a wage increase, but it could also boost the economy more broadly.

Raising the minimum wage from \$7.25 to \$10.10 would increase a minimum-wage worker’s annual earnings to more than \$21,000.<sup>32</sup> This would help them address the ever-rising cost of living while growing the economy. When workers’ wages increase, they have more money to spend on other things such as school supplies, child care, and food.<sup>33</sup>

A study by the Economic Policy Institute, or EPI, examining the effects of raising the minimum wage to \$10.10 found that it would benefit millions of American families. The proposal would not only directly raise wages of minimum-wage workers, but economists also find that it tends to have a ripple effect—that is, raising the minimum wage would also boost incomes of other workers making slightly more than the minimum wage.<sup>34</sup>

Experts at the Brookings Institution made similar assumptions in their analysis of the impact of raising the minimum wage.<sup>35</sup>

Moreover, raising the minimum wage to \$10.10 would lift more than 26,000 Iowans out of poverty and reduce Iowa's nonelderly poverty rate by 9 percent.<sup>36</sup> In turn, that would reduce spending on government programs such as food stamps. Increasing the minimum wage to \$10.10 would take between 37,594 and 42,716 Iowans off food stamps, meaning Ernst's position would maintain dependence on the program.<sup>37</sup>

Iowa workers and Iowa's economy would both benefit from increasing the minimum wage. Doing so would put more money in the pockets of workers, allowing them to spend it in their communities and increase demand in the overall economy. Ernst's opposition to raising the minimum wage would stand in the way of 306,000 workers receiving a wage hike totaling \$430,462,000 statewide and prevent the state from realizing \$272,483,000 in economic activity.<sup>38</sup>

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## Conclusion

Ernst's radical position on the minimum wage threatens the economic security of Iowans. At a time when too many Iowa families are still recovering from the Great Recession, Iowans need to rebuild the economy so that it once again works for everyone, not just the wealthy few.

Instead of rebuilding the economy so that hardworking Iowans can once again have the opportunity to succeed, Ernst opposes a raise for more than 300,000 hardworking Iowans and wants to keep the current \$7.25 minimum wage for Iowa. The hardworking people of the Hawkeye State know better, and know Joni Ernst is bad for the state's economy—and its working families.

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## Endnotes

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